

May 9, 2018 – The Clock is Ticking (Loudly)

It's just a matter of time before we get an upside penetration of the key moving averages in silver and gold; that's preordained by mathematics alone. Of course, while that upside penetration is a certainty, the timing is never a sure thing. It could come as soon as the next few days or some short period of time longer than that. It may come straightaway or with a further press to the downside first to induce as many managed money technical funds to sell and sell short as is possible. Such a downside dip, of course, only strengthens the power of the eventual upside penetration as even more technical funds will be rushing to buy at that time.

In fact, it was just a few weeks ago when we had what I believe was a "trial run" in silver. After trading below its key 50 and 200 day moving averages for two months, over a seven day trading period commencing on April 10, silver prices penetrated both moving averages convincingly. Because the managed money traders were holding a record net short position before the upside penetration occurred, a surge of buying resulted; by my count more than 60,000 net COMEX contracts were bought by these traders over 7 trading days (including new longs and short covering). Had the rally continued, as many as another 60,000 net managed money contracts would likely have been purchased. As a reminder, 60,000 contracts is the equivalent of 300 million ounces, so as many as 600 million oz were likely to have been bought had the rally not petered out. That's a lot of silver, even if it is in paper form.

However, as you know, the 60,000 net contracts that the managed money traders did buy was met with super-aggressive selling by a combination of traders comprised of large and small commercials and other large reporting non-commercials, with the key seller being JPMorgan which I would estimate sold as many as 12,000 silver

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contracts as of Thursday April 19. That aggressive selling neutralized the managed money buying and silver prices topped out at \$17.25 before falling more than a dollar into May 1. On that price selloff, the managed money traders sold anew and the other traders, including JPMorgan bought what the managed money traders sold, setting up another extremely bullish market structure that will get resolved to the upside at some point.

The big question, of course, is whether the next penetration to the upside will be met with the same super-aggressive selling by the same consortium of traders as sold on the last breakout. As you know, I've gotten quite specific in my analysis of late and I've drilled it down to whether JPMorgan joins in the selling or not. There is no question in my mind about whether the commercials as a whole (mostly the smaller raptors which are long) and the other non-commercial traders will sell to the certain managed money buying that will occur when the moving averages are penetrated to the upside.

The only question I have is whether JPMorgan will add to short positions when the moving averages are penetrated to the upside. If it does add to short positions, then the odds are great that the silver (and gold) rally will again eventually peter out. However, if JPMorgan doesn't add to short positions, then that's a whole 'nother story. To be sure, JPMorgan has always added to its COMEX short positions on every silver rally over the past ten years, so it might seem delusional to conceive that it might break with that pattern. After all, every time JPMorgan has added shorts for more than a decade, it has made a profit every single time; buying back those short sales at lower prices. All while creating and maintaining a perfect trading record. Who gives up something that has always worked and never failed?

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Where do I get off first establishing that JPMorgan has compiled a perfect trading record in silver and then suggesting it might suddenly quit its highly successful endeavor? I admit that might sound somewhat inconsistent or unconvincing, but in my defense and to my knowledge, I am the only one claiming that JPMorgan has been absolutely flawless in its trading of COMEX silver; so if anyone has the “right” to suggest JPMorgan might up and quit its perfect trading scheme, I think I’m entitled. It doesn’t mean I’m going to be correct, but at least I think I’ve earned the right to explain why I feel that way.

All good (and I suppose bad) things must come to an end; very few things last forever. JPMorgan has been the chief manipulator of silver for ten years running; an extremely long time for such an operation. It hasn’t done that alone and JPMorgan has been aided tremendously by how markets have evolved in terms of the incredibly large influence of the managed money traders, without which I can’t see how JPM would have succeeded. And without the raptors and now the other large non-commercial traders, JPMorgan couldn’t have succeeded in its role of being the silver short seller at the margin. I would hope that even the most incompetent and corrupt regulators in history, the CFTC, would have reacted sooner if it was JPMorgan alone against the managed money traders and not in concert with other traders (then again, I tend to be an optimist).

More than any other single factor, I believe that JPMorgan’s own actions tell us that the silver manipulation is not long for this world. While I believe that JPMorgan is as crooked as a June day is long, that is not to suggest it isn’t absolutely brilliant (in a criminal sense). After all, JPM conceived and then executed the only possible way it could extract itself from the manipulation (all while extracting many billions of dollars from its perfect ten year trading record) and, get this, profiting many times

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more when the manipulation ended. That way, of course, was the accumulation of a massive amount of physical silver over the past 7 years, which I estimate to be at least 700 million oz (plus another 20 million oz of physical gold).

