May 30, 2020 – Weekly Review/Falling Into Place

For the fourth week in a row, the price of silver advanced fairly sharply, this week by 80 cents (4.5%). Gold prices were slightly lower, by $6 (0.3%) – adjusting for the roll to August from June â?? and for the past 8 weeks, gold has stabilized at or above the $1700 level. As a result of silverâ??s relative outperformance this week, the silver/gold price ratio narrowed in by another chunky 4.5 points to 93.5 to 1 (using June gold and July silver).

Over the past 4 weeks, the silver/gold price ratio has tightened in by 20 full points, after spending 10 straight weeks above 100 to 1. Clearly, itâ??s too soon to say for sure that silver will never be as undervalued as it was (and is) to gold as it was recently, but itâ??s not too soon to say that it should never be that undervalued again â?? not in any of our lifetimes. Truth is that we will look back at the last few years of silverâ??s relative undervaluation and wonder how it ever got that cheap. At least we wonâ??t have to wonder about why silver got so darn cheap in the first place â?? just look to the master market criminals at JPMorgan.

This weekâ??s review is one that will be very difficult for me to write â?? for the perverse reason that there is way too much to report on which is of remarkable significance. The trick for me will be to try to convey and explain everything in as cohesive a manner as is possible. But please understand that everything I will discuss is very much connected, even if I present things in what may seem to be on a disjointed basis.

The turnover or physical movement of metal either brought into or taken out from the COMEX-approved silver warehouses remained elevated again this week, as just over 6 million oz were moved and total COMEX silver warehouse stocks increased by 1.1 million oz to 311.6 million oz. No change, yet again, in the JPMorgan COMEX warehouse silver inventories, still stuck at 160.8 million oz. And although I have nor mentioned it in some time, I still believe that JPM owns and controls another 100 million oz in other COMEX warehouse inventories in addition to whatâ??s in its own warehouse.

Just to put things into perspective, since February 2019, total COMEX silver inventories have ranged between, roughly, 300 million oz on the low side to 324 million oz on the high side, so the biggest takeaway should be how remarkably stable has been the total level. But on top of this stability, there has been total annual turnover or physical movement of around 300 million oz or 100% of total inventories. This has been the case for the past 9 years and I find it strange and noteworthy to the extreme â?? and indicative of physical tightness. But, hey, thatâ??s just me.

In stark contrast to the stability of the total level of COMEX silver warehouse inventories, yet another 2.3 million oz came into the COMEX gold warehouse inventories this week, increasing those inventories to 27.5 million oz. Thatâ??s an increase of 19 million oz or more than a triple over the past two months. The JPMorgan COMEX gold warehouses hold roughly 11 million oz or 40% of total COMEX gold inventories.

Clearly, the sharp rise in COMEX gold warehouse inventories are directly related to the sharply growing number of physical deliveries against COMEX futures, which also started two months ago, with the April futures contract (3.2 million oz), continued in the May contract (1 million oz) and into the first two delivery days of the June contract (3.5 million oz). Not surprisingly, JPMorgan has been the largest factor on both the issuer and stopper side of gold deliveries, mostly on behalf of clients, but also in its own house account. Over the first two days of the June deliveries, JPM has accounted for 1.9 million oz of issues and nearly 1.7 million oz of the total 3.5 million oz delivered so far.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

About a month ago, I believe after 6 million oz had come into the COMEX gold warehouses, I speculated that a lot more could come in, as a result of the regulators demanding the big shorts show they had the goods to back up their 25+ million oz concentrated short position in COMEX futures. I believe that still may be true, but I now more believe that the big shorts may have also decided, after a year of holding large and growing open losses on their gold short positions that they deliver gold against their short futures to close those open short positions out â?? but I must wait until next weekâ??s COT and Bank Participation reports to know for sure.

Certainly, as I hope I have made clear to this point, there are only two ways for the big shorts to close out their open short positions â?? either by delivery or by buying back their short contracts. Remarkably, while I strongly suspect that the inflow of physical gold into the COMEX warehouses and record deliveries may be part of the big shortsâ?? efforts to close out short positions, this weekâ??s COT report confirms conclusively that at least one big short has now bought back and closed out a significant number of gold short contracts â?? and has sustained and recorded very hefty realized losses as a result â?? a first. More on that in a moment.

In a week of very big developments, one of the most significant is the near-incredible flow of physical metal into the SLV, the largest silver ETF, along with other world silver ETFs. There have also been strong inflows into the worldâ??s gold ETFs, including GLD, the largest, but what has been occurring in silver is nothing short of mind-boggling. Over the past month, more than 70 million oz of silver have come into the worldâ??s silver ETFs, with SLV accounted for more than 50 million oz. Over the past two months, total silver ETF deposits are more than 100 million oz.

