Weekly Review

Prices remained flatter than a pancake this week as gold finished exactly unchanged while silver added a thin dime (0.5%). As a result of silver's very slight relative outperformance, the silver/gold price ratio also tightened slightly to 66.5 to 1. Both gold and silver did touch and retreat from their respective 50 day moving averages on Thursday and it is only a matter of time before prices penetrate the declining moving averages to the upside. As of yesterday's close the 50 day moving average was under $1304 in gold and around $19.76 for silver.

As and when the moving averages are violated to the upside, it is fairly certain that an unspecified amount of technical fund buying on the COMEX will come into each market, both in the form of new buying and buying from short covering. Since the technical funds now hold a record gross short position (more in a moment) in COMEX silver futures, it is reasonable to expect stronger short covering in silver than in gold (where the technical fund short position is much closer to historical low levels than high levels).

It's relatively easy to predict how the technical funds will behave to price stimuli and, in fact, this predictable behavior is how the manipulation endures. That's because the commercials control the price stimuli on the COMEX. More difficult is predicting what the commercial price controllers have up their sleeve. Will the commercials toy with technical funds for a while longer (as they have been), or will the commercials (the raptors) let prices rip to the upside, forcing the tech funds to pay up on the buy side? Or will the commercials take a small slice of flesh from the funds on a moderate rise in price and then engineer another sell-off to lure the technical funds into selling again? Only the collusive commercials know for sure. That said, the set up in silver is as bullish as it has ever been.

The turnover or movement of metal into and out from the COMEX-approved silver warehouses got off to a very slow start on the first two days of the week, but by week's end had caught fire to finish just above the blistering five month 4.5 million oz weekly average of 2014. Total inventories rose slightly by 500,000 oz to 176.2 million oz, about where total inventories stood at year end. Yes, I'm a broken record on the unique phenomenon of rapid physical turnover in COMEX silver inventories over the past three years and what it may mean. On a year to date basis, close to 95 million oz have come in and out of the COMEX silver warehouses as total inventories have essentially remained unchanged. It's not so much that I am set in my ways in concluding this is a sign of physical tightness; it's more a case that I can't come up with a more plausible alternative explanation.

There's not much to report on Silver Eagle sales from the US Mint as only a few hundred thousand coins were recorded as sold in the past week. There's still a question in my mind about the Mint's sharp reduction in previously reported April sales and I'm still inclined to attribute that and the slowdown this week to the Mint's sometimes erratic reporting. However, sales of Silver Eagles vs Gold Eagle sales are still over 100 to 1 year to date in ounce terms, something I remain amazed at. http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion

Of course, it is entirely possible that the big buyer of Silver Eagles that I speculated might be JPMorgan may have stepped away or may step away from future purchases. Continued reports from retail coin dealers, including third-party comments from a large wholesaler, indicate no widespread retail demand this year, despite the record pace of Silver Eagle sales. If there was widespread retail demand for Silver Eagles, those in that business would surely see it. That they don't invites conjecture as to who is buying.

There has been unusually low trading volume in the big silver and gold ETFs, SLV and GLD, which reinforces the lack of widespread retail demand. The low trading volume is hardly a surprise, given the lack of recent price movement. Particularly in silver, I am not alarmed by the low volume, as it seems to coincide with my conviction that we may be locked and loaded for the upside, as holders seem to be settled in for a longer term bullish resolution. Certainly, few seem to be abandoning silver positions and, in time, buyers seem certain to return as and when prices firm. In the meantime, if there is anything more undervalued than silver I am unaware what that might be.

The changes in this week's Commitments of Traders Report weren't large, in keeping with prices during the reporting week being more flat than anything else. Still, there were some nuggets under the hood.

In COMEX gold futures, the commercials increased their total net short position by 3700 contracts to 106,000 contracts. This was the second smallest net weekly change since early February, attesting to prices remaining in a tight trading range. The most interesting aspect to this week's report is in the changes in the commercial categories. The eight largest shorts actually bought back a few hundred short contracts and it appeared that the sole commercial seller was JPMorgan, for the second week running. Even though JPMorgan was selling out long gold positions and not selling short, it has the mathematical effect of increasing the total net commercial short position.

It appears JPMorgan sold as many as 7000 long gold contracts this week, on top of the 5000 contracts they sold in the previous reporting week. Accordingly, I'd peg JPMorgan's net long position in COMEX gold futures to be no more than 30,000 contracts. This is the smallest net long position that JPMorgan has held since last summer, when I first discovered that JPMorgan had switched from being the largest concentrated short in COMEX gold (in early 2013) to the largest concentrated gold long, holding more than 85,000 contracts. (Cornering the Gold Market, August 7, 2013, in the archives).

