June 20, 2018 – JPM Manipulation – The Real Story

I donâ??t think it was an accident that the recent announcement by the CFTC that it had fined JPMorgan $65 million for attempted manipulation of a US Dollar index was greeted with a collective yawn by precious metals investors. Itâ??s not that much of a stretch to say that JPMorgan has been fined for just about every market infraction under the sun, except for the most blatant and serious crime the bank is carrying out â?? the manipulation of the silver and gold markets.

https://www.cftc.gov/PressRoom/PressReleases/7742-18

Thatâ??s not to say it is palatable to read Enforcement Director James McDonald prattle on about how serious the Commission considers market integrity when he does everything he can to avoid responding to the simple undeniable facts that many have beseeched him to address â?? like JPMorgan never taking a loss on silver short positions over the past ten years. Or the fact that JPMorgan is both the largest COMEX silver short seller while having accumulated the largest physical silver position in history. I donâ??t doubt that JPMorgan was guilty as charged in the dollar index case, just that it was a molehill compared to the mountain of the silver market manipulation.

In fact, I canâ??t help but feel that the collective non-reaction to this case bore out the point I made on Saturday about silver and gold investors giving up on the CFTC as a legitimate regulatory institution. Thatâ??s the single worst fate that could befall an institution and seeing how Iâ??ve yet to hear any precious metals investor ever praise the agency for fulfilling its main mission – guarding against price manipulation – I donâ??t think Iâ??m exaggerating the low general regard by the public for this agency. Nor do I see any chance of this changing, for a number of reasons.

For one thing, the allegations that JPMorgan has manipulated silver and gold prices for a decade are so serious that any proportionate fine would be too large to assign. And any fine would only precipitate a virtual landslide of public and private lawsuits from investors, producers and producing countries, so as to jeopardize JPMorganâ??s existence as a going concern. Not that the CFTC could ever move against JPMorgan, since the agency has long been held captive to JPMâ??s lawyers and lobbyists. The CFTC has never enacted any policy or regulation that JPMorgan has opposed; starting with legitimate position limits.

The Commission canâ??t possibly ever admit that there is anything amiss in silver after denying any such manipulation for three decades. To do so now would be tantamount to formally ending the agency as an independent regulator. Besides, McDonald and company canâ??t even answer simple questions based upon the agencyâ??s own data â?? it is completely incapable of ever seriously confronting the crooks at JPMorgan.

JPMorgan, in effect, regulates the CFTC and not the other way around. I would ask you to step back to appreciate the main reason why the CFTC could never bring charges against JPMorgan for manipulating silver and gold prices (as it should). It has to do with money and power. JPMorgan is just one of many of the thousands of market participants the CFTC regulates, yet a quick comparison of the two organizations shows why JPMorgan is the boss of the Commission and, in turn, of the silver and gold markets.

Letâ??s start with size. The CFTC has less than 700 employees, while JPMorgan has over 250,000 or

350 times more than the agency. Or money â?? the annual budget for the CFTC is $250 million and that must cover paying employees and all ongoing expenses, including those for physical offices and information technology. JPMorganâ??s annual net profit, after deducting all employee and business expenses, comes to $25 billion or oneÂ hundred times the CFTCâ??s entire annual budget. Even if it wanted to (which it doesnâ??t), the agency just doesnâ??t have the resources to confront JPMorgan on an issue that the bank would fight to the death. And besides, any such epic fight would close the revolving door for future employment after government service.

The CFTC doesnâ??t stand a chance of prevailing against JPMorgan should it ever bring charges of price manipulation in silver or gold. Thatâ??s the simple truth and it explains why the agency canâ??t answer reasonable and serious questions based upon its own public data. It also explains why JPMorgan brushes off allegations that it would usually retaliate against forcefully; it knows it is manipulating the markets and doesnâ??t want to risk retaliating and bringing attention to the issue because it knows the CFTC canâ??t do squat about it.

