May 23, 2015 – Weekly Review

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Following two to three weeks of gains, both gold and silver fell this week; gold by $19 (1.6%) and silver by 42 cents (2.4%). As a result of silver's relative underperformance, the silver/gold ratio widened out by half a point to just over 70.5 to 1, still very much within the trading range established over the past six months. Of course, I don't sense much actual ratio trading in the sense anyone is making fundamental decisions about the relative values of silver versus gold, or even fundamental values about each metal on an individual basis ? price is nothing more than computer price fixing on the COMEX. Same as it ever was.

The big news this week is the horrendous Commitments of Traders Report (COT) released yesterday that covered a reporting week in which all moving averages were penetrated to the upside. The report was as pleasant to read as drinking an anthrax cocktail and was even worse than my most feared expectations. I had desperately wanted to be wrong in expecting massive technical fund buying and commercial selling in COMEX gold and silver and secretly hoped for signs of some sort of commercial crook double-cross, but that was not the case.

As bad as the report was and as much as I'm tempted to sugar coat it, in the interest of objective analysis, it is not something I can do. Yes, it is possible or even likely that the market structure is better today due to not all the data from the sharp Tuesday (the cutoff day) selloff being recorded on time and due to the continued price weakness since the cutoff; but I'm not interested in spinning the facts, but in addressing them forcefully.

As always, the COT market structure is a short term concern, where an investment in silver should be considered long term and none of the long term reasons for holding silver have changed, including the still cheap as dirt price. The worst thing that can happen to a long term silver investor is to get faked out and lose a position due to short term concerns. Then again, what kind of analyst would I be not to point out concerns, even of the short term variety? As recently as only weeks ago, the silver and gold markets were structured to explode due to excessive managed money short positions and minimal long positions and I said so. The only thing preventing an explosion of historical proportions in silver would be aggressive commercial selling and concentrated new short selling, which did, in fact, occur in the reporting week.

One fact that appears undeniable is that the COT report itself is an accurate and reliable portrayal of positioning on the COMEX and other exchanges. Over the years, I have seen suggestions that the report, like any other government data report, is subject to accidental or intentional misreporting and as such, should be taken with a grain of salt. This despite an ability by some to predict big changes with a high degree of accuracy. This week's report adds another dimension to the accuracy of the COT report (timeliness excepted) in that why in the world would the CME and CFTC publish data that so clearly prove that silver and gold are manipulated in price if they could instead massage the data? More than ever before, this week's COT report proves the manipulation and that the regulators are criminally involved in enabling it. More in a moment.

I keep writing about the physical turnover or movement of metal brought into and taken out from the COMEX-approved silver warehouses only because it continues and continues to be so unusual compared to all other commodities. More and more I tend to link it with JPMorgan's massive accumulation of physical silver and as the COMEX turnover continues, albeit on a somewhat reduced level, I think it means JPM continues to accumulate silver. This week, just over 2.8 million oz. were moved, as total COMEX silver inventories rose by 1.3 million oz to 178.8 million oz.

There were no changes in the silver holdings in SLV, the big silver ETF, since Wednesday's article, but I'm getting the impression that JPMorgan has backed off from buying Silver Eagles from the US Mint. Whether it turns out to be like what occurred last summer, when JPMorgan increased its short position on the COMEX and then waited for prices to be rigged lower before resuming its buying of Silver Eagles is way too soon to know for sure, but is possible. Silver Eagle sales are still far ahead of sales of Gold Eagles for the month, at more than 100 to 1, but May looks like it will be the lowest month of the year for sales.
http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion

More than ever, I am convinced that JPMorgan has acquired 100 million oz of Silver Eagles and Canadian Maple Leafs over the past four years, as part of the more than 350 million oz of physical silver the bank has accumulated. I know my contention has drawn a fair bit of disagreement, including some recent disagreement that was downright personally insulting. I'm not going to reduce the discussion to a tit for tat of personal insults, but I do assure you that where the disagreements get personal it occurs for good reason ? there is a personal history involved in any insulting comments directed towards me. I'm not going to discuss it here, but if you do have specific questions, just drop me a line.