This accumulation of actual metal was a master stroke of proportions so brilliant that to this day I remain in awe; not only by JPMorgan's conceiving of it in the first place, but almost as much by the flexibility and patience in its execution. I'm talking about JPMorgan's silver buying in ways never previously conceived, such as the buying and melting down of Silver Eagles and Canadian Maple Leafs. Make no mistake, JPMorgan had to go the physical route – there was no way it could ever buy or hold 700 million oz of silver in the form of COMEX futures contracts. Even a fledgling COT observer would notice a concentrated net long position of 140,000 contracts. And who in the world would ever take the other side of a futures position bet that big? I'll make it simple – no one.

I suppose it could be argued that JPMorgan may continue to accumulate physical silver and gold and in doing so prolong its perfect COMEX trading record. And I confess that I thought JPMorgan had enough metal when it was at the 300, 400, 500 and 600 million oz mark in the past. I suppose greed and treachery have no bounds. But I believe there is another factor that comes into play – more are recognizing what JPMorgan has accomplished in terms of its perfect trading record and physical accumulation of metal. Admittedly, JPMorgan has ignored such recognition to this point, but ignoring a problem doesn't usually make it go away.

Many have written to the regulators about JPMorgan's impossibly perfect silver trading record and there has yet to be a response, either from the CFTC or JPMorgan. It would be one thing if I was talking about anonymous or poorly founded

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allegations, but in my case that is far from the truth. I base all my allegations on the public data, mostly from the CFTC, and I assure you that I use my real name and send my allegations and claims directly to the regulators and JPMorgan.

As you know, large financial institutions don't typically shrug off repeated specific complaints of serious wrongdoing without some type of reaction; either action to remedy the allegations or harsh rejection of such allegations. As a reminder, market manipulation is the most serious market crime possible and in time JPMorgan must lash out or rectify its criminal ways. Also working against JPMorgan is the observation that more market participants and commentators than ever are referencing the bank as the big silver crook, even if few enumerate the reasons for doing so. In a very real sense, JPMorgan is becoming the poster child for the silver manipulation. For all these reasons, I'm convinced something has to give and my best bet is that it will be the manipulation ending soon.

As I indicated on Saturday, my speculation is that JPMorgan was the big buyer of COMEX silver contracts last Wednesday, the first day of the reporting week for the Commitments of Traders (COT) report to be published this Friday. Therefore, seeing if that was the case will be the key feature of the new report for me. As far as what the report might show away from the possible role of JPMorgan, this is nowhere near as easy a COT report to handicap as was the case in the last reporting week, when there were five distinct salami slices to the downside in gold and four in silver.

This reporting week, there was only one slight salami slice (new price low) in gold and none in silver. Also, both gold and silver finished slightly higher for the reporting week, with gold up around \$7 and silver by 30 cents. There were differences between the two metals, in that gold continued to test its 200 day moving average to

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the downside, whereas silver tested its 50 day moving average to the upside, with no conclusive penetrations of either. On that basis alone, I suppose the safe bet (aside from making no guess at all) would be for not much change.

On the other hand, the previous reporting week featured pronounced managed money selling and even though prices didn't do much this reporting week, I have a sense that there could have been some momentum carried over from the prior week in the form of additional managed money selling. But perhaps that is more hope than reasoned analysis on my part. In any event, I'm hoping for improvements in both gold and silver in the form of continued managed money selling (and JPM buying).

In summary, I can't rule out a final flush out to the downside, particularly in gold, seeing how close the price has been to the 200 day moving average and a very round number (\$1300) which if penetrated could set off additional managed money selling. Silver, by contrast, has been below both its moving averages and is threatening to penetrate to the upside its lower moving average (the 50 day), so my sense is that gold would have to move lower to pull silver lower, rather than vice versa. I admit that \$16 is a round number to the downside in silver, but it's just that there appears to be relatively less potential managed money selling in silver than there is in gold.

To be sure, there has been enough managed money selling to date to constitute an important bottom in each market and the big move will be when both metals penetrate both of their key moving averages to the upside and we get to see what JPMorgan intends. While it's always possible for there to be some additional managed money selling on temporary lower prices, the big move will be higher and likely soon according to the ticking clock of market structure.

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Silver - \$16.54 (200 day ma - \$16.81, 50 day ma - \$16.52)

Gold - \$1313 (200 day ma - \$1306, 50 day ma - \$1329)