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## May 22, 2019 – Common Denominators

There have been two recurring features that have distinguished the allegations of a COMEX silver manipulation; one, goes back more than three decades and the other for more than decade. Both features share a commonality in that they are unprecedented and defy legitimate explanation.

The first feature is the refusal of either the federal commodities regulator, the Commodity Futures Trading Commission (CFTC), or the designated self-regulator, the CME Group, Inc. (owner/operator of the COMEX) to engage in an open and legitimate debate which, if conducted, would have settled the matter long ago as to whether a silver manipulation existed.

To be sure, the CFTC has certainly acknowledged the growing collective opinion that silver has been manipulated in price, by virtue of detailed public letters on the matter in 2004 and 2008, followed by a five-year formal investigation by its Enforcement Division enacted shortly after the 2008 public letter and which concluded with no clear findings. Since then, however, the CFTC has been conspicuously silent about allegations of a silver manipulation. For its part, the CME Group has not addressed the issue of allegations of a COMEX silver price manipulation since it acquired the COMEX in 2008.

Despite the CFTC's public letters and formal investigation, the idea that silver is manipulated in price on the COMEX has never been stronger. Therefore, it is clear that past CFTC efforts to address the matter have been ineffective. There's good reason for that, namely, the hard data published by the agency tells a very different story than what the agency has publicly concluded. Specifically, futures positioning statistics in the Commitments of Traders (COT) and Bank Participation reports have continuously indicated a market where price has been artificially set by excessive speculative positioning and in which one trader, JPMorgan, has come to be so dominant that it has never taken a loss in the 11 years of COMEX trading since it acquired Bear Stearns in 2008.

Remarkably, it would be quite easy and cost-effective for the CFTC to make all concerns of a silver (or gold) manipulation simply go away and eliminate any public sense that the agency is failing to meet its primary mission of guarding against manipulation. All it would have to do is to openly acknowledge and address the rather simple questions it has avoided to date. No need for expensive formal investigations and deploying manpower away from other critical functions. No elaborate and time-consuming special studies. Just simple answers to simple questions.

Among those simple questions would be â??

1. Since COMEX silver positioning has evolved into a near-exclusive contest between two narrow speculative groups, the managed money traders and their (so called) commercial counterparties, what is the economic justification for such positioning since, by definition, there is little to no legitimate hedging taking place?
2. How can it be legitimate, in terms of what Congress intended in authorizing futures trading for the transfer of risk from real silver producers and users that this exclusive speculative COMEX positioning has grown so large so as to dwarf real world silver production and consumption?
3. Is there any legitimate reason for why COMEX silver futures positioning is greater than any other commodity in terms of actual world supply and demand?
4. How can it be legitimate that one trader, JPMorgan, has been allowed to be the dominant

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COMEX silver futures short seller over the past 11 years (never taking a loss), while for the past 8 years has also been allowed to become the largest physical holder of silver in history?

I want to be careful about how I say this, because I'm not trying to make the issue as something between me and the CFTC, but the chief failing of the agency for not dispelling the public's growing loss of confidence in it is how it has handled the matter. Never once in the close to 35 years I have raised the issue of manipulation in COMEX silver futures has the CFTC ever reached out or sought to simply discuss the matter in a reasonable fashion. Instead, it was an immediate circling of the wagons to deny, quite literally, everything I alleged; an approach that has continued to this day. Not once has the agency ever agreed with anything I have presented (and quite insulting to those who pay for my analysis). Let's face it - it would be really hard for someone, me or anyone else, to always be wrong about everything, particularly considering more than ever have picked up on my core issues along the way.

Most likely, had the CFTC been able or even attempted to convince me that what I was alleging was flawed at the outset, I might not have persisted in my allegations over the decades. But it's simply not reasonable or cost-effective from a taxpayer perspective for a government agency to publish public letters or conduct formal investigations without taking the logical first step of trying to address the contentions of the person most responsible for the allegations. Why undertake an expensive and time-consuming investigation when a reasonable discussion would suffice instead?

And I'd be lying if I said I wasn't also deeply concerned that the Justice Department seems to be on the same path as the CFTC in its current investigation of precious metals manipulation. As I indicated previously (["Another Possibility"](#) on Nov 14), I did call and write to the FBI last April 30 complaining about the CFTC's malfeasance in dealing with JPMorgan's manipulation of the silver market. While I can't know if my letter prompted the resultant DOJ announcement on Nov 6, I do know I sent it and it was highly germane to the ongoing investigation. For the Justice Department not to consider the merits of my complaint would appear to be inexcusable, but maybe this is the way US Government agency investigations are run nowadays, namely, by excluding all relevant outside input.