JPMorgan accomplished the remarkable market feat of switching a short market corner in COMEX gold futures into an even larger long gold market corner on the largest historical decline in gold prices, pocketing billions of dollars of profits in the process. In fact, such a switching of market corners lies at the heart of the gold manipulation. I'd love to hear a free market explanation for how JPMorgan could go from being the largest COMEX gold short to the largest long on a $400 drop in price without having had manipulated prices lower.

Back when JPMorgan built up its massive long market corner in gold last August, it was natural to conclude that it would likely do to gold prices on the upside what this crooked bank did to gold prices on the downside. But that was not to be. Instead, the crooks at JPMorgan decided (or someone decided for them) to use its massive long position to prevent gold prices from rising too much, by selling off its long position at strategic times and not in regard to enhancing profits.

There should be no doubt that JPMorgan being the sole commercial seller in COMEX gold these past two weeks was for the sole purpose of capping gold prices. And I can assure you that I would not be so reckless to constantly call JPMorgan and the CME Group as market crooks if I were not certain of that in every fiber of my existence.

In COMEX silver futures, the commercials reduced their total net short position by 1700 contracts, to 17,600 contracts. This is the lowest total commercial net short position since Feb 4. By commercial category, the 4 big shorts (JPM) bought back 1100 short contracts while the big 5 thru 8 added 500 new shorts. I'd peg JPMorgan at 19,000 net contracts short. The raptors (the smaller commercials apart from the 8 big shorts) added 1200 new longs, increasing their net long position to 45,800 contracts. On only one other occasion were the raptors ever more net long (back last June 25, when the raptors were long 46,700 contracts).

Aside from the near-record raptor long position, the standout in this week's report was that the technical funds added almost 2500 new short contracts which establishes a new record for managed money gross shorts, eclipsing last Dec 3's previous record of 32,332 by nearly a thousand contracts. This is the type of high octane potential buying fuel that powers the mechanical marvels racing at Indianapolis this weekend. There's no question that close to 25,000 contracts of tech fund shorts alone in this category will be bought if silver prices move high enough, to say nothing of thousands to tens of thousands contracts of new long positions.

Whether silver prices move high enough is a function of how aggressive the raptors are in liquidating their record net long position and how aggressive JPMorgan and the 7 other big shorts are in adding new short contracts. This is the key unknown. But what is clearly known is that the current concentrated short position of nearly 317 million oz is already so large that it proves the silver manipulation on its face. That the position has no hedging or economic legitimacy makes it outrageous to even contemplate that it may increase further. If there is one thing to focus on in silver, it is what happens to this criminal concentrated short position in COMEX silver. More in a moment.

The Tip of the Iceberg?

The big news of the week came from the announcement that British financial regulators had fined Barclays $44 million because one of its traders had manipulated the price of gold in June 2012. The incident involved the trader first placing a large order to sell gold, withdrawing the order (called spoofing on this side of the pond) and then reentering the sell order to depress the price on the London Fix. This was done for the purpose of artificially depressing the price of gold so that a client's option position would expire worthless and enrich the bank by around $4 million. Zero Hedge has covered the matter in an outstanding way.
http://www.zerohedge.com/news/2014-05-23/barclays-fined-manipulating-price-gold-decade-sending-bursts-sell-orders

Although the manipulation occurred on June 28, 2012, Barclays was fined for having insufficient systems safeguards in place from 2004 through 2013. The bank had made the client whole and reported the incident to the regulators and this no doubt had the effect of minimizing the fine. Few have asked, but a question in my mind is if the regulators would have uncovered this had Barclays not reported the incident first? But I suppose that's better than if Barclays reported wrongdoing first to the CFTC; as that agency would have surely found a way to drop the whole matter.

Make no mistake; this Barclays news is big. Amazingly, most of the sources who have alleged manipulation for a long time have generally reported the news in fairly understated terms, with no discernable over-reliance on the "I told you so's." That's because the facts are so clear that they speak for themselves. On the other hand, those who have been strong manipulation deniers have gone apoplectic in shouting how this Barclays news means nothing. I've come to the conclusion that not even if Moses came down from the mountain and personally delivered proof of manipulation carved into stone tablets would that convince the deniers.

