June 28, 2017 – Interview with Jim Cook

Hereâ??s an interview I just did with Jim Cook, president of Investment Rarities, Inc. In the interest of full disclosure, this year marks the 17th year I have written articles and served as a consultant to IRI. More than anyone, Cook gave exposure to my analysis and for this I am profoundly grateful.

Q: Lately youâ??ve been suggesting the silver manipulation you write so much about is on its last legs. Why?

A: It has turned into one of the longest manipulations in history and since all manipulations must end, it is going to end soon. That’s largely a function of how blatant it has become. So many people see it now. The new Enforcement Director at the CFTC recently brought charges of manipulation in COMEX gold and silver futures. This indicates a remarkable turnabout for the agency.

Q: Youâ??ve been focusing on JPMorganâ??s perfect trading record. Can you explain why?

A: Because it is incontrovertible proof that JPMorgan is the big crook behind the silver manipulation.

Q: In what way?

A: Just like no baseball slugger can bat 1000 for 9 years running, no one can establish new short positions in COMEX silver for 9 years running without ever having a loss. They have only profits on hundreds of thousands of contracts. No one is that good. The only possible explanation for is that the game is rigged.

Q: If a person shorted 100 stocks, the chances of them all going down is almost impossible. Are you saying they did hundreds of thousands of silver trades on the short side and they made money on all of them?

A: Yes.

Q: How do you know this for sure?

A: The same official CFTC data that I have followed and written about for decades show this clearly. That’s why I get away with calling JPMorgan the big silver crook without any challenge from the bank, the COMEX or the regulators. It smells to high heaven.

Q: That sounds like a form of corruption. How much physical silver has JPMorgan accumulated while they held the price down?

A: My best estimate is upwards of 600 million ounces, or around 100 million ounces per year for the past six years.

Q: Why did they buy all this silver?

A: Unless JPMorgan has secretly converted into a non-profit organization, I would assume it did so to make a lot of money, same as with any asset it acquired. The kicker here is that JPMorgan has made hundreds of millions of dollars in trading COMEX silver futures from the short side and now stands to make billions when it takes its boot off the neck of the silver price.

Q: Talk about the perfect crime. How did they pull this off?

A: JPMorgan and two or three other large short sellers were able to add as many new short contracts as needed to cap every silver price rally for the past nine years. JPMorgan could wait it out until the buyers, the technical funds began to sell at some point. Then the big shorts would buy back their short positions at lower prices, with profits and never a loss. It’s quite the racket.

Q: Isn’t that against commodity law?

A: Sure, but up until now the regulators at the CFTC have looked the other way.

Q: Do you see any change on the horizon?

A: I’m hopeful that the new Enforcement Director at the CFTC, James McDonald, might make a difference.

Q: In what way?

A: First, let me take a moment to thank all your readers who did take the time to write to McDonald the beginning of April. We can’t know for sure what affect writing to him might have had, but he did announce on June 2 charges related to manipulation in COMEX silver and gold futures for the first time in decades.

Q: You still seem to think that this is a big deal?

A: At this point, yes. However, if much time passes and JPMorgan is still allowed to add silver short positions on higher prices, then I will change my mind. As I’ve said, time will tell.

Q: What do you hope McDonald will do?

A: Tell JPMorgan, behind the scenes, that it can’t add new silver short positions.

Q: What will that accomplish?

A: It will end the silver price manipulation once and for all and set the price free.

Q: JPMorgan could decide to stop shorting at any time. They donâ??t need government prompting do they?

A: They could do so at any time they choose and they very well may. They certainly have plenty of reasons to let it fly.

Q: Whatâ??s the biggest reason?

A: JPMorgan can make the truly big money – many billions, when silver prices soar. Should silver go to $100 an ounce, JPMorgan will make $50 billion.

Q: Does their big silver hoard make a price rise inevitable?

A: Absolutely, thereâ??s no question we are going to see silver at dramatically higher prices.

Q: Unfortunately, a lot of people who own silver are losing patience with it. What do you say to them?