One subscriber did ask if I still maintained that there were one billion ounces of silver bullion in the world, in trying to reconcile what I claim JPMorgan has amassed. I deal in round numbers generally, but I have allowed in the past on many occasions that there may be 1.3 billion oz of silver bullion in the world. Since the world has been adding 100 million oz of silver to existing bullion inventories annually (after deducting total fabrication demand from total new mine and recycling production), the total amount of silver bullion (1000 oz bars) is probably closer to 1.5 billion oz by now. So JPMorgan holds, according to me, close to 25% of all the silver bullion in the world. Incidentally, since the world adds more than 100 million oz of gold to existing stock annually, the world holds close to 6 billion oz in total gold inventories, with about 3.5 billion oz of that in the form of gold bullion.

The changes in the COT report were larger than the upper end of any guess I put out either in last week's review or in the Wednesday update, made complicated by the sharp selloff on the Tuesday cutoff. My guesses were tentative, given that the rally was confined to a few days during a reporting week that featured only as much as a $1.25 rally in silver and perhaps a $30 rally in gold at the extreme highs, before ending the reporting week with barely half those gains. Of course, what made what normally would be considered fairly minor price rallies was the fact that important moving averages were penetrated for the first time in a while, particularly in silver.

A long time subscriber wrote to me this week (but before the COT report was released) somewhat incredulous about my assertion that JPMorgan had never taken an actual loss on any COMEX silver or gold short positions it added since acquiring Bear Stearns in 2008 or that the technical funds would consistently buy on upside moving average penetrations and sell on downside penetrations since that would result in many more losses than gains and no one would adhere to such a strategy.

Sometimes the technical funds do score big (remember last fall on the short side of silver), but many more times than not the funds get ripped off by the commercials as was evidenced in this week's report. It's too early to tell if JPMorgan will keep its unblemished record of never losing when it adds new short positions in silver intact, but by my calculations they are already ahead and may have begun to close out shorts. I think this point may have been lost in Wednesday's article, so let me repeat it here – the fact that JPMorgan has never lost on any short position it has added in COMEX silver or gold is proof positive that this is a crooked and manipulative venue.

In COMEX gold futures, the total commercial net short position grew by an astounding 54,800 contracts to 132,300 contracts (I had guessed 40,000+). In what can only be described as tightly choreographed and collusive activity, all three commercial groups pulled their Three Musketeers routine once again, as they have rehearsed so many times over the years. The big 4 shorts added 17,700 new shorts, the big 5 thru 8 added 13,400 more, while the raptors sold out 23,700 longs.

On the buy side in COMEX gold futures, it was mostly a technical fund affair, as it usually is, as managed money traders bought nearly 51,000 contracts or more than 92% of what the commercials sold, including more than 28,000 new longs and the covering of nearly 23,000 short contracts. I had been commenting how the long position of the gold managed money traders, prior to this report, was historically low while the short position was historically high and, at the very least, this week's report bore that out in spades.

It isn't so much the new total level of net commercial shorts in gold that stands out, since we had a much higher level of total commercial shorts (over 206,000) as recently as January 27. Ditto for the current level of managed money longs and shorts in COMEX gold. What stands out the most is the one week change, which to my recollection, is the largest weekly change in history. Coupled with the fact that the gold price change within the reporting week was nowhere near the largest price change in history, it reasonable to ask why such aggressive commercial selling?

In the past, a burst of net buying by managed money traders of nearly 5.5 million equivalent ounces of gold has resulted in much bigger gains than the $15 net gain for the reporting week. Why the coordinated commercial lockdown on price? I think it might be related to a number of things (which I'll get to momentarily), not the least of which is silver. Where the weekly change in COMEX gold was very large, but not the resultant total level of commercial shorts; in COMEX silver, both the weekly change and new total level of commercial shorts were both extraordinary.