The second feature that shares the common denominator of the CFTC's and CME Group's refusal to directly engage in answering the simplest of questions regarding the COMEX silver manipulation is the highly curious and unprecedented lack of reaction by JPMorgan to continuing direct allegations of illegal behavior in the silver market. JPMorgan's lack of reaction to public complaints that it is manipulating silver is, of course, more than curious. I don't know if there has ever been a case where a major financial institution has ignored ongoing open complaints of criminal wrongdoing. This is particularly true in the case of JPMorgan, given that it is considered to be the most important bank in the US and is led by the highest profile CEO in the financial industry.

That executive, Jamie Dimon, has attained near rock star status in the business world and is reported to be among the most hands-on of corporate leaders today. In addition, like any large corporation, JPMorgan, at the Board of Directors level on down, is structured to be highly alert to any developments that might threaten its reputation. Being accused of criminal activity in the silver market would certainly seem to qualify as a threat to JPM's reputation. I do send all my article to Mr. Dimon and the Board of Directors, but can't attest to whether those reports or my many public articles are read. I can affirm that I have never received any rebuttal or disagreement from JPMorgan on anything I've

alleged.

Itâ??s certainly not as if the refusal of the CFTC, the CME Group and JPMorgan to seek the most efficient way of making what are the most serious allegations possible go away is in any way understandable â?? other than to hope they just go away on their own by not drawing attention to them. And itâ??s not as if anyone else can address the simple questions Iâ??ve asked above â?? otherwise I would have heard those answers by now.

So the completely unprecedented circumstance of regulators willfully ignoring the obvious and important financial institutions (the CME and JPMorgan) allowing attacks on their reputation to go unaddressed continues. As such, it is reasonable to conclude that the pattern of more becoming convinced that silver is manipulated in price â?? due to the lack of pushback by the parties that should be pushing back â?? seems destined to pick up strength. At some point, I am convinced that the CFTC, the CME and JPMorgan will be forced to respond and if the manipulation isnâ??t over by then, the forced response will end it.

Let me stop here and change course completely. What I just described above is the only plausible and logical explanation for why silver prices have been so depressed for the past eight years, namely, an overt manipulation by JPMorgan to depress prices so it could accumulate as much physical silver as possible â?? something it has succeeded at beyond even its own wildest imagination. Along the way, JPMorgan has received the full support of the CFTC and the CME in its historical endeavor. The jury is still out on whether the Justice Department has been sucked into approving JPMorganâ??s master scheme, but confidence that the DOJ will end up finding JPM has manipulated silver in the manner I allege is not exactly high.

But make no mistake, JPMâ??s scheme, no matter how masterfully planned and executed, must and will come to a conclusion. This is not an open-ended equation. JPMorgan is far from dumb, so the end game for it must include a dramatic rise in the price of silver. JPMâ??s main purpose for existence is to make as much money as possible in everything it does and itâ??s almost inconceivable it has a different goal in mind by accumulating more physical silver than anyone ever dreamed possible. Nothing else comes close to making sense, even when resorting to the most extreme of conspiracy theory explanations.

Therefore, please take my continuing diatribe about the silver manipulation in the manner most beneficial to you and yours. While I genuinely appreciate any assistance rendered in the struggle to end the manipulation, the most effective means for most to benefit is to position yourself for the coming silver price explosion. I know that the last eight years has been more than a struggle for most, but without a legitimate explanation for why silver prices have been so depressed, the struggle would have surely been that much more difficult.

If you told me eight years ago, after silver had climbed to \$50 from the mid-single digits only several years prior, that I would be writing today about JPMorgan having accumulated 850 million ounces of physical silver at an average cost of somewhere around \$18 an ounce, not only wouldn't I have believed you, I would have thought you certifiably insane. I probably wouldn't have batted much of an eye if you told me the manipulation would have reasserted itself after the big run up in 2011, although I would have been surprised if it had lasted into 2019. But the idea that JPMorgan would succeed in accumulating 850 million oz of physical silver (and 20+ million oz of gold) would be as alien to me as conversing with a visitor from outer space.

Yet here we are and all I write about today is how JPMorgan pulled off what I could have never conceived in a billion years not that long ago. I hope you know that my imagination is nowhere near vivid enough to dream up such a story. Otherwise, I'd be writing far-out sci-fi novels (which I don't even read). All I do is look at the public data and try to assign the most reasonable explanations for that data.

Some things I have always maintained include that investment demand is the most important price factor in silver, alone among all industrial commodities. And that investors collectively only buy assets that are rising in price, whether those assets are stocks, bonds, real estate or crypto-currencies. Therefore, when silver rises in price sufficiently, something it hasn't done in 8 years, investors will seek to buy it (again). Only this time, the price of silver will have something going for it that it hasn't had in history - the wind at its back of JPMorgan doing everything it can to drive prices even higher. Let me not beat around the bush - I'm more bullish on silver than I ever have been.

