

## Weekly Review

After starting the week on a continuation of the previous week's price softness, prices for gold and silver firmed somewhat by this week's end. Gold ended \$1 higher, while silver finished up by 20 cents (1%). As a result of silver's slight relative outperformance, the silver/gold price ratio tightened in by half a point to 66 to 1.

Two things still amaze me; one, that silver remains so undervalued compared to gold (and everything else) and, two, that gold and silver prices move in minute-by-minute lockstep with no influence whatsoever from any real supply/demand factors, only by COMEX positioning. Trying to explain that without zeroing in on the ongoing manipulation is impossible for anyone other than a die-hard manipulation denier.

It is clear that more observers than ever are focusing on the one true measure of COMEX positioning, namely, the weekly Commitments of Traders Report (COT) from the CFTC. As a COT-head from way back, I can't help but marvel at how widespread has become the coverage of this report. This is how it should

be because the data in the report is extremely informative. I believe the growing coverage of the COT report is good news because when a certain level of awareness is reached on what really moves gold and silver prices, the manipulation will be so obvious as to make it impossible that it could continue.

I know the data looks like gibberish at first (and maybe repeated) exposure, but once it dawns on you what the numbers actually represent and portend for future price direction, there is no way the COT report will not remain at the center of your analysis. In other words, once you “get” it, there's no going back to any other form of analysis. I'll cover some important changes in this week's report in a moment.

Turnover or movement of metal into and out from the COMEX-approved silver warehouses reached nearly 3 million oz this week. While off slightly from the torrid pace year to date, this level of turnover on an annual basis (150 million oz) is still highly unusual and continues to suggest tightness in the wholesale physical silver market. For the week, total COMEX silver inventories rose 900,000 oz, to 175.6 million oz. Despite an incredible turnover this year, continuing a pattern of rapid turnover for three years running, total COMEX silver inventories remain unchanged year to date. I believe there has never been such a frantic turnover of inventories in any other commodity like there is

in COMEX silver.

It's still too soon to know for sure, but it looks like the big buyer of Silver Eagles from the US Mint, which I have speculated was JPMorgan, has stepped away from buying more, based upon Mint figures and the end to rationing. I still consider this more bullish than bearish as it signals to me that JPM may be fully positioned for an upside move in silver. Changes in this week's COT and Bank Participation Reports may confirm my speculation that JPMorgan may be good to go for a move up or at least be real close to being fully positioned.

The changes in this week's COT report were significant, but also expected. In last week's review, I indicated that trading after the previous cut-off suggested another reduction in the headline total commercial net short positions in both gold and silver of an amount comparable to last week's hefty declines. We came close in gold and more than close in silver.

In COMEX gold futures, the commercials reduced their total net short position by 15,200 contracts to 63,500 contracts. This is the lowest level since late January and must be considered strongly bullish. By commercial categories, the

big 8 shorts actually added 2000 shorts, so all the commercial buying was by the raptors, in which JPMorgan is grouped due to its big net long gold position. JPMorgan added 4000 contracts of new gold longs, pushing its concentrated long position to 38,000 contracts.

As expected, the big sellers in gold were the technical funds, which added nearly 19,500 new short contracts on top of the 22,000 they added in the previous report. There was little likelihood that the price of gold could decline significantly without the technical funds adding heavily to the short side and that is exactly what occurred. Every observer and commentator on the COTs will verify that, but there are too few commentators who acknowledge that the technical funds were snookered into going short by the commercials.

The technical funds (in the managed money category of the disaggregated COT report) are reasonably close to previous peaks in numbers of short contracts held, making the market structure bullish; but if we go lower in gold prices that can only occur if the tech funds add more shorts. My only concern remains that if the tech funds establish new records in gold shorts on a par with what has occurred in silver, then there are plenty of new shorts that could be added. That's not an expectation, more an explanation in advance. If more new technical funds can't be lured onto the short side of COMEX gold futures then

the price won't decline.

In COMEX silver futures, the reduction of 4600 contracts of total net commercial shorts actually exceeded last week's significant reduction of 3400 contracts. And the resultant new total net short position of 9600 contracts is the lowest amount since last July. We did get to a total commercial net short position of near 4000 contracts last summer, which, effectively, was the lowest level in history. In certain important categories, however, we just set records never witnessed before. Among the new records included are a record long raptor position and a record technical fund short position, both on a net and gross basis.

The big story in the silver COT was in the breakdown of commercial categories. The raptors did increase their net long position by 1400 contracts to another new record of 50,200 contracts, but the shocker was that the 4 largest shorts bought and covered 4000 short contracts (the 5 thru 8 largest shorts actually added 800 new short contracts). In conjunction with the Bank Participation Report, I would attribute the entire 4000 contracts bought back to JPMorgan. This reduces JPMorgan's concentrated silver short position to 14,000 contracts, the lowest level since February and one of the lowest levels for JPMorgan ever.

Just last week, I went out of my way to remark that JPMorgan was not the active catalyst in driving silver prices lower recently, as its short position had remained fairly static. I must now retract my remarks and state that during the latest reporting week JPMorgan was almost the exclusive silver price manipulator. Let's face it, silver plunged to new lows for a reason related to buying and selling on the COMEX, so that is where attention should be directed.