All that being said, I am not dissuaded in the least from my conviction that the precious metals manipulation is coming to an end; just not at the hands of the CFTC. That doesnâ??t mean Iâ??ll stop trying to hold their feet to the fire, since they exist as the US Governmentâ??s official commodity regulator and must be held to their mission and purpose. Itâ??s just that I have no expectation of the agency ever doing the right thing. The silver and gold manipulation will end, I am convinced, the same way it started â?? by whatâ??s best for JPMorgan. And whatâ??s best for JPMorgan is what brings it the most money, period.

I suppose the fact that JPMorgan has never taken a loss when shorting COMEX silver or when shorting or getting long COMEX gold futures might convince some that there is a much grander game at hand, one involving a central bank or banks or government entities. I am open to any hard facts anyone can offer in that regard, but I remain unconvinced by the evidence presented so far. Instead, Iâ??m left with only the hard data that JPMorgan has never made a misstep in COMEX silver and gold futures trading and its epic accumulation of physical metal on the cheap.

Yes, of course, JPM almost lost it big time when silver ran up to near $50 in April 2011 and it was short more than 20,000 net silver contracts (100 million oz) and was out more than $3 billion in open and unrealized losses. But â??almostâ?• doesnâ??t count in this case because JPM rode it out and moreover, it was this brush with near financial disaster that persuaded it never to be in this position again. The only way JPMorgan could neutralize its paper short position was with physical metal, which it accumulated to the tune of 700 million oz, the equivalent of 140,000 COMEX silver contracts.

It took more than seven years for JPMorgan to accumulate this metal, but no amount of time would ever have been sufficient for JPM to get long 140,000 paper COMEX silver contracts, because it would have been revealed in COT and Bank Participation Report data. Same with gold; the 20 million oz I claim that JPMorgan holds on a physical basis would amount to 200,000 COMEX gold contracts and would be seen clearly. Just like JPMorganâ??s 80,000 gold contract long position and market corner was seen by me in 2013.

https://www.silverdoctors.com/gold/gold-news/ted-butler-jpm-is-cornering-the-gold-market/

Not for a minute am I suggesting that I saw JPMorganâ??s epic accumulation of physical silver as it began in April 2011 or the start of its physical gold accumulation. After all, I try to be an analyst, I donâ??t pretend to be a prophet. I can only analyze the data as they become available. And as time has progressed, the data pointing to JPMorganâ??s epic accumulation of physical silver and gold have only become more compelling. Now the only question is what this portends for price.

The answer is clear â?? much higher silver and gold prices are in store because that is whatâ??s best for JPMorgan. No one, least of all JPMorgan, makes a massive investment in anything it doesnâ??t expect to rise in price. Admittedly, it becomes frustrating waiting for a price increase that never seems to come, but even here the explanation is consistent, namely, silver and gold prices will rise when JPMorgan decides they will rise. And as long as JPM can continue to acquire physical metal on the cheap, it is in the bankâ??s best interest to keep accumulating at the lowest prices possible.

All one who is on the outside can do, like you and I, is look for the clues for when JPMorgan may decide the time is ripe for prices to rise. I continue to see such a clue in my recent discussion of a developing double cross in gold, in which JPMorgan appears to have bought back important quantities of COMEX gold short contracts from other commercials and not from the managed money traders. To be sure, I doubt weâ??ll see clear signs of the double cross in this Fridayâ??s COT report (which Iâ??ll preview momentarily), because this coming report will likely feature broad managed money selling and commercial buying. But the expected commercial buying in this weekâ??s report will in no way invalidate the pronounced buying by the 4 big shorts in gold and selling by other commercials (mostly the raptors) in the last few COT reports.

In fact, I doubt very much that other commercials are even aware that JPMorgan may have already double crossed them. Itâ??s not as if the raptors (the smaller commercials apart from the 8 largest commercial shorts) will lose in the event gold prices surge higher. After all, these raptors are net long and will profit on such a price rise. The difference is the raptors would have been a lot more net long had not JPMorgan bought back as many gold shorts as it did over the past few weeks. Admittedly, this is very subtle and the odds are that the raptors are not aware of it and likely never will be.

