

A sharp selloff on Thursday was enough to cause gold to end the week lower by \$18 (1%), while silver was able withstand the decline on Thursday and finished the week 64 cents (3.8%) higher. As a result of silver's outperformance, the silver/gold price ratio tightened in by another five full points to 98 to 1, the third straight week of similar relative outperformance.

After ten straight weeks in which the silver/gold price ratio has exceeded 100 to 1, it's as if some sanity has returned to our insane world, but it's important to keep in mind that regardless of the near-term gyrations of the price ratio, silver will be still considered wildly undervalued to gold even if the price ratio were to halve from here. (And as a reminder, I'm using prices based upon the COMEX June gold contract and the July silver contract - next week, I will be switching to the August contract for gold, which is trading at a sharp premium to June and will automatically cause the price ratio to widen by my methodology).

The standout developments for the week were many, including sharp continuing inflows of physical gold into the COMEX warehouses, sharp continued physical inflows into gold and, particularly silver ETFs, a surprisingly bullish COT report and yet another notable press leak from the US Department of Justice regarding its ongoing investigation into precious metals manipulation, centering on JPMorgan. I'll get into all these matters in turn.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained elevated this week as more than 6.1 million oz were physically moved and total warehouse inventories fell again, by 3.7 million oz to 310.5 million oz. This is the lowest level of COMEX silver inventories since last July. No change, yet again, in the JPMorgan COMEX silver warehouse, still

stuck at 160.8 million oz.

It was a different story, also yet again, in the COMEX gold warehouses, as another 1.6 million oz of gold came in, pushing the 7 week total increase at nearly 17 million oz, and there are now 25.2 million oz of gold in the COMEX warehouses, roughly triple the amount of less than two months ago. The COMEX warehouses of JPMorgan have seen the largest increase in gold deposits and those warehouses now hold 10.8 million oz, or nearly 43% of the total COMEX gold warehouse holdings, only slightly less than the near 52% that the JPMorgan COMEX warehouse holds in total silver inventories. Ever get the idea that JPM is the kingpin in gold and silver?

The hits, or physical inflows keep coming in the gold and silver ETFs, despite a fairly hefty withdrawal yesterday in SLV, the big silver ETF. Over the past month, some 4 million oz of physical gold have been deposited into the world's various gold ETFs, with more than half that amount coming into GLD, the big gold ETF. More than 57 million oz of silver have been deposited into the world's leading ETFs, over the past month, with SLV alone accounting for nearly 43 million oz. In dollar terms, the 4 million oz of gold amounts to nearly \$7 billion, while the 57 million oz of silver amounts to less than \$1 billion, offering a stark example of how much silver money can buy.

The big question, of course, is where the heck is all this silver coming from and why hasn't there been more of an impact on price? In gold, where the metal is coming from is less of a mystery, not only because gold inflows into the COMEX warehouses have been much greater, but also because with 3 billion oz of gold bullion in the world, the combined inflows into the COMEX warehouses and ETFs don't even add up to one percent of world gold bullion inventories. I'm not minimizing in the least

the amount of money that is coming into gold, just looking at it from a percent of total physical gold perspective.

Silver is different in that the tonnages flowing into the ETFs represent a much larger share of total world silver bullion inventories. I contend and have contended that 60 million oz flowing into the SLV back in 2010-2011 was the primary price driver to \$50 back then. So why not now? And where is all this silver coming from? The answer to both questions, I believe, resides with JPMorgan. From everything I've studied, only JPMorgan has the ability to come up with this much physical silver, as a direct result of it being the primary buyer of physical over the past 9 years. Plus, the silver has come into the ETFs, primarily SLV, with only the slightest of delays and no notable increase in the short position of SLV (although next week's short report will be of great interest).

The only question in my mind is the manner by which JPMorgan is providing the physical silver. Is it simply selling the metal and, in a very real sense, basically donating the metal to keep prices subdued or is it leasing the silver to others, who in turn are providing it to SLV and other ETFs? To be sure, it matters not a whit which it is to the ETFs, as whether the metal was leased to others and then sold to the ETFs or if JPM was selling it directly, the ETFs have gotten hold of the metal on a non-encumbered basis and with no responsibility for return.