Regular readers will recall how I attributed the run up in silver to $50 in 2011 to physical buying, particularly the 60 million oz bought by SLV over six months into April 2011. So the question must be asked (and answered) as to why much greater physical quantities being bought by SLV and other silver ETFs in a much shorter time period now havenâ??t had hardly any noticeable impact on price? Iâ??ll go so far as say that this is the only question that matters. The answer is due to the absolute criminal genius of JPMorgan. Please allow me to explain.

Once before, I bestowed the title of criminal genius to JPMorgan, upon discovering some 7 years ago that it had come up with a solution to a problem I thought was unsolvable, namely, how it could immunize itself from being hurt as the biggest short seller in an inevitable silver price run up. JPMâ??s genius solution, of course, was its decision in 2011 to acquire as much physical silver and gold as it possibly could and then implement and complete the physical accumulation over the next 9 years. The solution was genius in that it put JPM in a no-lose, only win position. It was also clearly criminal in that no other term could describe being simultaneously the largest paper short seller and the largest physical buyer.

JPM has earned the title of criminal genius once again for its decision to â??leaseâ?• out some (100 million oz) of its billion oz of accumulated physical silver that has been acquired by the worldâ??s silver ETFs over the past two months. Again, the silver ETFs are not in any risk of having to return the leased metal, as they acquired the metal free and clear of any encumbrances. Those on the hook for returning the metal are those financial middlemen, undoubtedly other large banks, which leased the metal from JPMorgan.

What makes this lease move by JPMorgan so genius is that the bank still retains the full profit potential for rising silver prices, just as if it never leased the metal in the first place â?? plus a hidden special benefit few outside of JPMorgan are aware exists. That hidden benefit is by leasing the silver (maybe gold too) to other large financial institutions, JPMorgan has also created a counterparty short that didnâ??t previously exist.

By getting other financial institutions, banks, to borrow silver from it, JPM has just created an additional captive short position the same as if it had convinced the managed money traders to short 20,000 COMEX contracts (100 million oz) to it. Forget the same, having other banks borrow silver is better than having manage money traders short 100 million oz in paper COMEX contracts, because the managed money traders are likely to rush to buy back on the slightest rise in price, whereas the other banks which borrowed the metal are much more likely to remain short for far longer (just look at how long the big bank gold shorts on the COMEX have persisted in holding shorts).

The criminal genius of JPMorgan is unquestioned by its hoodwinking of other banks to borrow silver from it. The only difference is that it took me a couple of years to recognize that JPM was accumulating physical silver and gold after it started in 2011; with leasing, I suspected it from the get-go when it began a couple of months ago. One tipoff for the metal flooding into the silver ETFs being leased was that there was no real delay in deposits (in addition to the lack of a price rise). If someone tried to buy 100 million oz of physical silver over the past two months, we would have seen it in delays in deposits and price increases.

Turning to yesterdayâ??s Commitments of Traders (COT) report, with gold and silver prices mostly lower over the reporting week, I had expected managed money selling and commercial buying but refrained from contract predictions, which was fortunate since that activity was larger than I expected in gold and non-existent in silver. There was a much unexpected development in gold, which while I spotted it immediately, its significance didnâ??t sink in until much later.

In COMEX gold futures, the commercials reduced their total net short position by 15,900 contracts to 274,300 contracts. While not by that wide of a margin from recent low commercial readings, this was the lowest (most bullish) reading since June 25. Let me cover the reciprocal sell side of gold positioning before returning to the all-important commercial category breakdown.

On the sell side of gold, the managed money tradersâ?? selling nearly matched the overall commercial buying, as these traders sold 13,983 net contracts, consisting of the sale and liquidation of 8395 long contracts and the new sale of 5588 short contracts. The net long position of the managed money traders of 113,081 contracts (145,566 longs versus 32,485 shorts) is also about the lowest in a year and, therefore, must be considered bullish. Considering weâ??re much closer to the highs in gold prices than the lows over the past year makes the low managed money net long position that much more bullish than otherwise.

However, it was the change in the commercial categories in gold that was most noteworthy. The largest four shorts bought back just over 23,000 contracts and the next 5 thru 8 largest traders bought back an additional 2500 short contracts, while the smaller commercials (the raptors) added 9500 new shorts. Talk about â??go your own wayâ?•. Bottom line, it looks like one of the 4 big shorts broke ranks and bought back 23,000 shorts. If I hadnâ??t already calculated that JPM had already covered its gold short position, I would assume the big short covering was by JPMorgan â?? it was that type of singular buying.