But the data are clear â?? there has been unprecedented buying by the 4 biggest shorts in COMEX gold met primarily by raptor selling over the past few reporting weeks. I say that points to a potential double cross by JPMorgan and, as always, time will tell. I also can tell you what will invalidate my premise, namely, renewed aggressive short selling by JPMorgan/the big 4. I donâ??t think thereâ??s any chance of aggressive new short selling by the big 4 on lower prices, as that is not the way it ever works. Iâ??m talking about aggressive new short selling by the big 4 on higher gold prices. As and when that occurs (and at what price) will determine when the double cross premise becomes inoperative. If it becomes inoperative hundreds of dollars higher in the price of gold, then the premise will have been valid.

Let me turn now to price developments since the Saturday review and a preview of this Fridayâ??s COT report. At the risk of a surprise price development yet to come, prices have behaved in a manner consistent with the last COT report and the big price smash on Friday. Last Fridayâ??s COT report on silver was on the bearish side and the price smash that day and subsequent price weakness canâ??t be considered surprising. Nor should it be surprising that the market structure in silver has definitely improved over the last three trading days ended yesterday. The same largely applies to copper.

On the other hand, the market structure in gold, as well as in platinum and palladium were all bullish and the price smash on Friday and weakness through yesterday also improved their markets structures, even though all were bullish to begin with. Once a market structure is considered bullish, continued price weakness (managed money selling) only makes the structure that much more bullish.

For this weekâ??s COT report in silver, I would expect a mirror image of last weekâ??s report which featured 36,000 net contracts of managed money buying as prices penetrated silverâ??s key moving averages to the upside. Fridayâ??s price smash below those same moving averages as well as subsequent price salami slices to the downside on Monday and yesterday should result in managed money selling on a scale comparable to the prior weekâ??s buying, and hopefully more.

One thing Iâ??m certain of is that this weekâ??s silver COT report will feature pronounced short covering by JPMorgan that will preserve and extend its impossibly perfect trading record of the past decade of never taking a loss whenever it has added short positions. Youâ??ll recall, of course, that JPMorgan had added a very large number of silver shorts over the past month, so I suppose it was time for these crooks to ring the cash register.

Once again, donâ??t misinterpret these COT predictions. They have nothing to do with me trying to be a smarty pants and everything to do with explaining how markets function. When managed money speculators buy close to 200 million ounces of paper silver in a few days, prices must and will rise; just as prices will fall when such amounts are suddenly sold. But this is not the way prices are supposed to be set, according to US commodity law. This is nothing but excessive speculation that the CFTC should crack down on and disallow if it wasnâ??t in the back pocket of JPMorgan and assorted industry insiders. It is also the leading market scandal of our time.

For COMEX gold futures, I would expect managed money selling on the order of 30,000 net contracts or so, hopefully more. Unlike the case in silver, goldâ??s market structure was already solidly bullish and the managed money long position was very close to the lowest levels in years, meaning the likelihood of significant managed money long liquidation was diminished. There is some potential for a pretty big increase in manage money shorting and that will be a key feature I will be looking at.

Iâ??m still of the opinion that thereâ??s not much room for further managed money selling in gold and the lower prices that would entail, particularly after yesterdayâ??s cutoff for the reporting week and I am hopeful of the same in silver. Therefore, Iâ??d have to call the COMEX gold market structure to be extremely bullish. Itâ??s hard for me to imagine a substantial increase in managed money shorting in platinum or a significant decrease in the managed money long position in palladium beyond whatever may be indicated on Friday. I would also look for a very significant amount of managed money selling in copper in Fridayâ??s report and perhaps in record quantities considering the sharp price smash through yesterday. The â??silver diseaseâ?• of paper market manipulation now infects many markets, thanks to the see-nothing and do-nothing regulators.

Ted Butler

June 20, 2018

Silver – $16.30Â Â Â Â Â Â Â Â (200 day ma – $16.77, 50 day ma – $16.61)

Gold – $1271Â Â Â Â Â Â Â Â Â Â (200 day ma – $1309, 50 day ma – $1312)

Date Created
2018/06/20