

May 3, 2017 - An Impossible Trading Record

On April 10, I wrote to the CFTC about the silver manipulation (yet again), prompted by the record concentrated short position in COMEX silver futures and the agency appointing two new high level officials most concerned with market manipulation. A few days later, silver closed at \$18.50, its highest level in six months. Since then and through today, silver has fallen 12 trading days in a row and is down \$2, or 11%.

Any world commodity falling 11% in price in a continuous move is generally big news, as such moves rarely occur in the absence of a clear cause. Yet, the 11% drop in price of silver has come with no supply/demand news that I'm aware of (and I do this for a living). I didn't say there wasn't a cause behind the price drop, just that the cause wasn't at all related to actual silver production or consumption. Unless you were abducted by aliens many years ago and just returned, you should know that silver prices were rigged lower in COMEX futures trading, in which the technical funds sold and the banks bought back short positions.

My letter to the CFTC included this passage -

Almost without fail, on every past occasion where the concentrated short position in COMEX silver futures reached extreme levels, it was only a matter of time before the price of silver gets rigged lower by these big shorts to induce speculative selling from traders operating on technical price signals. In fact, COT report data indicate that JPMorgan has never taken a loss, only profits on every silver short position it has added over the past nine years. Such results would not be possible in a market that wasn't manipulated in price. In essence, speculators have taken over the price discovery process in silver because there are so few real hedgers trading on the COMEX, only

speculating banks betting against other speculative traders.

Considering that several hundred individuals took the time to contact the CFTC on this matter, it is not possible for the agency to have failed to notice that silver prices were deliberately rigged lower just as advertised beforehand. The Commission's own data confirm and will confirm that technical fund traders were the big sellers and the bank shorts, led by JPMorgan, were the big buyers on the recent price rout. The necessary ingredients for manipulation were all present and accounted for - means, motive and opportunity.

Another undeniable conclusion is that JPMorgan has done it once again, namely, teamed up with the other big COMEX commercial shorts to rig silver prices lower and has begun to buy back recently added short positions with profits. Thus, a nine year perfect trading record has been extended and preserved. Nine years after taking over Bear Stearns, JPMorgan has established the perfect record in only buying back any added short positions in COMEX silver at a profit and never, ever at a loss.

This perfect trading record by JPMorgan in COMEX silver (and gold) is a very special trading record and not to be confused with other lines of trading by JPMorgan and other large institutions. Away from the COMEX, it occurs regularly that banks like JPM make endless short term (intraday) trading profits when "making markets" with customers. However, those "trading profits" are little more than markups charged to customers, something very difficult to lose at if you are the house. The COMEX trading scam involves actual positioning, which means holding new short positions for weeks and months, not seconds or minutes. That makes the COMEX silver

manipulation very special.

I know it sounds outrageous that JPMorgan has never lost when adding silver short positions, but the proof of this is straightforward. The concentrated short position of the four largest traders in COMEX silver futures has always increased on price rallies and has always fallen on price declines. Never have the big four ever bought back short positions on a silver price rally, which would constitute taking a loss. And why would they take losses when they can just add new short contracts until all the buyers are satiated and then have no choice than to begin to sell at some point. And just to be sure, since JPMorgan has been the largest short holder in COMEX silver futures for 99% of the time over the past nine years, changes in the big four short position are the same as changes in JPMorgan's position. Please contact me if this is unclear in any way.

Of course, the perfect trading record of JPMorgan and the big four in COMEX silver (and gold) is just another visible and specific demonstration of the manipulation that can't be denied or explained away. Short selling is considered to be among the most risky of trading strategies and arguably the most risky by far. Since silver is recognized as being among the most price- volatile of all commodities, a trading strategy featuring the short selling of derivatives contracts on silver would have to be considered crazy risky. No one considered reasonably sane would even contemplate entering into such an endeavor.

So how is it possible for JPMorgan and the 4 big COMEX shorts never to have taken even a single trading loss for nine years in the most risky trading strategy imaginable? The answer is simple - rig the game to remove the chance of the risk of loss. What that translates into in silver is to have the ability to add as many

additional short contracts, regardless of economic justification, as necessary to satisfy buying demand - no matter how large the short position grows. This is why the concentrated short position in COMEX silver is head and shoulders above the equivalent short position of every other commodity.