A remarkable aspect of the facts speaking for themselves is that what was disclosed in the Barclays incident is exactly what has been alleged all along, at least by me when it comes to the COMEX. This was a clear case of deliberate price fixing to achieve the specific and illegal goal of unjust enrichment. Perhaps I've become jaded, but I was not shocked that banks could so mistreat markets and their own clients. The only shock was reading it in mainstream publications in terms of precious metals. Up until now, it appeared that only in precious metals were the big banks not the bloodsuckers they have been shown to be in all their other lines of business; at least according to the regulators.

The most remarkable aspect to the Barclays' story is that it confirms that on at least one day, June 28, 2012, gold was manipulated in price. Never in history has there been anything remotely close to the public outcry over alleged market manipulation in gold and silver, coupled with the consistent regulatory denial that a manipulation wasn't possible. Now, out of the blue, there is stark proof, at least in this one instance, that the public was right and the regulators (the CFTC) were wrong. And while it was only one instance to this point, I think I can demonstrate how the Barclays incident also proves the continuing COMEX gold and silver manipulations.

First, let's examine what happened in this Barclays incident. A trader had the means, motive and opportunity to manipulate gold prices. He used a phony selling order scheme to artificially depress prices for the specific purpose of unjust financial benefit. In this case, the trader used the London Gold Fix to accomplish the fraudulent scheme. This is nearly identical to what I allege is occurring on the COMEX. The only difference is that the Barclays incident may have been a one off event (although not likely), where I can prove a continuous crime on the COMEX.

I allege, just as occurred in the Barclays matter, that phony trading in the form of spoofing, HFT and other dirty trading tricks, artificially sets prices (mostly lower) on the COMEX for a specific purpose. In the case of Barclays, the purpose was to lower prices temporarily so that a client's option position would expire worthless. In the COMEX manipulation that I allege prices are set lower for the purpose of inducing the technical funds to open and close out positions for the benefit of the collusive commercials.

The proof of this lies in the COT reports published by the CFTC. The commercials always buy from the technical funds on declining prices and always sell to the technical funds on rising prices. There is no way the commercials could do this in anything but in a market in which they controlled the pricing mechanism, just as the trader from Barclays controlled the price mechanism on June 28, 2012. Whereas the Barclays matter involves a single incident (to this point), the manipulation I allege in COMEX silver and gold has always been a continuous and ongoing manipulation, not a one-off event. That makes the COMEX scam infinitely more serious.

Ironically, one of the things that has allowed the COMEX manipulation to continue is that it is so blatant and in your face that many main stream observers reject it out of hand. I can appreciate that its ongoing nature, along with continuous regulatory denials, make the allegations of manipulation seem somewhat farfetched. Hopefully, since this Barclays matter is so close in template to the mechanics of the COMEX manipulation, a closer objective review may result.

Another factor that has allowed the allegations of COMEX manipulation from not being judged objectively is the tendency to lump the allegations as the work of conspiracy theorists. Unfortunately, many in the manipulation camp unwittingly help foster the allegers being labelled as conspiracy “nuts” because too much unrelated speculation and opinion is added to the allegations of manipulation. When commentators start adding stuff about the imminent collapse of the financial system or the secret motives of central bankers and introduce all manner of outlandish short term price predictions, the basic argument for manipulation suffers.

What makes the Barclays matter so potentially significant lies in its simplicity. A trader deliberately abused an order system to artificially depress prices for unjust financial benefit. The only thing missing (from what I've read) is collusion with other traders. In the COMEX silver manipulation, I allege that a collusive group of traders (commercials), using various dirty pricing mechanisms artificially depress prices to force the other traders (technical funds) to sell and this allows the commercials certain unjust profit in time. That the Barclays matter may be a one off event, where the COMEX manipulation is ongoing makes the COMEX scam a billion times worse.

But if someone takes this simple comparison and piles on all manner of speculation and unsubstantiated opinion, the whole exercise becomes an invitation for ridicule. The opportunity for much good to come out of the Barclays' event exists like never before; it would be a shame if it were squandered by the addition of unrelated conjecture. Please stick to the matters at hand.

The single most important specific is the 317 million oz concentrated short position in COMEX silver held by 8 traders. It is a position that can't be legitimately justified or explained, particularly if it grows. If the main focus were to turn to the near-identical circumstances of the Barclays story and what is transpiring on the COMEX on a continuous basis and settle on the manipulative concentrated silver short position, it is hard to see how the silver manipulation could continue. I'm certainly ready for that.

Ted Butler

May 24, 2014

Silver – $19.45

Gold – $1293