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## May 4, 2019 – Weekly Review

A sharp rally on Friday helped to offset much of the mid-week price weakness in gold and silver which took prices to fresh year-to-date lows, before some recovery. For the week, gold ended \$9 (0.7%) lower, while silver ended 15 cents (1%) lower. Lost in the weekly close is the fact that silver had rallied around 40 cents from the early Thursday price lows. The silver/gold price ratio remained just below 86 to 1 (adjusting for the roll to the July contract in silver).

The mid-week price smash was, of course, due entirely to paper contract positioning on the COMEX, although it wasn't until the release of yesterday's COT report that this was confirmed. There was an unexpectedly large increase in managed money buying and commercial selling in gold through the Tuesday cutoff that accounted for the sudden price weakness on Wednesday and Thursday but, unfortunately, that wasn't obvious until after the release of yesterday's COT report. The good news is that it appears the deterioration in market structure in gold was rectified on Wednesday and Thursday and not completely offset by yesterday's rally (he said hopefully).

While yesterday's COT report is already out of date, it adds mightily to the market reality that gold and silver prices are set on the COMEX, a realization taking hold more and more every day. I'll get into yesterday's COT report in detail in a moment, as well as what likely occurred since the Tuesday cutoff. I'll close with some comments on the new announced delay in the sentencing of the ex-trader from JPMorgan by the Department of Justice.

The turnover or physical movement of metal either moved into or removed from the COMEX-approved silver warehouses remained close to the prior week's movement of 3.3 million oz, as total inventories rose a further 0.6 million oz to 307.7 million oz, another new all-time high. While about a million oz or so below the weekly average over the past 8 years, on an annualized basis this week's movement comes to 170 million oz yearly – a truly massive amount compared to any other commodity. It is still remarkable to me how virtually no one will address the unprecedented physical movement in the COMEX silver inventories – even though it is updated on a daily basis. Come to think of it, I'm hard-pressed to recall anyone even mentioning it. No change in the JPM COMEX silver warehouse this week, which remains at 150.6 million oz.

The deliveries in the COMEX May silver futures contract are progressing along the same lines, namely, JPMorgan is the big featured stopper, both for itself and clients. Of the 2977 total contracts issued to date, JPMorgan has stopped more than 44%, or 1326 contracts (760 for clients and 566 contracts in its house account). When one adjusts for the contracts initially stopped but then reissued, the percentage of contracts actually stopped by JPMorgan is much larger in true percentage terms.

[https://www.cmegroup.com/delivery\\_reports/MetalsIssuesAndStopsYTDReport.pdf](https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf)

There were continued metal outflows in the big gold ETF, GLD, as well as big inflows into the big silver ETF, SLV, this week. The outflows in GLD look – normal – to me in that the lower prices of gold (caused by COMEX positioning) resulted in net investor selling in GLD, resulting in total outstanding share reductions and metal redemptions. Inflows and outflows of metal in GLD are in response to price change – that's the way it works.

The metal flows in SLV, on the other hand, are often counterintuitive as they were this week, as 3.7

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million oz were added on pronounced price weakness and ultra-heavy trading volume. The only explanation I can offer is JPMorgan and how the bank uses SLV as one of its four main accumulation tools for its now 850 million oz acquisition of physical silver over the past 8 years.

Turning to yesterday's now out-of-date Commitments of Traders (COT) report, I had expected some managed money buying and commercial selling given the general price increase over the reporting week, but the increase in such positioning in gold was a surprise. It was much less of a surprise after considering the extreme price weakness of Wednesday and Thursday as it became clear the price weakness immediately following the Tuesday cutoff was due to the commercials whipsawing the hapless managed money traders. It is truly remarkable what palookas these managed money traders can be.

Looking for the explanation for the blatant whipsawing this week, I believe it has to do with something I've commented on recently, namely, the "itchy" trigger finger of the managed money traders to position themselves quicker than they have in the past in the hopes of improving their trading results. But it appears obvious that the commercials have quickly adjusted to the managed money traders' adjustments. Let's face it someone is winning and someone is losing in the quicker positioning changes of late and it would appear that the only traders unaware of who the patsies are, are the patsies themselves, aka the managed money traders.

