

## Five Years □ The Feedback

There was quite a bit of commentary generated as a result of making public my article, □Five Years That Changed Silver Forever.□ This wasn't particularly surprising, because if my assertions are correct about JPMorgan accumulating a massive quantity of physical silver at prices the bank rigged lower, nothing could be more important to the future price of silver.

I also realize that my premise may seem outlandish to those hearing of it for the first time. Hopefully, not many regular subscribers were surprised, since I have been writing about this for some time now. Because the issue is so important and because I am the one advancing it, I feel it is my responsibility to fully address any questions or disagreements with my take about JPMorgan.

While my prime motivation in making the article public was to expose the matter, I must confess that there was a hidden purpose as well - I wanted to draw out any objections to what I wrote. That's the good thing about public reaction, particularly when anonymity is present; people tend to speak their minds. (The bad thing is that sometimes unfair or personal insults are made, but

that's the tradeoff for unvarnished disagreement). And while I was encouraged at the level of agreement to my premise about JPM and silver, there is little to be said about such agreement, aside from thank you. So let me present the most compelling arguments against JPMorgan buying 400 to 500 million oz. of silver over the past five years. In order to gauge the public reaction, you might want to review the good, bad and ugly of the comments it attracted.

<http://www.silverseek.com/commentary/five-years-changed-silver-forever-15413>

There is still much debate about the metal that I allege JPMorgan purchased in the form of American Silver Eagles and Canadian Maple Leafs (I claim 100 and 50 million oz respectively). This may be my most outlandish claim in some quarters, with the central dispute revolving around why JPMorgan would pay the \$2 premium the US Mint tacks on to Silver Eagles, when the bank could just as easily buy 1000 oz bars instead with no premium.

To answer the last part first, JPMorgan cannot just buy all the 1000 oz bars it wants and that's one of the big reasons it is buying coins instead. Anyone paying attention can see that JPMorgan has been almost the exclusive stopper or acceptor of physical delivery on the COMEX for the past year and,

increasingly, has had to stand down and liquidate existing contracts for additional delivery of metal. The most plausible reason is because there is not enough metal available in 1000 oz bar form. There really is no other way of interpreting this month's COMEX data, as I've been reporting.

But there's an even more compelling reason why JPMorgan would buy Silver Eagles from the US Mint □ anonymity. That's proven in the debate about whether JPMorgan is buying Silver Eagles. No one knows for sure, or put differently, anyone who does know isn't saying and that includes JPMorgan and the US Mint. I've been accused of speculating about my premise and I plead guilty as charged - that's what I do. The only question is if my analysis and speculation is reasonable and in keeping with the facts that can be verified.

Ask yourself this - if JPMorgan (or any other large entity) was accumulating silver in every physical form available, would it not be to its advantage to keep that secret and not invite outside buying competition? The real question is why the US Mint is not shining a light on who is buying the record amount of Silver Eagles over the past five years, not the obvious motivation JPM has in keeping it secret. The Mint won't even release a list of the authorized dealers it sells to, despite a Freedom of Information Act request. I always thought JPMorgan was buying Silver Eagles through one or two large intermediaries, but, heck, JPM

might be buying directly from the Mint, as who would know?

My point is that someone has purchased the 200 million Silver Eagles that the Mint has sold over the past five years and in light of persistently weak retail sales over that time, the most plausible explanation is that someone big has been buying a good chunk of the coins sold. I've put a name, JPMorgan, and an amount, 100 million, on a fairly simple equation. If JPMorgan or the US Mint would like to state otherwise, I, for one, would be most interested in what they may say. I further think it is outrageous for an agency under the US Treasury Department not to disclose the full details about a bullion coin program authorized by Congress and intended for US coin collectors, particularly if the largest US bank is gaming the program. But this is separate from JPMorgan having a strong motivation to keep secret that it is buying Silver Eagles hand over fist.

Aside from the Silver Eagle issue, the next biggest public disagreement with my JPM/silver accumulation premise is what it portends for the future price of silver. I say it is very bullish (correction □ the most bullish factor possible), while others say that if I am correct, it is horribly bearish and promises to extend the silver price manipulation for as far as the eye can see. The recent public reaction mirrors the reaction early on from subscribers when I started writing about it, so

I know the reaction is reasonable and genuine.

I fully understand why someone would feel that JPMorgan holding hundreds of millions of ounces of physical silver could head off and postpone any physical shortage by supplying metal as needed, particularly if the bank was still heavily short COMEX silver futures contracts (like now). Certainly, it has to be admitted that JPMorgan now has the capability of heading off a physical silver shortage, should it desire to do so. Not only does JPM have the capability of capping prices and, if it had to, of alleviating a physical silver shortage, it has done so up through today. Therefore, the extended manipulation worry is not unsound.