What enables JPMorgan and the other 4 big shorts in COMEX silver to pull off what has to be considered the perfect crime, as well as a perfect trading record, is the knowledge that many of the buyers of the futures contracts are technical funds which can be counted on to sell when the big shorts rig prices low enough. That's what we're seeing now and what is being reported on in widespread commentaries. About the only unanswered question (by them) is why doesn't the CFTC move against the manipulation and the impossibly perfect trading record of JPMorgan and the other big silver shorts?

More are starting to realize that what holds the CFTC back is the secret and illegal agreement made between the US Government and JPMorgan in 2008 when JPM took over Bear Stearns. But after nine years of deliberately looking the other way, the time is up for perfect trading records and continued market manipulation.

I don't think every CFTC employee is inherently corrupt and sought to get involved in the cover up that causes them to look the other way when it comes to JPMorgan rigging the COMEX silver market. Rather, I believe everyone at the Commission becomes corrupted by not speaking up and by agreeing to go along with the blatant illegality in order to get along on the job and not make waves. Admittedly, there's not much of a distinction between inherently corrupt and corrupted by convenience.

And not for a moment am I expecting the CFTC to take any action or even answer questions about the silver manipulation or impossibly perfect trading records, no

matter how many may write to them. Then why in the world would I have written to them again and suggest that you do so as well? Because it's important to go on the record. That the Commission chooses to be derelict in meeting its most important mission is on them. To not speak up would be on me.

The biggest problem with all of this and why manipulation is the most serious market crime of all is because everyone is affected, whether you trade COMEX silver futures or not. By everyone, I mean the mining companies and their shareholders, as well as every investor in silver. Industrial consumers of silver have long gotten the benefit of artificially depressed prices, but stand to be harmed the day when the manipulation breaks. Certainly, no one is going to openly suggest that the COMEX silver manipulation be allowed to continue in order to benefit the world's industrial consumers.

Admittedly, I can get pretty deep into the weeds with the unfolding details of the ongoing positioning changes. I'll continue in that vein in a moment, including where I think we might be through yesterday's cutoff for this Friday's COT report, but I think it important to try to put silver in perspective. Whenever this takedown is over, it is imperative to treat the next rally as being the big move higher for the simple reason that the opportunity to be properly positioned in silver may be about to disappear for an extended period of time. In other words, the chance to add silver at cheap prices will soon be gone in a relative instant.

I know, I know - I have said this often in the past and still no big move has materialized. Then again, silver has had some significant rallies over the years, moving at times five to ten times higher than the \$4 to \$5 price it was at when I first discovered the manipulation. But the truth is, I never would have imagined the price

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could have been contained as long as it has been when I first stumbled onto it more than 30 years ago. Then again, I never would have imagined that JPMorgan would be as smart, devious and skilled enough to spend the last six years accumulating more silver than anyone in history (short of the US Government in the early to mid-1900's). Still, it's important to follow the facts and history and not our personal expectations.

The facts, as I see them, point more strongly than ever to the next move up in silver being the big one. Fact number one is that JPMorgan has accumulated 600 million oz of actual metal over the past six years at an average cost of no more than \$20 per oz. That's an outlay of around \$12 billion, making it a modest position for a financial institution with assets of more than a trillion dollars and annual profits in excess of \$25 billion. The \$12 billion cost of silver is much less important than the \$50 billion the bank stands to make at \$100 silver or the \$100 billion it would make at \$200 silver.

Please remember that fact number one did not exist six years ago and even the thought that it could be possible was far beyond anyone's imagination, including mine. In fact, JPMorgan's accumulation of silver over the past six years is not only still vastly unknown, it is so sudden and shocking in the perspective of silver history, that it is widely doubted by those hearing of it for the first time. I understand this doubt, given the dimensions of its significance. In many ways, the reaction to my discovery that JPMorgan has amassed 600 million oz of metal is eerily similar to the reaction by many to my initial introduction of the COMEX silver manipulation more than 30 years ago. I know that it is difficult to accept something that is completely alien to conventional thought when first presented.