In COMEX gold futures, the commercials increased their total net short position by 30,900 contracts to 88,300 contracts. While the increase for the week was hefty, in the overall scheme of things, the market structure is still decidedly bullish. As of yesterday, moreover, I would estimate that this reporting week's deterioration has been reversed, as a result of trading since the cutoff. I do think that JPMorgan joined in on the commercial selling thru Tuesday, selling 5000 or more of its 20,000 contract net long position, but I also believe JPM bought back any sold longs thru yesterday's trading (and then some). I'm also of the opinion that JPMorgan helped orchestrate the mid-week takedown in gold to cause price weakness in silver (as well as to pad its own pockets in gold trading).

The managed money traders bought even more contracts than the commercials sold as these traders bought 33,905 contracts, consisting of the purchase of 6170 new long contracts and the buyback of 27,735 short contracts. These same traders had added more than 41,000 short contracts in the previous two reporting weeks, so this week's covering highlights the itchy trigger finger premise. I would guess much of this reporting week's short covering was re-shortened thru yesterday. The managed money traders are now virtually flat in terms of a net position as they were long 95,159 contracts and short 95,083 contracts as of Tuesday - historically a bullish position. I would estimate they were back to 25,000 or more contracts net short as of yesterday, even more bullish.

In COMEX silver futures, the commercials added 1400 contracts to a net short position totaling 21,400 contracts. This is still a very low and bullish level on an historical basis and very likely is even lower and more bullish thru yesterday's trading. The biggest surprise in the silver COT was the apparent increase in JPMorgan's net long position, despite other commercial selling. Based upon changes in the Producer/Merchant versus Swap Dealers categories, I would estimate JPMorgan increased its net long position by 2000 contracts to 5000 contracts (25 million oz).

From the price highs in silver of late Feb (\$16.20) thru the Tuesday cutoff, silver declined in price by \$1.40 as the commercials reduced their total net short position by 57,000 contracts. Remarkably, JPMorgan accounted for 33,000 contracts of that total net buying or 58% of the total. Yes, I would

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consider this a double cross of the other commercials by JPM. Whether this will be fully reflected in next week's COT and Bank Participation reports is dependent on what JPMorgan does on Monday and Tuesday.

This (5000 contract) position is about the largest net long position JPMorgan has ever held in COMEX silver futures and combined with its estimated physical position of 850 million oz, means that JPMorgan has the largest overall silver long position it has ever held. Nothing could be more bullish for the price of silver and I'm convinced that as of yesterday, JPMorgan is even more net long on the COMEX. This also accentuates the criticality of whether JPM sells into next silver rally.

The managed money traders bought 3801 net silver contracts, consisting of the purchase of 2593 new long contracts and the buyback of 1208 short contracts. The net short position of the managed money traders, as of Tuesday, was 13,738 contracts (52,260 longs versus 65,998 shorts). Any net short position by the managed money traders must be considered bullish in historical terms and despite the sharp rally yesterday, my guess is that the managed money net short position is even larger than it was on Tuesday.

It was revealed this week that the Justice Department has postponed sentencing of the former JPM trader, John Edmunds, who pleaded guilty to spoofing and other manipulation charges back in October and unsealed on Nov 6. Originally, there was a very short sentencing date scheduled for Dec 19 and that was extended to June. Now, an additional delay of six months has been scheduled, until this December.

<https://www.cnbc.com/2019/05/02/sentencing-of-ex-jp-morgan-chase-metals-trader-delayed-as-probe-continues.html>

Although I'm on record as insisting that this case be adjudicated as soon as possible (justice delayed is justice denied), I have changed my mind and would like to explain why. I am now convinced that the Justice Department should take its time in fully considering this case for the simple reason that it has not done so to date. Simply put, I don't think the DOJ has a firm grasp on what it is dealing with when it comes to JPMorgan and the real silver manipulation.

I'm sure the DOJ can deal with spoofing, but beyond that I don't think it has a clue as to the big picture of JPMorgan's manipulation; which includes never taking a loss when adding COMEX silver (or gold) short positions over the past 11 years and its accumulation of 850 million oz of physical silver and 20 million oz of physical gold. Compared to this never losing perfect trading record and accumulation of massive amounts of physical metal, spoofing is chicken scratch (yes, I had a different word in mind).