One thing that could help focus attention on the silver manipulation as I have outlined that manipulation to be, namely, JPMorgan running things for its own benefit, would be for some main stream media interest - something that has been completely absent until now. Say what you will, but the free press is more powerful than many give it credit. I'm reminded of this after reading a two-part extensive expose that began Sunday in the New York Times on the scandal in NYC taxi medallions over the past decade or so.

While many attribute the collapse in the price of taxi medallions from more than one million dollars in 2014 to \$200,000 or so today to the encroachment of Uber and Lyft, the Times laid out a convincing case that placed the blame elsewhere. The run up to \$1 million from \$200,000 or so ten years earlier had much more to do with a cruel scheme by a few taxi industry insiders to inflate the price of medallions in order to unload them on thousands of mostly immigrant independent taxi drivers who bought the medallions with high-cost loans (provided by the insiders). In the process, a handful of insiders made many tens of millions of dollars and as many as 4000 independent drivers lost everything including, for a hundred or so, their lives by suicide due to the financial despair of being hopelessly indebted. Some banks even got involved in lending to the immigrant drivers, but in the interest of full disclosure, JPMorgan wasn't mentioned (surprising to me).

It was hard not to be offended by the Times's article. Obviously, others were also offended. On Tuesday, one day after the two-part story was published, both the New York State Attorney General and the NYC Mayor's office announced they had opened investigations. Since the Times laid out ample evidence of regulator indifference while the giant scam was occurring, I don't have much faith that the just-announced investigations will result in meaningful justice, at least as far as official malfeasance is concerned. However, my point is different, namely, that there would be no attention on

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the matter and certainly no investigations at all were it not for the Times's article. Mainstream media can make a big difference in such matters.

The connection to the silver manipulation should be clear. There has been no mainstream media attention to the silver price manipulation and JPMorgan's role in it. It would and should be a shock to many to read of it for the first time. No, I don't care if such a story would result in more new official investigations by the regulators, as we've had enough of them to this point. But such a story could easily explain to many just why silver is so cheap in price and persuade them to buy, unlike the Times's story which wouldn't possibly encourage anyone to buy taxi medallions. To be sure, the first mainstream reporter who picks up the silver manipulation story would probably end up with a Pulitzer Prize, as the story is that compelling.

As far as what to expect in this Friday's COT report, the reporting week ended yesterday was a mirror-image of the previous reporting week, so the hope is that much if not all of the prior week's deterioration in gold was reversed. As a reminder, the prior reporting week saw an increase of more than 40,000 net gold contracts in managed money buying and commercial selling as result of gold's upward penetration of its 50 and 100 day moving averages. The price penetration and positioning was largely a one-day affair, occurring on Monday, May 13, when gold traded above \$1300 for the first time in a month. Such a large one-day positioning change was very much in line with my recent observations of the technical funds having a more sensitive trigger finger in positioning larger positions more quickly than previously.

Following last reporting week's decisive one-day upside penetration and positioning change in gold, the week ended yesterday was of the classic downside price action variety intended to induce managed money technical fund selling - down nearly every day in stair-step fashion (a bit more intense than typical salami slicing). The technical funds which bought on the prior week's upside breakout, puked up long positions and added shorts in this reporting week to the tune of a collective \$50+ million in very quick losses. It may be too optimistic to expect a complete reversal of the prior week's 40,000 net contracts of managed money buying, but I do hope we come reasonably close.

Silver, of course, was different in the prior reporting week in that the commercials (but not JPM) were buyers and not sellers, as was the case in gold. But the managed money traders did practically nothing in silver, given the pretty rotten price performance. But silver, like gold, broke down badly in the reporting week ended yesterday, so I am expecting a pretty big improvement in Friday's report, along the lines of managed money selling/commercial buying of 5000 to 7500 net contracts or so. The main focus of my attention in Friday's report will be what the crooks at JPMorgan did - I'm hoping that they bought close to 20,000 net contracts of gold and as many as 5000 net silver contracts. Hope springs eternal.

Here's a brief interview I just did with Jim Cook, President of Investment Rarities, Inc.

<http://silverseek.com/commentary/jim-cook-interviews-ted-butler-jpm-silver-investors-more-17652>

Ted Butler

May 22, 2019

Silver – \$14.43 (200 day ma – \$14.94, 50 day ma – \$15.01)

Gold – \$1274 (200 day ma – \$1258, 50 day ma – \$1292)

**Date Created**  
2019/05/22