But I also know that a "completely alien" idea can and will become accepted, if it is

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true and proven in time. The idea that silver was manipulated by COMEX positioning was nearly universally rejected 30 years ago; today, not a day goes by that there is not a new commentary pointing to it. I don't think the knowledge that JPMorgan bought 600 million oz will ever become as widespread as the knowledge of a COMEX silver manipulation has become today, but that's mainly due to JPM's ability to hide its accumulation. Besides, what makes JPMorgan's accumulation of physical silver so profound is not whether the knowledge of it grows or not. What matters most is whether the accumulation occurred - which it has by everything I study.

Very recent developments, moreover, point to JPMorgan being at the end of its epic silver accumulation, meaning that it may no longer participate in capping future silver price rallies. These developments include JPMorgan backing off from trying to stop or demand delivery on COMEX futures contracts for the first time in a traditional delivery month in more than two years. This follows the bank stepping back from acquiring Silver Eagles some months back. Very recent mega deposits in SLV as prices fell sharply are of the "man bites dog" variety pointing to short covering on a scale that could only involve JPM. More unusual and out of pattern developments in silver suggest to me that JPMorgan is putting the finishing touches in place for a silver price liftoff.

However, no development could be as clear and powerful as what has just occurred in COMEX silver futures positioning. This is the main, if not sole price driver and, accordingly, matters more to the immediate price prospects for silver than any other factor. And make no mistake, the record twelve day price grind to the downside would appear to have resulted in the intended outcome - a radical positioning change. Yeah, I'm kicking myself a bit for choosing not to position as I normally do in the face of the formerly extremely bearish market structure in COMEX silver, but

that was a conscious decision now by the boards. But if I was hesitant to lighten up previously, I'm resolute not to do so after considering the positioning changes that may have occurred on this decline.

First, it's no accident that silver recorded successive new price lows for more days (12) than ever before, just after it established an all-time extreme in concentrated short selling. The sole purpose for the price decline was to shrink the record concentrated short position. That appears to have been accomplished. Does this mean silver prices can't go lower from here? No, prices can always go lower in any market, particularly the most manipulated market in the world. But we also appear to be at a point where the positioning changes may be complete.

Of course, future COT reports will measure the degree of positioning changes in unquestioned detail, but those future reports are not known to any of us right now. Therefore, it is necessary to don our speculative hats in contemplating not only how much technical fund selling has occurred to date and how much remains to be sold - both billion dollar questions.

For this Friday's COT report, as of yesterday's cutoff for the reporting week, total open interest in COMEX silver futures fell more than 25,000 contracts from the prior reporting week, a truly large amount. For the reporting week, the price of silver fell 75 cents, with new price lows being established every trading day and on higher than usual trading volume. This is as strong a backdrop for technical funds to sell as is possible. In fact, after today's new price lows, I would be hard-pressed to imagine how a technical fund could still be long and not short silver. The only possible fly in the ointment is that since the reporting week to be covered in Friday's COT report included trading into the first delivery day for the May contract, it is possible that

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many silver spreads were liquidated and the large drop in total open interest reflected spread liquidation in the place of technical fund long liquidation.

There is no question that Friday's report will feature significant managed money technical fund selling, the more the better. Certainly, the conditions were ideal for technical fund selling, so hopefully we'll get a big number, say 15,000 contracts or so. Considering that the last two reporting weeks featured a combined 15,000 contracts of managed money long liquidation, it is possible we could be looking at a three week decline of close to 30,000 contracts of managed money long liquidation.

As a reminder, 35,000 contracts of managed money long contracts were added on the silver rally following the price low of mid-March, so the added longs may no longer exist - which is just what the doctor ordered to eliminate or greatly reduce the sole bearish factor of an extremely negative market structure in COMEX silver. I haven't mentioned gold, but I would expect some improvement or reduction of the commercial short position in Friday's report, but the spotlight will be on silver.

Of course, I may be way premature in suggesting that silver has bottomed out or nearly so and, in fact, I think I have a record reflecting that. Be that as it may, I do believe we have reached a point in silver where any new price lows will be temporary and the chance of not only a sharp rally, but the big rally looms larger than ever before. And even if the crooked COMEX shorts, led by JPMorgan, continue to rig prices lower still, it will not detract, but only enhance the prospects for the next silver rally being the big one.

Ted Butler

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Silver - \$16.55 (200 day ma - \$17.99, 50 day ma - \$17.82)

Gold - \$1247 (200 day ma - \$1256, 50 day ma - \$1250)