In the case of JPMorgan leasing the metal to other banks which in turn sold it to the ETFs, it is the other banks' responsibility to return the physical silver to JPMorgan, not the ETFs. That's just the way nutty precious metals leasing works. In other words, if JPMorgan has been leasing the silver to other banks (which I believe to be the case), it's just another layer of short selling on top of the already existing and

egregious concentrated short position in silver. And another instance of JPMorgan double crossing the other banks. If I'm correct in my take that JPM is leasing the physical silver to other banks, it is another bullish factor for the price, without question.

Finally, while I have no good answer to why spot silver is so much cheaper than the July COMEX futures contract (I do suspect something untoward), I would point out that the price of SLV and other hard metal silver ETFs is based upon spot prices, not futures. One big advantage is that the physical metal that is coming into SLV and the other silver ETFs, is coming in at the cheaper spot price.

Turning to yesterday's new Commitments of Traders (COT) report, it was one of the most bullish surprises I have encountered. Sharp price rallies in gold and especially silver in the reporting week ended Tuesday meant there had to be managed money buying and commercial selling and there was, but nowhere near the levels I had expected. I hope you understand that being so wide of the mark in this instance, in terms of my contract predictions, could not have made me happier.

Before getting into the details, trying to reconcile why there was relatively so little managed money buying on what was a decisive upward penetration of the remaining 200 day moving average in silver over the reporting week, I've concluded that the deliberate and intentional price smash in March was so severe that it radically altered the way some managed money traders viewed the market - it really shook them up. As a result, the market structure in silver is much more bullish than I would have ever imagined at this juncture. Here, we have upwardly penetrated the most important moving averages and the structure is more akin to a market structure already well-below the important moving averages.

May 23, 2020 – Weekly Review/Another Press Leak

In COMEX gold futures, the commercials increased their total net short position by 11,600 contracts to 290,200 contracts (and not the 20 to 25,000 contracts I had anticipated). Even better, the concentrated short position of the 8 largest traders only increased by less than 3000 contracts to 249,313 contracts. And while JPMorgan did sell perhaps 2000 contracts, it is no worse than zero in terms of net gold shorts and still may be net long by 2000 contracts. In any event, JPM is not one of the 8 big shorts. And all this is as of Tuesday and not factoring in the large selloff on Thursday, when, for sure, there was JPM buying.

On the buy side of gold, the managed money traders bought even less than the commercials sold as these traders bought only 4847 net contracts, comprised of only 9946 new longs and even more surprisingly, the new sale of 5099 short contracts. The reason such subdued managed money net buying is so bullish, in my opinion, is that it reduces or eliminates the potential for the big commercial shorts to buy back the bulk of their short positions. The big shorts need big managed money selling to allow them the opportunity of covering the commercials' massive concentrated short positions.

I should also add that there was fairly significant buying, both on a gross and net basis, by the other large reporting traders who are holding a very large and near record long position. While it is still difficult to handicap what this category of traders will do, I'm still more of the opinion that their holding of large long positions is bullish, as opposed to what I would feel if the managed money traders were holding historically large long positions (certainly not the case currently).

In COMEX silver futures, the commercials increased their total net short position by a scant 4200 contracts to 44,900 contracts (as opposed to my expectations of at least

16,000 contracts and perhaps more). The 8 big shorts increased their concentrated short position by just over 3000 contracts to 77,464 contracts. JPMorgan did increase its silver short position to around 3000 contracts (from zero) as of Tuesday, but I'd be willing to bet that it bought back those shorts on the big price drop on Thursday.

On the managed money buy side, these traders bought 7523 net silver contracts, a lot less (thankfully) than I was expecting, consisting of new longs of 8442 contracts and the new short sale of 919 contracts. The net long position of the managed money traders of 21,466 contracts (37,565 longs versus 16,099 shorts) is still extremely low and bullish.

Just how bullish the gold and silver COMEX market structures are might be better understood by comparing where the market structure stood exactly three short months ago, on Feb 18. Back then, like today, both gold and silver were higher than their respective 50 and 200 day moving averages. Silver today is still about a dollar lower than it was back then, but up more than five dollars from its low in March. Yet the headline commercial short silver position is 55,000 net contracts less short today than it was on Feb 18. In gold, despite the price being more than \$130 higher than it was back on Feb 18, the headline commercial net short position is 95,000 contracts less today than it was back then. This is simply astounding.

