A late Friday selloff brought gold down from what were weekly highs earlier in the day to a loss of $5 (0.3%) on the week, while silver largely held its late week gains, ending 70 cents (4.7%) higher for the week. The outperformance of silver for a change resulted in a tightening of 5 full points in the silver/gold price ratio to just over 108 to 1. Of course, we'd need about 10 or more straight weeks of such performance before we could even begin talking about silver not being obscenely and manipulatively depressed relative to gold.

Still, the rally in silver over the past two days was notable in several respects. As I indicated on Wednesday, the price of silver had been unusually depressed relative to gold in that it hadn't upwardly penetrated either of its key moving averages (the 50 and 200 day ma's) for months, while gold had mostly remained above its key moving averages. To be sure, moving averages still mean diddily-squat to me, except that many traders (managed money in particular) feel otherwise, so it becomes a market consideration. In any event, the rally of the past two days brought about a decisive upward penetration of silver's 50 day moving average, although the 200 day moving average is still more than $1.20 above current prices. Let me reserve speculation about the short term prospects for silver until after reviewing usual developments and some new outside revelations.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses this week equaled the same 5.4 million oz moved over the prior two weeks. Total inventories fell again, this week by 0.6 million oz to 314.3 million oz, fresh 6 month lows. No change in the JPMorgan COMEX warehouse, also again, where silver holdings remained at 160.8 million oz for at least two months.

While I see no diminution in the physical turnover in the COMEX silver warehouses for what is now 9 years running, the big recent warehouse story has been the sudden emergence of the movement and net deposits in the COMEX gold warehouses. This week another near 1.5 million oz of gold came into these warehouses, pushing the total to 21.9 million oz, up from 8.5 million oz a month ago. Whereas the COMEX warehouse story in silver for the past 9 years has been one of extreme turnover and a relatively slight total increase – except for the JPMorgan COMEX silver warehouse going from zero to 161 million oz – the COMEX warehouse story in gold has been one of increased movement, but more the aforementioned immense increase in total inventories to 21.9 million oz in a month, the highest levels in COMEX history.

And, oh yes, there is also a JPMorgan connection (isn't there always?) in the COMEX gold warehouse inventories as its warehouse has seen the biggest increase and is now up to more than 9.2 million oz, or more than 42% of total COMEX gold warehouse holdings. There's no way of knowing if the gold in the JPM COMEX warehouse (or any other warehouses) belongs to JPMorgan or if it is just vaulting metal for others, but it certainly doesn't negate in any way my contention that the bank owns at least 25 million oz of physical gold. Just sayin'.

I hope you know I don't harbor any deep personal animosity or hatred for JPMorgan or that I spend all my time plotting how to get even with the bank for some perceived personal injustice. It did suddenly occur to me shortly after the Bank Participation report of August 2008 that JPMorgan was the kingpin short in COMEX gold and silver and that's why I complained, yet again, to the CFTC and which kicked off the 5 year investigation that ended in Nowhere-Ville.

But subsequent numerous events since then have left me wondering why or how

everyone doesn't see that JPMorgan is all that matters in gold and silver. And while I haven't raised the issue in quite some time, I still have trouble with the notion that the nation's most important bank is even allowed to deal in gold and silver, no less dominate these markets in every possible way. Think I'm overstating JPM's role in all things gold and silver? Then why does the bank have its hand in just about everything gold and silver?

Consider yesterday's COMEX silver deliveries where JPMorgan issued 1450 of the 1479 total silver deliveries in what has been a "sticky" or tight delivery month – and all from its house account, which indicates the bank acted on its own behalf and ownership. Admittedly, when JPM issues or stops silver or gold deliveries on behalf of customers you can't help sensing there is some deeper involvement in that the customers may be used as some type of "front" to disguise principal actions by the bank itself. But when it does so in its own name, then there's no question that JPM is acting for its own account.

Maybe this isn't purely conclusive, but I have made enough direct accusations of JPMorgan being a no-good, corrupt player and have communicated all those allegations directly to the bank that its lack of rebuttal can only mean it can't or won't defend itself. JPMorgan is the most crooked player in what are the most crooked markets of all, gold and particularly silver.