And, I would agree, it certainly feels like the silver manipulation can go on forever for the simple reason it has gone on for so long already. We're all human and react and adjust to conditions that have persisted for long periods of time. In the case of the silver manipulation, it's hard not to feel the "beat dog" syndrome. (I took that from Springsteen's "Born in the USA," - "you end up like a dog that's been beat too much, till you spend half your life just covering up.") Anyone who has lived through the years and decades of the silver manipulation has been beat in some way and that definitely includes me.

But how we feel collectively is not analysis and it would be a mistake, in my opinion, to conclude that JPMorgan accumulated the largest privately-owned stockpile of silver in history in order to keep prices depressed indefinitely. I do agree that JPM is continuing the manipulation as I write this, but all the data point to that being due to the bank continuing to acquire metal at depressed prices. And while it is true that JPMorgan backed down and retreated from demanding as much physical silver as it was entitled to originally in COMEX march futures contracts in order to keep prices in check; not taking as much is not the same as selling. If we start to see signs that JPMorgan is disposing of metal in the same serious quantities it had acquired the metal, I will likely change my tune. But until that occurs, it doesn't appear to be the most probable outcome.

What does appear to be the most likely outcome in silver, particularly if JPMorgan has accumulated the amount of silver I allege, is whatever's best for JPM. Here, we have to look at JPMorgan in the most objective light possible. I know many think that JPMorgan is an agent of the US Government and that it is the government behind the silver (and gold) manipulation, but I believe it is the other way around □ JPMorgan has more control and dominance over the government, through the bank's army of lawyers and lobbyists and the revolving door between private and government service. Therefore, it isn't about protecting the dollar or the financial system; it centers on what's good for

JPMorgan. And what's good for JPM is mo' money.

Senators and congressmen, Treasury and financial regulators come and go, but JPMorgan and the big financial institutions remain long after the comings and goings. And what remains for JPMorgan is to increase its financial assets and the making of as much money as possible and the power that comes with that. It isn't personal, it's solely about the money. So, if JPMorgan has acquired the massive amount of silver I claim, what is the best price outcome, not for you or me or the government, but for JPMorgan? The only plausible answer is sharply higher prices.

Having acquired hundreds of millions of ounces at progressively lower silver prices over the past five years, I would estimate JPM's average price to be in the low \$20 range, certainly not less than \$20. As such, should it start to sell the metal it has acquired at prices below those levels, it would voluntarily lose money, the opposite of why the bank exists. I will report that if that's what the data indicate. However, it is more logical to consider what profit objective that JPMorgan has in mind, rather than what losses it plans to take,

Based upon a quantity of 400 to 500 million ounces acquired at an average price just north of \$20, JPMorgan has spent about \$10 billion for its silver hoard and happens to be currently underwater by about \$2 billion (perhaps offset completely by ongoing COMEX paper profits on the short side of gold and silver futures over the past five years). These are table stakes for JPM, as \$10 billion is hardly a rounding error on a balance sheet where assets are measured in the trillions of dollars. And JPMorgan's cost of silver will remain insignificant □ unless and until it increases in value tremendously. At \$100 an ounce, JPM's stash will be worth \$50 billion; at \$200 silver, it will be worth \$100 billion. What wouldn't JPMorgan do to make its silver worth \$100 billion? I would contend not much.

A good friend asked me the other day, why would JPMorgan give up the ongoing money making scam it has on the COMEX, where it has made, on average, around \$100 million a year for its share of the total commercial collective take from the technical funds in COMEX silver since 2008? He was using my numbers, so I couldn't disagree with the question; instead, I pointed out that \$100 billion (what JPM could make at \$200+ silver) is a lot more than \$100 million, in fact, a thousand times more. But there's a lot more to it than that.

While JPMorgan is solely in pursuit of maximum profit and it is ruthless and conniving in that pursuit, it can never be said that the bank isn't smart or



doesn't think three or four chess moves ahead. Because it is so smart it sees the silver manipulation ending one day. In fact, I would contend that it is that vision, first learned by the bank in April 2011 that lead to JPMorgan embarking on its physical silver acquisition spree. It was the lesson that silver did and could develop into a physical shortage that drove the bank to acquire metal.

It just doesn't seem reasonable to me for JPMorgan to have manipulated the price of silver over the past five years, while acquiring hundreds of millions of physical ounces at bargain basement prices, only to turn around and "donate" that silver at big losses in order to keep silver prices depressed. Certainly, there is no profit motive in buying and then selling at artificial low prices. How does JPM profit by prolonging the silver price manipulation indefinitely? And if you answer that a low silver price keeps the dollar and financial system confidence strong, then why did "they" let it rise tenfold from years earlier into 2011? I didn't notice any general financial panic in April 2011, when silver hit nearly \$50. Gold didn't even hit its high point until six months later.