Further, back on Feb 18, JPMorgan was net short 15,000 contracts of COMEX silver and 40,000 contracts of gold - as of today, JPM doesn't appear to hold any short positions in COMEX gold or silver. Since I'm convinced JPMorgan "owns" the gold and silver market, it is hard for me to imagine a more bullish set up. That is, until I contemplate the last of this week's key developments.

Another Press Leak

There have been a series of recent leaks to the press from the US Justice Department, in conjunction with the US Commodity Futures Trading Commission, concerning the ongoing investigation into precious metals manipulation. The main target of the investigation is, undoubtedly, JPMorgan, although other banks, like Scotiabank and HSBC, have also been referenced. Here's the most recent leak to the press, in this case, to Reuters.

<https://www.reuters.com/article/us-usa-doj-trading-insight/traders-beware-u-s-taps-new-tools-to-find-fraud-in-volatile-commodities-market-idUSKBN22X14E>

First, who is doing the leaking and where do I get off calling this article a deliberate leak to the press and not, say, the product of independent snooping around by a reporter on the trail of an impending big story about to break? The leakers are clearly the Justice Department and the CFTC, since most of the direct quotes come from officials at both agencies. Remarkably, it is against stated and usual government policy to even acknowledge the existence of ongoing investigations, no less openly discuss them, so at least we can ascertain who is doing the leaking.

Instead of the typical “no comment” to questions regarding ongoing investigations, we are presented with fairly in depth details of how the regulators are going about both a criminal and civil investigation into market manipulation, including actual quotes from the leading players on the regulatory side. Also, it's not hard to see that the principle target of the investigation is none other than the super crooks at

JPMorgan, along with assorted other precious metals bank criminals. The “no comment” side of the ledger is represented by the guilty, but not yet convicted swells at JPM and assorted other bank vermin. Hey, no one could possibly assume JPM planted this story; otherwise, a title other than “Traders Beware” would have been chosen.

It is one thing to see that the DOJ and CFTC have engaged in a series of press leaks and official announcements the past few months highlighting a serious ongoing investigation and to recognize just how unprecedented is this circumstance, but perhaps quite another to figure out why. What could possibly have motivated the Justice Department to depart so sharply from previous policy to openly discuss an ongoing investigation? I’ll present my speculation about what I think might be up, but as always, feel free to share with me any thoughts you might have.

Yes, the Justice Department has the power to imprison wrongdoers and the CFTC has the power to ban recidivist players, like JPMorgan, from trading in markets and there is no doubt these are far-reaching powers. At the same time, such actions against JPMorgan would be strenuously contested by the bank and as the Reuters article correctly points out, the track record of the regulators in open court cases when alleging manipulation is spotty at best. Simply put, the legal might and prowess of JPMorgan cannot be underestimated, even when stacked up against the top law enforcement agency in the US.

Aligned against a legal opponent far superior in terms of the caliber of legal talent that can be bought with JPM’s unlimited resources, the DOJ and CFTC are clearly the legal underdogs, despite their powers of incarceration and unlimited monetary fines. Therefore, I believe the series of leaks to the press by the regulators is a way of

May 23, 2020 - Weekly Review/Another Press Leak

leveling the legal playing field and I wholeheartedly support it. To me, the leaks are akin to the shelling of a beach by heavy bombardment before the troops storm ashore. In matters of legal warfare and love, all's fair - particularly when you are the underdog and you are on the right side of the argument. Let's face it - JPMorgan is a stone cold crook when it comes to silver (and gold) and the only shame is that it has taken so long for the regulators to come after the bank.