It is common knowledge that technical fund selling provided the obvious price pressure to the downside. But if you believe, like I do, that the technical funds are led around by the nose due to price setting by the commercials, then one must look deeper to discover which commercials did the price setting. This is done by observing which commercials did the most buying and thereby benefitted the most by the price setting. Until the latest COT, the biggest commercial buyers were the raptors and that made them the active silver manipulators. But the current report indicates the biggest commercial beneficiary for this reporting week was JPMorgan. I'll return to this point in a moment.

Finishing up on the silver COT report, the technical funds added more than 4300

new shorts, on top of the near 5200 shorts they added last week. At more than 42,800 contracts short, the technical funds have added an astounding 33,000 short contracts since the end of February, the equivalent of 165 million oz of silver. To put the price impact of the equivalent 165 million oz in proper perspective, please consider that both the Hunt Brothers and Warren Buffet bought less than this amount in causing silver prices to explode. How could 165 million oz sold in a few months not have the same effect to the downside?

I did notice that 5 more new technical funds joined in on the downside move, increasing to 33 the number of traders on the short side of the managed money category. I have to scratch my head a bit in wondering why anyone would wait until silver broke under \$19 before establishing new short positions, but that's because I'm a value investor and not a technical analyst. Market approaches and beliefs aside, it's hard to imagine a fortune being made to the downside in silver from current levels, but then again, I'm not a technical trader. These new technical shorts will likely cover at the first signs of a silver rally and some of them may have rushed to cover on Thursday's price turnaround. Some, but not very many (not more than 2000 or so as of yesterday's close).

I continue to notice that the long side of the managed money category has not shrunk in the recent silver sell-off and, in fact, increased this week by 1000

contracts. Since technical funds sell on the type of price declines witnessed recently in silver, it is easy to conclude the managed money longs are not technical funds, even though those which are on the short side of managed money are very much technical funds. It would appear the managed money longs are not likely to sell on lower silver prices and this adds a separate bullish dimension to the extreme set up I wrote about on Wednesday.

In fact, the latest COT and Bank Participation reports augment the bullish setup in several meaningful ways. Having the raptors at record long extremes and the technical funds at record short extremes are what give the silver setup the most potential juice on the upside. And as much as JPMorgan's activity during the reporting week was as clear a manipulation as seems possible to me, the bank's silver buying only adds more juice to the setup.

If there is one single factor responsible for the long term silver manipulation it is the concentrated short position, of which JPMorgan has been the kingpin of since acquiring Bear Stearns in 2008. Given all the history, circumstances and stakes to certain large financial and regulatory institutions, I'm convinced that the price of silver would have already blown off were it not for the concentrated short position. The concentrated silver short position was always too large; as became clear in time by the damage it did to Bear Stearns. It also seems clear



that because the concentrated short position was transferred to JPMorgan, the regulators have looked aside as JPMorgan and the CME Group resorted to a series of dirty tricks to assure silver prices would decline so that the concentrated short position could be protected and reduced.

While the concentrated short position in silver is still way too high, JPMorgan's share of it is about the lowest it has been since the bank inherited it in 2008. And JPM's absolute short position of 14,000 contracts (70 million oz) is much closer to the lowest level the bank has held than what it held at the highest levels. Can JPMorgan (or the raptors) rig prices lower to lure more technical fund selling? Silver is a crooked market, so the answer is, of course, they may. But even as the regulators look away, the practical reality of being already close to the finite amount of technical fund selling possible will limit the crooks to the downside.

The most exciting aspect of the current silver setup is that JPMorgan is now in position to let silver run higher with not only no risk of crippling losses, but with the chance to score big on the upside with long positions away from its COMEX short position in silver futures. I believe JPMorgan, in addition to greatly reducing its concentrated silver short position, has been amassing large physical silver holdings over the past three years. Plus the bank has established

long physical gold and futures positions over the past year and a half.

The big potential negative remains what happens on the next silver rally, namely, will JPMorgan and the other big commercial shorts add to the concentrated short position? This is something not to be worried about in the sense it will only occur on higher prices, but it goes to the heart of the manipulation. As a result of JPMorgan buying back 4000 short contracts during the reporting week, the concentrated position of the 8 largest shorts is now under 60,000 contracts, or 300 million oz.

There is no conceivable legitimate explanation for why this concentrated short position should increase from this point. If it does increase, which undoubtedly would only occur on rising silver prices, it is proof in advance that silver remains manipulated. The only possible explanation for a future increase in the concentrated short position is for the purpose of price capping. While we have almost always witnessed an increase in concentrated shorting on silver price rallies, it is not guaranteed that must occur in the future. The growing awareness of the COT report, for one thing, suggests one of these days the old crooked tricks won't be tolerated.

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I admit to being surprised that JPMorgan could buy back the 5000 short contracts it purchased over the past two reporting weeks; but that's only because the raptors have been almost the exclusive commercial buyer in COMEX silver futures over the past 14 weeks. Regardless of future short term price movements, this is a good surprise; as anytime JPMorgan buys and does not sell aggressively in silver that promises eventual higher prices. And considering what a terrific setup already existed in silver, the JPMorgan surprise could be pure icing on the cake.

Ted Butler

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Silver - \$19

Gold - \$1252