In analyzing further, it appears all the big commercial short covering occurred on Tuesday, the cutoff day and when gold got smacked, somewhat inexplicably, below $1700 on high volume. What makes this singular short covering so significant is that it represents the very first large short covering by one of the 4 or 8 big shorts (ex JPM). As such, it involves the closeout of 2.3 million oz at roughly a $300 loss, converting an open loss of $700 million into a realized loss of that same amount.

It also screws up my running calculations of the open loss to the 8 big shorts. Had this short covering not occurred, I would have reported that the 8 big shortsâ?? total open loss would have expanded from last weekâ??s $7.6 billion to $7.8 billion as of yesterdayâ??s late close, which would have equaled the worst showing by the big shorts of two weeks ago. Now, I have to report the running total of the big 8 shorts as $7.1 billion in open losses and $700 million in realized losses from the short positions established a year ago. Importantly, this was yet another week where silver accounted for the increase in the 8 big shorts total losses and not gold.

I canâ??t overstate the significance of the partial closeout and conversion of the big shortsâ?? open losses to realized losses by short covering. Along with the expected closeouts due to delivery on COMEX futures, this is a sea change of epic proportions. After struggling with growing open losses for the better part of a year, this sure looks like the start of a capitulation by the big shorts. The reason I canâ??t overstate its significance is that if the big shorts are finally throwing in the towel on shorting gold, you have to ask yourself this question â?? what are the odds that the big shorts will return to the scene of the crime and be willing to add large numbers of short contracts in the reasonable near future? Iâ??ll answer my own question â?? slim to none. Please ponder the potential bullishness of that.

In COMEX silver futures, the commercials increased their total net short position by 5700 contracts to 50,600 contracts. Almost all the commercial selling came from the raptors, the smaller commercials, which reduced their net long position by 5500 contracts. JPMorgan didnâ??t sell much but didnâ??t buy back as many shorts as I expected and Iâ??d peg them at 3 to 4000 contracts net short, not particularly significant in any regard.

The managed money traders bought 4641 net silver contracts, consisting of the new purchase of 3212 longs and the buyback of 1429 short contracts. After the dramatic developments in the gold COT report, anything I could say about silver would pale in comparison. Silver still looks good to go, but more from the remarkable developments in the silver ETFs than the net positioning changes on the COMEX.

Falling Into Place

One wants to be careful about seeing things as previously imagined, but not so careful so as to not recognize when things seem to be playing out exactly as expected. Recent news stories and events seem to be in accord with a number of my central themes, but Iâ??ll present the case as I see it and let you decide.

Put simply, in addition to alleging a multi-decade price manipulation in COMEX silver (and gold), I have claimed that JPMorgan attained the role of chief manipulator as a result of its takeover of Bear Stearns in 2008, in which JPM ascended to the role of largest COMEX short seller/manipulator. Then in 2011, as silver prices neared $50, JPMorgan set about to not only abort the rally in silver and gold that year, but to immunize itself from future worry about a massive COMEX short position put at risk when prices rose again. It did so by beginning to accumulate more physical gold and silver than anyone in modern times. All told, I estimate that JPMorgan has managed to accumulate 25 million oz of physical gold and 1 billion oz of physical silver from 2011 thru the present.

A little over a year ago, I began alleging that JPMorgan began to position itself so as to massively double cross its former big commercial partners in crime which had always worked collusively with JPM in continuously hoodwinking the managed money traders, their main counterparties over the decades. Finally, nearly a year ago I began to calculate, twice a week, the running open losses to the 8 big shorts in COMEX gold and silver, first by estimating the open losses of the 7 biggest shorts net of JPMorganâ??s short position (since JPM was more than protected by its massive physical positions), but more recently just on the basis of the 8 biggest shorts â?? since JPMorgan completely covered its COMEX short positions.

All that was left for gold and, particularly for silver prices to explode upward was JPMorgan putting on the finishing touches and deciding when the moment of lift-off would be. Whether these premises turn out to be correct or incorrect, I reached them independently as time evolved, as Iâ??m sure that subscribers would attest. Certainly, if Iâ??ve misrepresented anything, please let me hear from you, as that would be the last thing I would intend. Oh, and along the way, I petitioned (some might say badgered) the regulators at the Justice Department, CFTC, CME Group and JPMorgan itself.

With that backdrop, I canâ??t help but feel recent news articles and developments seem to confirm the premises laid out above. Certainly, all the recent stories on bank losses in precious metals trading are very much in synch with my running calculations of growing open losses to the biggest short sellers in gold and silver. Itâ??s no wonder Scotiabank is tripping over itself in trying to beat it out the door from precious metals trading. And itâ??s certainly not confined to Scotia, but includes HSBC and a new name, CIBC.

https://www.kitco.com/news/2020-05-29/Canada-s-CIBC-lost-64-million-in-a-day-on-paper-in-gold-market-turmoil.html

Whatâ??s interesting about the CIBC story is the acknowledgement that the $60 million loss occurred on March 24. Previously, HSBC was reported to have lost $200 million on one day in late March, but the exact day was not mentioned. Whatâ??s interesting is that on March 24, gold rocketed around $85 that day in COMEX trading and surged another $90+ the next day, March 25. You may recall that this stunning $180 two day rally in gold (and $1.80 rally in silver) came shortly after the deliberately rigged $230 plunge in gold prices over the 9 trading days until March 24 (silver had fallen $5.50 in the days into March 24).