Better than anyone, JPMorgan knows that the silver manipulation must end and its accumulation of the largest metal hoard in history is the proof of its knowledge. JPM knows the end of the silver manipulation is coming and may be close at hand and it is now prepared for the inevitable end. Yes, the COMEX

commercial/technical fund wash, rinse and repeat cycle has been the goose that has produced golden eggs for the commercials, but neither geese nor price manipulations live forever. JPMorgan knows better than anyone that the silver manipulation must end and it will profit more than anyone when it does. Simply put, there is no big money for JPM if the manipulation lasts very long (aside from continuing to acquire physical metal) and very big money for JPM when it ends. This is all about what's good for JPM.

JPMorgan also knows that more are becoming aware of the silver (and gold) price manipulation daily and that can be seen in the growing commentary about the COTs and COMEX positioning. JPMorgan also knows that this isn't a good development for it, as it would have much preferred not even being mentioned in terms of silver. In some ways, the sooner the silver manipulation ends, the better it may be for JPMorgan, now that its name is being more widely associated with accumulating silver and the manipulation. Let's face it - JPMorgan has already accomplished the hardest part of its \$100 billion silver profit potential in its massive acquisition of metal to date. By comparison, the eventual liquidation of the metal is much easier - all JPM has to do is stop capping prices on the next rally and that will guarantee soaring silver prices.

I did not intend for this to be the final word on JPMorgan's accumulation of silver

and would solicit any comments, particularly disagreements, concerning my contentions. By focusing on the evolving flow of data, JPMorgan's role becomes clearer and more bullish for silver daily. My whole premise has come from the flow of data and it is that flow that I continue to rely upon.

Perhaps the best thing about JPMorgan accumulating hundreds of millions of silver ounces is the relief it has brought to the reasoning process, at least for me. The revelation explains everything about the past five years in silver, price wise and fact wise. I don't know how anyone could begin to explain the past five years in silver leaving JPMorgan out. And when you do include it, the silver story becomes bullish beyond description.

A few comments on the price action the past few days, up sharply yesterday and down sharply today, particularly in gold. Along with last Wednesday's price weakness, the price action still seems most explainable by COMEX positioning and what I've referred to in the past as the scam within the scam. I still believe that the bigger moves, like the move up from year end are primarily determined by the commercials and managed money traders and this is nothing new.

That this has become more widely accepted in more people's minds and written about is due the COT's having worked as they should have. Otherwise, we would not have the remarkable growing level of COT commentary. We can debate whether the COTs will work in the future; but only a fool or someone with a hidden agenda would argue they haven't worked in the past.

Like most other commentators, my approach to analyzing the COTs is focused on the major price moves and position changes; such as gold's \$200+ advance and 185,000 net contract positioning change (18.5 million oz) on the COMEX from December 29 to the recent price highs. Such large COMEX positioning changes far outdistance equivalent quantities of gold exchanged anywhere else and, therefore, can be said to be the prime price driver.

But just because I and others view the COT's on a bigger picture basis, does it mean that COMEX futures contract positioning can't include smaller and shorter term price moves. Not only do I believe the commercials are snookering the technical funds on the larger price and positioning changes; I believe they do so on a shorter term basis, like occurred last Wednesday, yesterday and today. We get these sudden moves (for little apparent reason) and after the sudden move up or down, big volume then comes in at the newly established price.

Since the technical funds only buy on higher prices and sell on lower prices, we know they are the buyers on up days and the sellers on down days (with the commercials taking the other side and orchestrating the price moves). Putting numbers on this, I would estimate the smaller moves typically involves 10,000 to 15,000 COMEX gold futures contracts on a \$20 move up or down in gold. (And maybe 5000 to 7000 COMEX silver contracts on a typical 30 to 40 cent move). Back of the envelope calculations indicate the technical funds lose on a collective basis (with the commercials gaining) as much as \$30 million on a complete \$20 gold short term price rig.

I know full-well that the commercials collectively booked realized gold profits of more than \$600 million on the big gold move up and stand to make close to that amount on a similar move down and that a \$20 or \$30 million short term profit pales in comparison. But this and other short term price rigs by the commercials are in addition to the big money made on larger price and positioning changes, not a substitute for the big profits. Besides, what are a bunch of commercial COMEX crooks supposed to do between the big price rigs, aside from engineering smaller price rigs? I mean, what would these crooks do all day if they weren't rigging markets? Hence my scam within a scam analogy. And please know that these short term price pops and drops are nearly impossible to predict and seem designed to confuse the greatest number of

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observers possible.

It still seems to me that the probabilities continue to strongly suggest a price resolution to the downside with a major positioning change involving heavy technical fund selling and commercial buying. Strong probability is not the same as a guarantee for lower prices in the short term, but should the commercials not succeed in rigging prices lower eventually considering their extremely large short position, that would represent a first.

As far as this week's upcoming COT report, I would imagine there was some improvement (commercial buying) certainly up until yesterday's rally, but yesterday's rally probably involved commercial selling (if it's reported on time). Put me down for some reduction in the total commercial net short positions in both gold and silver, but not by any amount I would bet on.

Ted Butler

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Silver - \$15.25 (50 day moving average - \$15.07)

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Gold - \$1229 (50 day moving average - \$1201)