In fact, my knee-jerk reaction to this and other press leaks by the Justice Department that it was investigating JPMorgan for precious metals manipulation was one of irritation that the process has taken so long. After all, justice delayed is justice denied. I was also irritated that the focus of attention still seemed to be on spoofing, which as you know, I feel was only a single tool in the crooked tool box of JPMorgan and the other collusive commercials on the COMEX. The real crime was centered on how the decades' long concentration on the short side of COMEX silver had allowed JPM and the other big shorts to not only suppress the price of silver, but had also resulted in the big shorts never taking a loss when shorting silver or gold (up until a year ago). It had also enabled JPMorgan to amass the world's largest hoard of physical silver and gold at artificially depressed prices. Yet this has never been mentioned by the DOJ or CFTC.

Upon further reflection, however, I'm starting to believe that perhaps my irritation at the slow pace in which the DOJ and CFTC are going after JPMorgan and the other big concentrated shorts might be misplaced. Call it another new thought from an old man, but it struck me that perhaps the regulators have not missed the real story after all, at least in the current ongoing investigation, which started a couple of years ago.

May 23, 2020 – Weekly Review/Another Press Leak

As the Reuters article correctly pointed out, the Justice Department and CFTC have had a spotty track record at best in direct legal confrontations that go to trial, because the cases can be too complex for a jury, particularly when the defendants spend all their time trying to add to the complexity. I would predict if the Justice Department's case remains focused on spoofing and it goes to court, JPMorgan's lawyers will not only confuse the jury, but by the trial's end, the DOJ's own lawyers may be so confused so as to forget their way home.

But any jury should understand that never losing and always winning is not the stuff of free markets, only manipulated markets. And that same jury shouldn't have much difficulty in understanding that there is something inherently wrong with JPMorgan always being the biggest paper short while simultaneously being the biggest physical buyer. These are not complex or hard to understand concepts. Certainly, along with JPMorgan and the CME Group, neither the Justice Dept. nor the CFTC have ever been able to refute the lack of losses by the big shorts and JPMorgan or affirm the legitimacy of the concentrated short position in COMEX silver or gold.

It certainly can't be that all parties are not aware of the particulars, since I know I sent them all the particulars often enough. In fact, as previously written, even before the DOJ secured the first guilty pleas by a trader from JPMorgan in late 2018, I had written to the FBI, complaining about the failure of the CFTC and its Enforcement Director, James McDonald, to fulfill their responsibilities by allowing JPMorgan to manipulate the silver market. Later, I even complained to the DOJ's Office of Professional Responsibility, about the DOJ's lead attorney in the JPMorgan investigation, Avi Perry (also mentioned in the Reuters article), focusing on the peripheral issue of spoofing and not the real issues.

May 23, 2020 - Weekly Review/Another Press Leak

I bring this up because it's not possible that the Justice Department or CFTC could still be unaware of the real issues. And this is the genesis of my new idea. The regulators know what the real issues are (concentrated short selling, etc.), but are holding that knock-out punch in reserve. They tolerate my slings and arrows of accusations of their incompetence and malfeasance, because at the same time, my attacks on JPMorgan, the other concentrated shorts and the CME Group suit the purposes of the Justice Department. The DOJ has to be amused and encouraged by me constantly accusing JPMorgan of illegal activities and the bank's failure to respond in any way. What does the DOJ or CFTC care what I call them, as long as I call JPMorgan worse?

If the Justice Department and CFTC are playing this correctly, as I now believe may be the case, then not only am I impressed, but it sounds to me that there is bound to be a pending final step when this whole investigation is brought to a conclusion. It is then that we will know which it will be, either some final charges based upon spoofing or a real resolution of what matters most in silver and gold - the concentrated short position. Even a behind-the-scenes settlement (because the overall issue is so supercharged) must involve an end to the concentrated short position, otherwise I'm reading the matter completely wrong. Time, as they say, will tell.

As far as the financial standing of the 8 big shorts, they did enjoy a bit of a breather this week, following last week's surge to new highs in total combined open losses of \$7.8 billion. As a result of this week's decline in gold and increase in silver prices, the 8 big shorts are about \$200 million better off, at \$7.6 billion on yesterday's closing prices. But against that, when considering what looks to me like a surprisingly bullish COT report and market structure, I certainly wouldn't want to be

one of the big shorts.

Ted Butler

May 23, 2020

Silver - \$17.69 (200 day ma - \$16.98, 50 day ma - \$15.13)

Gold - \$1734 (200 day ma - \$1566, 50 day ma - \$1676)