Shortly after the early-March plunge and sharp snapback in gold and silver prices and based upon

COT report data flow, I reported that the principal architect and beneficiary of the price plunge and snapback appeared to be none other than JPMorgan, which along with the smaller commercials (which I refer to as the raptors), were the main buyers on the price plunge, essentially shutting out the 8 or so biggest shorts. It was this egregious and deliberate price plunge that enabled JPMorgan to completely buy back its entire COMEX silver and gold short position, at the expense of its former big short accomplices. Never was JPMorgan in a better position to double cross its former comrades in collusion.

I canâ??t help but feel that recent events and news stories largely confirm, essentially, all my premises. Slowly, but surely, news is starting to emerge of large losses to a number of banks due to precious metals trading. I would remind you that the genesis of the losses was a year ago, when the big commercials waded onto the short side of gold and silver aggressively, just as they had done on numerous occasions over the past few decades.

But instead of quickly ringing the cash register as they had always done in the past for say a few hundreds of millions of dollars by rigging prices lower and inducing managed money selling, the managed money selling never materialized. Instead, the big commercials found themselves stuck in a position that continued to generate ever larger open losses.

At least the commercials could count on the help of JPMorgan which held large gold and silver positions for much of the time until mid-March. But having engineered and orchestrated the sharp and near unprecedented price smash of mid-March, JPMorgan rid itself of its COMEX gold and silver short positions, leaving the big remaining shorts to fend for themselves. The record would seem to indicate that the big commercial shorts arenâ??t fending particularly well.

Now it would seem that JPMorgan has employed the knockout double cross punch by allowing a few unsuspecting banks to â??borrowâ?• physical silver from JPM to provide to the silver ETFs on a non-recourse basis to the ETFs, but very much on a recourse basis from the borrowing banks to JPM. Unwittingly to the borrowing banks, but very much appreciated by JPM is that the banks borrowing physical have just entered into a deal they would be much better off having made with the devil himself.

One question that might arise is the extent of JPMorganâ??s potential additional â??leasingâ?• of physical metal to other banks. Why would JPM stop at 100 million oz when they still have 900 million oz of physical silver remaining? Why would it not put the borrowing banks even deeper into the potential abyss by lending and creating silver short positions on hundreds of millions more ounces? I would contend that JPMorgan has some very practical limits on how deeply it allows the unsuspecting banks to dig a further short hole for themselves.

The success of any great financial scam, such as the scams that JPMorgan has pulled off to this point in both its illegal accumulation of physical metals and now in the leasing of some of that physical accumulation to create short positions from which there is no easy escape, rests on the victims remaining largely unaware that they have been criminally scammed. If it becomes too obvious that fraudulent means were deployed, that might provide a legitimate basis for reneging on the transaction. The trick is to take as much from the mark as is possible without alerting him that he has been scammed. As my dear departed silver mentor and friend, Izzy Friedman, would say â?? you have to think like a criminal when studying criminals.

What I have described above are the makings for the most bullish case possible for silver. Up until now, it has largely been a gold show, with the big losses to the commercial shorts coming overwhelmingly from gold and not silver. Certainly, gold has climbed several hundred dollars from last summer, while silver has just recently started to move higher and is still largely unchanged from yearend.

But whereas at least enough physical gold exists in the world to make delivery at least plausible to close out the big short positions, that same equation wouldnâ??t appear to exist in silver. With the 8 big shorts holding close to 400 million oz short on the COMEX and what now appears to be a separate short position of 100 million oz created over the past two months from leasing, itâ??s hard to see where the 500 million oz of silver necessary for actual delivery to close out the short position could come from. I suppose it could come from JPMorgan â?? but at what price?

At the risk of tempting the deity of humiliation for retribution and comeuppance, it seems things have been falling into place until this point and I would be surprised if things further falling into place donâ??t include sharply higher silver prices ahead.

(On a housekeeping note, Iâ??m switching to the August COMEX gold contract, from June, for closing prices. This has the effect of adding $15 to the price).

Ted Butler

May 30, 2020

Silver – $18.49Â Â Â Â (200 day ma – $17.00, 50 day ma – $15.53)

Gold – $1743Â Â Â Â Â Â (200 day ma – $1570, 50 day ma – $1694)

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