In COMEX silver futures, the total commercial net short position exploded in unprecedented fashion by an historic 24,400 contracts to 62,500 contracts. (I had guessed an increase of as much as 20,000 contracts which would have been a record). 24,400 contracts is the equivalent of 122 million ounces of silver or 53 days of world production and it is impossible to justify how a handful of commercial traders, most of which are banks and financial institutions and none of which are real producers, could sell that quantity of silver for any purpose other than to cap the price. The managed money traders bought even more than the commercials sold and would have paid any price the commercial traders demanded; so why did the commercials sell at such low prices?

Unlike the situation in gold where there was a record weekly change but nowhere near a record level of total commercial shorts; in silver not only was there a record change for the week, the resultant level of total commercial net shorts was the highest since September of 2010. The total commercial net short position in gold is still way below where it was a few months ago, yet the total commercial net short position is higher than it has been in more than four and a half years. My point? This is clear evidence that silver is much more manipulated in price than is gold or any other commodity.

By commercial category, the 4 big shorts added 6600 new short contracts to a concentrated short position now totaling 51,255 contracts, the largest since early 2013 ($30 silver). The raptors sold out a remarkable 18,200 long contracts and now sit with 12,800 net long contracts. The big 5 thru 8 actually bought back a few hundred contracts, but that is very misleading since a managed money short or two may have been included in what is normally a purely commercial big 8 silver short position.

Because it is now impossible for there to be any non-commercials among the big 8 shorts in COMEX silver, it is clear that what I have long described as the key to the silver manipulation – the willingness of the 8 largest commercial shorts to add to short positions on price rallies ? is evident this week. While I just wrote that the concentrated short position of the big 4 is the largest since early 2013 (and I would peg JPMorgan's share of that to be 20,000 contracts, up from 15,000 in the previous week), the concentrated net short position of the eight largest short traders is now 75,314 contracts, the largest since 2009. Please reflect on this for a moment.

Eight non-silver producing speculators, euphemistically classified as commercials by the CME and CFTC, hold more than 376 million oz of equivalent silver net short in COMEX futures according to the current COT report, the most in six years. That's the equivalent of more than 47% of total world mine production according to the CPM Group (790 million oz) and more than 42% of the 877 million oz reported by GFMS (why there are such disparities in world silver production is beyond me ? I don't trust either organization).

The one key feature which I have long identified as at the core of the silver manipulation – the concentrated short position on the COMEX – has just rocketed to a multi-year record extreme on an anemic silver rally to just over $17 an ounce, a level at which most primary silver miners can't turn a profit. What kind of madness is this? By the CFTC's own past actions in cases involving manipulation (including the one they brought against a client of mine in orange juice from 1984 that was summarily dismissed by their own judge), the key was always the concentrated position of the alleged manipulator. How this criminal regulator can now look away from the short side concentration in COMEX silver is what makes the lot of them, CFTC, CME, and JPMorgan and their ilk, crooked and in bed with one another. The law must be applied in a just and level manner, not to reward favored parties.

Finishing up the COT report in COMEX silver, the managed money traders bought more than 100% of the record 24,400 contracts that the commercials sold, in buying a different record of more than 28,000 contracts, including more than 8500 new longs and an incredible 19,680 contracts of short covering. In other words, traders in the managed money category bought the equivalent of more than 140 million oz of silver or more than two full months of world production during a reporting week in which silver ended maybe 60 cents higher.

Since these managed money traders would have paid any price demanded by the commercials selling to them, the only question that matters is why the heck did the commercials sell so aggressively? I have some new thoughts on this matter.