A: The underlying facts are more bullish than ever. The price is ridiculously cheap and the risk is virtually nonexistent. End of interview.

Iâ??d like to continue with this line of thought and zero in on the one specific factor that will determine whether we see a silver price explosion. Obviously, I canâ??t guarantee such a price explosion, but the way I see it, this has come down to a simple mechanical equation â?? Whether JPMorgan adds to its COMEX futures short position on the next silver rally.

Should JPMorgan add aggressively to its COMEX silver short position as the price starts to rise, as it always has on every previous rally over the past nine years, the rally will likely fail at some point; just as every silver price rally has failed before it. Should JPMorgan, for the first time ever, not add aggressively to its COMEX silver short positions on the next rally, on purely mechanical grounds, a price explosion seems unavoidable. Thatâ??s about as black or white as I can make it.

I suppose the safe or conventional bet would be for JPMorgan to add as many short contracts as it so desired, the same as it always has before and why not, as the bank has never taken a loss, only profits on every COMEX silver contract it has sold short for more than nine years running. Due to its dominant and controlling share of the market and its mastery over the mechanical technical funds, JPM has amassed a perfect trading record in COMEX silver futures. Why wouldnâ??t JPM continue to take candy from the technical fund babies?

Actually, there are a number of things suggesting that JPMorgan might suddenly (and soon) end its continual fleecing of the technical funds. For one, JPMâ??s actions are illegal and in clear violation of both CFTC rules and antitrust law in general. Best I can tell, only the reluctance of the agency to enforce its own rules has allowed JPM to continue on its merry, but illegal way. However, that reluctance, rooted in promises made by the US Government to JPMorgan on its takeover of Bear Stearns in 2008, appears to be wearing thin, based upon recent Enforcement Division cases.

Certainly, there is a growing awareness of JPMorganâ??s dominant role in the silver market, particularly in the setting of prices. Most telling is the bankâ??s reaction to open claims that it is manipulating the price of silver. In times past, any financial institution openly accused of wrongdoing would mount an aggressive defense. In this case, JPMorgan may be the biggest and toughest elephant in the silver jungle, but in the face of open allegations of wrongdoing, it has been mouse-like in vocal rebuttal. Actions not easily explained or defended, have a propensity to cease occurring.

No doubt that JPMorgan has always made money when shorting COMEX silver futures, but this is about what it does in the future. So let me stipulate that no one knows what the bank will do in the future, including me. Should it add to shorts from here, weâ??ll get a rally of some indeterminable proportions and then another selloff. But should JPM not add aggressively to COMEX short positions, let me walk through what I feel will be the mechanical market effect of the lack of selling.

To be sure, on the next silver rally, there will be large amounts of commercial selling away from JPMorgan. As I just reported on Saturday, the smaller commercials (which I refer to as the raptors) hold their largest net long position (more than 31,000 contracts) in nearly a year and a half. I categorized this raptor commercial long position as bullish, but it is also true that I expect it to be sold as silver prices rally. While I expect the raptors to sell large amounts of COMEX silver contracts on the next rally, such selling doesnâ??t appear to be anywhere near sufficient to satisfy the expected amount of technical fund buying. Let me spell these expectations out.

Should we revert, as seems reasonable in a coming price rally, to the market structure that existed in COMEX silver futures on April 18, a bit over two months ago at $18.50, I would expect the raptors to sell as many as 40,000 net silver contracts (selling out all their longs and adding new shorts). At the same time, a return to the positioning levels that existed on April 18 would involve the purchase of 80,000 net silver contracts by the managed money technical funds. This creates the need for an additional 40,000 net silver contracts to be sold by the other big COMEX commercials, known as the big 8, of which JPMorgan is the leading member.

Should JPMorgan, or any of the other big commercial shorts not collectively add the 40,000 required new short contracts aggressively on the coming rally, the price of silver must explode. If the big 8 does not short aggressively, there will not be enough commercial selling to fully satisfy the technical fund buying and prices will race higher until other selling emerges to meet the technical fund buy orders.