I say the DOJ is out to lunch for a number of reasons. First and foremost, JPMorgan's illegal behavior has not changed one bit since the DOJ's announcement on Nov 6. JPM has continued its perfectly impossible trading record since the announcement as well as its accumulation of physical metal. For a short while after the announcement there was some question as to whether JPMorgan was continuing its illegal ways, but by February it was obvious that this crooked bank was continuing as before, selling more than 30,000 net silver contracts over the 3 month rally to late Feb.

Now that JPMorgan has bought back all those added silver (and gold) shorts, there is some hope it may not sell short on the next rally, but that's beside the point. The point is that the Justice

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Department should not be concerned whether JPM adds shorts in the future â?? it should be concerned that JPM has added shorts in the past, particularly after the DOJ announced an ongoing investigation. In what kind of criminal investigation is the same crime allowed to be committed?

The most plausible explanation for why the Justice Department hasnâ??t acted more forcefully is that it doesnâ??t really get it. And how could it? Iâ??m not aware of any particular commodity expertise at the DOJ. The recent interview of the late Bart Chilton indicates that the DOJ was involved in looking at JPMorgan starting back in 2008, but quickly folded its tent when the CFTC Â? threw in the towel in 2013. Thatâ??s not at all suggestive of any independent commodity expertise at the DOJ.

I donâ??t want to be overly harsh towards the Justice Department (and I sure hope Iâ??m wrong) but I have been studying the silver manipulation for nearly 35 years and JPMorganâ??s role in that manipulation for more than a decade. Who at the DOJ (or CFTC) can say the same? I even called and wrote the FBI about JPMorganâ??s silver manipulation six months before the Nov 6 announcement, giving me hope that the DOJ was on the right track. But what kind of track could they be on if no one ever followed up with me? I would expect any credible crime tip would be handled appropriately, but that has not been the case at all. And thatâ??s inexcusable.

Maybe itâ??s because both the DOJ and CFTC are so completely outmanned by JPMorgan. JPM makes a daily net profit of \$100 million (\$36.5 billion annually). Thatâ??s its net profit, after all expenses. The CFTC has an annual total budget of \$250 million â?? two and half days of JPMâ??S daily net profits (including Saturdays, Sundays and holidays). The Justice Department is larger than the CFTC but still has half the number of employees as JPM and all those employees are involved in things away from commodities. JPMorgan has a vast roster of inside and outside lawyers making much more than a million dollars a year; the top lawyers at the DOJ are lucky to make a fraction of that.

Yes, the Justice Department is capable of putting people in jail and that is a great equalizer; but in order to do so, its lawyers must prevail against the top guns at JPM, no easy task. In fact, that is why JPMorgan always seems to prevail â?? it is invincible in court. This legal inequality is even more outrageous than the economic inequality that is increasingly being discussed.

So with JPMorganâ??s armada of million dollar lawyers holding the Justice Department at bay, how could I be optimistic about another delay in the sentencing of Edmunds? For the simple reason that the longer time drags out, the odds increase that the DOJ finally stumbles on the real crime of JPMorgan in silver and gold. Based upon what has occurred to date, the DOJ appears to be out to lunch because JPMorgan has continued on its merry and illegal way. But JPMorgan is leaving increasingly obvious trails of its illegality and even the most out of touch government lawyers could stumble upon the scent of a trail. And JPMorgan, as crooked and clever as it is, could preemptively jump the gun and set the price of silver free to stay ahead of a DOJ that may awake someday from its slumber.

I do hope Iâ??m wrong in judging the Justice Department, even though I was correct about the CFTC (thanks to revelations by the late Bart Chilton). But itâ??s no secret that to this point, JPMorgan hasnâ??t altered its criminal behavior in the least in the face of an openly announced DOJ investigation. If the Justice Department needs help in trying to decide what to do at this point, it can start by getting answers to these questions â??

<http://silverseek.com/commentary/questions-only-doj-can-get-answered-17543>

As far what short term prices portend, the market is still structured for much higher prices following the steep mid-week selloff. Complicating matters, of course, is the willingness of the nitwit managed money traders to throw money away by buying high and selling low; currently by putting on and taking off larger positions on smaller price moves. But looming in the background is the cold reality that if JPMorgan doesn't add to short position on the next rally, prices should fly.

Ted Butler

May 4, 2019

Silver – \$14.95 (200 day ma – \$14.99, 50 day ma – \$15.19)

Gold – \$1280 (200 day ma – \$1255, 50 day ma – \$1297)

**Date Created**

2019/05/04