This was another historic week in the annals of collusive and manipulative behavior by the big banks, the very same banks involved in the COMEX silver manipulation, such as JPMorgan. This week, the Justice Department secured for the first time an admission of criminality from JPMorgan and the other crooked banks involved in the $5.8 billion settlement for foreign exchange manipulation. Up until now, all previous settlements for manipulation involving mortgages, electricity, LIBOR and everything else the crooked banks manipulated were civil, not criminal matters. Of course to most people, an admission of criminality would involve the guilty parties going to jail for some time. Welcome to the brave new world where criminality means something else ? no jail time. I thought the NY Times had a great editorial on the issue (thanks Cris) http://www.nytimes.com/2015/05/23/opinion/banks-as-felons-or-criminality-lite.html?action=click&pgtype=Homepage&module=opinion-c-col-left-region&region=opinion-c-col-left-region&WT.nav=opinion-c-col-left-region&_r=0

It occurs to me that it has come down to JPMorgan and other big banks being found guilty of manipulation in most of the markets they deal in, except for a very few; even though their behavior was the same in all markets. It took me a while to figure out why the banks could be found guilty in most markets, but not in others. The difference is that in the markets where the banks were found guilty were all markets where the chance of pile-on civil litigation was virtually non-existent.

OK, the banks conspired and colluded in LIBOR and foreign exchange, for instance, but who was damaged was very hard to prove and this virtually eliminated waves of follow on civil litigation. Plus, there were no strong public allegations of manipulation beforehand that I am aware of ? just a sudden finding that the banks did something wrong and they agreed to settle. It was almost like the authorities and banks agreed that something was done wrong to throw everyone off the real trail.

In contrast, in the markets where the banks' manipulation is clear, like silver, gold, copper and elsewhere, neither the Justice Department nor the CFTC would dare bring charges for fear of the avalanche of civil lawsuits that would follow. Let's face it, it would be pretty easy for many thousands of market participants and investors to prove they were damaged by the silver manipulation were the regulators to level charges against the banks along the lines of what I write about weekly. In addition to subjecting JPMorgan and the CME to endless and unlimited litigation, it would necessarily end the manipulation in an instant and send silver prices to the heavens.

What I'm suggesting is that the regulators, most assuredly including the Justice Department, are frightened to death about ending manipulation in markets where it would make a difference and have instead centered on bringing charges where it makes no difference, like LIBOR and foreign exchange. This gives the authorities some cover in appearing to be cracking down on the big banks, but nothing could be further from the truth. And considering how infected most markets have become by HFT and spoofing, I fear that the stock markets are included in those markets where the authorities are afraid to crack down for fear the investing public might panic should it come out there is anything wrong. I'm leaving out the bond market because it appears the Fed has engineered zero interest rates and not some crooked private bankers.

If I am close to the truth as to why the regulators are afraid to touch the increasingly obvious silver and other metals price manipulation, we are truly headed for a day of reckoning made so much worse by decades of regulatory neglect. I know many believe that the game of two narrowly defined opposing groups of paper traders on the COMEX setting the price of silver, gold and copper can continue indefinitely, but not when the fortunes of those responsible for producing the metals around the world, companies and countries alike, are held captive to the phony COMEX pricing.

Recently, I had an email exchange with the CEO of a well-known primary silver producer (whose identity will remain shielded). By itself, the exchange was unusual in that I've had very little of such contact, despite dealing in issues that are vital to any producer, as what could be more important than if the price of one's principle product was being set artificially? I don't care what a company produces, if the CEO felt there was even the hint of artificiality to the price discovery process of his main product, he or she would have a responsibility to insure the artificiality was addressed.

Instead, I came away with the impression that the CEO was more concerned with not appearing to be part of any conspiracy theory due to the personal embarrassment that might entail, than in making a straight forward appeal to the primary regulator as would any producer who suspected something was wrong with the price of his product. While disappointed, the facts about the silver manipulation, particularly involving this week's shocking COT report, are becoming so clear that I believe it is only a matter of time when the personal fear of siding with those believing that silver is manipulated will be outweighed by the facts surrounding the manipulation. And it's not just silver and gold, I don'

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