At some point, of course, under this scenario silver prices will run so high that even the technical funds may back off from buying, but that will only confirm we are in a new era for silver prices â?? the post-manipulation era. The lynchpin to the new era is whether JPMorgan and the other big shorts add enough new short contracts to satisfy technical fund buying at the margin.

Superimposed on what I see as the most critical setup in COMEX market structure history is the arrival of a new Enforcement Director at the CFTC who may be signaling that the agency will no longer allow JPMorgan to manipulate the price of silver. I have done what I could to influence James McDonald along these lines; even suggesting the one specific action he could take to end the manipulative COMEX silver scam, namely, privately warning the bank not to add to silver short positions henceforth. Let me attempt to do more influencing here.

For a regulator, itâ??s all about priorities. Unfortunately, the capacity to do wrong always exceeds the law manâ??s ability to right those wrongs. Itâ??s no different for the federal commodities regulator; not all violators of commodities law can be brought to justice. And even when the CFTC does prevail in the end, as it did in the recent COMEX gold and silver and CME cattle manipulation cases, the actual wrongdoing occurred four or five years ago, quite some time for those of us grown weary of the ongoing silver manipulation. So let me point out something for Director McDonald to consider as he ponders the issues currently in force in COMEX silver.

Thereâ??s a big difference between prosecuting what is, essentially, a cold case and that of a crime in progress. Spending the time, money and effort to prosecute a decadesâ?? old murder case, for instance, while important, pales in comparison to dealing with an active and open serial murder case where new victims can be expected. The CFTC doesnâ??t deal with homicide, as its most important mission is preventing and prosecuting manipulation cases

For the CFTC, market manipulation is the equivalent of murder one or high treason. But the agency must also prioritize between manipulation cases that occurred long ago and those cases still in progress. Thatâ??s because price manipulation punishes everyone involved in silver by sending false price signals, including silver mining companies and investors not participating directly on the COMEX. Devoting scarce resources to correcting the wrongs of the past must take a back seat to correcting the wrongs of the present. Hopefully, McDonald is grounded enough to know the difference and act accordingly.

Since the Enforcement Division brought its first successful manipulation case involving spoofing in COMEX gold and silver less than a month ago, I would assume the agency noticed, as did the rest of the world, the latest outrageous case of spoofing and the sending of deliberately false price signals occurring in COMEX gold and silver on Monday, at roughly 4 AM EST. In a matter of minutes, if not seconds, the price of gold fell by $20 and silver by 40 cents for no other reason than setting off and activating any remaining technical fund resting sell stop orders in both markets. The only mystery is how so many were mystified by the sudden price drop. Again, I just hope McDonald was not among the mystified.

As a result of what occurred early Monday morning, I am actually much more bullish on both silver and gold, although in the case of silver, Iâ??m not sure how that is even possible. As far as what I expect in this Fridayâ??s COT report, certainly itâ??s not a case of expecting anything but managed money selling and commercial buying in both gold and silver. I would imagine a much larger contract amount of commercial buying in COMEX gold futures, say on the order of 20,000 net contracts, and should that be the case, it will bring us firmly into a bullish market structure in gold from the previous bullish to neutral market structure.

In COMEX silver futures, itâ??s harder to draw a contract estimate, mainly because the market structure was so bullish to begin with. My head is still reeling from the 17,600 contracts of net managed money selling last week on only a 1300 contract change in total open interest. I understand how and why it happened – big managed money long liquidation coupled with an equally large increase in managed money new short selling â?? equals a big net change in positioning on no big change in total open interest. So, instead of trying to handicap this weekâ??s silver COT report, let me just say that whatever the actual results may be, they are likely to be all that was possible at this point. The only thing missing for a silver market structure to be considered completely done (bullishly) is to stick a fork in it. Yes, Iâ??m still deep into the silver price explosion premise.

Ted Butler

June 28, 2017

Silver – $16.75Â Â (200 day ma – $17.44, 50 day ma – $17.01)

Gold – $1250Â Â Â Â (200 day ma – $1240, 50 day ma – $1259)

Date Created
2017/06/28