As to why so much gold has come into the COMEX warehouses, I haven't seen any credible explanations that dissuade me from believing it is largely for show, since actual delivery demands to date wouldn't seem to have required the big deposits. Even stranger is continued discounts of cash spot prices in both gold and silver to COMEX futures months in the face of reports of physical tightness. Once again,

physical tightness should result in spot prices moving towards premiums to futures months, not discounts.

Certainly, there seems to be continued demand for physical metal according to the growing deposits into the world's gold and silver ETFs, which continue to set records. Just yesterday, a hefty 4.6 million oz of silver was deposited into the big silver ETF, SLV, bringing total holdings in that one ETF to nearly 418 million oz. Considering that nearly 70 million shares of SLV were traded over the last two days of silver's price rise, I would imagine even more physical is "owed" to the trust.

I mentioned last week that some 30 million oz of gold and 200 million ounces of silver were bought and deposited into the world's gold and silver ETFs over the past year. Putting a dollar amount on those physical amounts comes to around $45 billion in gold and $3 billion in silver. I'd like to make a couple of points. One is that the gold buying makes more sense than the silver buying in that investors generally buy as prices of assets rise, which clearly was the case in gold, but not so much in silver. But nonetheless, quite a bit of silver (200 million oz) was bought.

My other point is that the $3 billion that was needed to buy 200 million oz of silver (at $15 an ounce) has gotten to be chump change in our world of multi-trillion dollar money and debt creation – where $3 billion is hardly a rounding error. What the heck is going to happen when the price of silver catches a bid (at long last) and some small portion of the many trillions of dollars sloshing around alight on it?

Along those lines, I caught an article describing how a genuine hedge fund heavyweight, Paul Tudor Jones, was taking a position in Bitcoin. Regular readers should know of my respect for Jones, although crypto-currencies are still beyond my comprehension. Tudor Jones made no real bones about his interest in Bitcoin, simply

saying that his idea of superior investment performance was to ride the fastest horse in the race, so it's no real surprise he was attracted to Bitcoin by its recent rise in price. Jones is the consummate technical trader and he has the track record to show for it. My takeaway from his comments is that when silver rises sufficiently in price it will attract legions of traders like Tudor Jones and I welcome that day.

Turning to yesterday's Commitments of Traders (COT) report, there weren't any particular surprises, although as a result of the new Bank Participation Report, I had to revise my estimate of JPMorgan's long position in silver. Gold and silver prices were lower over the reporting week ended Tuesday and it was expected that there would be managed money selling and commercial buying, although nothing of the earth-shaking variety.

In COMEX gold futures, the commercials reduced their total net short position by 12,000 contracts to 281,600 contracts – not far from the amount of commercial selling in the prior week. Likewise, there was a reduction of around 8500 contracts in the concentrated short position of the 8 largest traders to 254,488 contracts, also nearly reversing the prior week's increase. Sell 'em when prices are higher, buy 'em back on selloffs. No change in JPM's gold short position, which I still peg as zero.

On the sell side of gold, it was almost entirely a managed money affair, as these traders sold 13,165 net contracts, consisting of the sale and liquidation of 11, 699 long contracts and the new short sale of 1466 contracts. Last week, the managed money traders basically stood still on what was a rise in gold prices over that reporting week. As a result of managed money selling this week, both the net and gross long position of these traders is about the lowest it has been in nearly a year.

This has created somewhat of an unusual gold market structure, in that a net long

position of around 133,000 contracts in managed money longs would normally translate into a much lower total commercial net short position than the current 281,600 contracts. The reason that the commercial net short position is as high as it is, is due the unusually large net long position of the other large reporting traders, this week at 117,000 contracts.

With the net managed money long position relatively low and the net long position of the other large reporting traders relatively high, there are different dynamics at play. If the commercial total short position was as high as it is and the managed money long position was also historically high, I think the odds would favor a selloff at some point. But with the managed money long position not that high and the other large trader long position high, the overall picture is not as clear as it has been in the past. These other large traders didn't sell much on the big ($200) break in gold prices in March (which the managed money traders sold), but then did sell a good chunk (30,000 contracts) on the sharp rally following that break. Trying to figure out what the other large reporting traders will do is akin to guessing which way a squirrel is likely to run as a car is bearing down. Further complicating matters is the role of JPMorgan and the predicament of the 8 large shorts., but I'm still in the bullish camp.

In COMEX silver futures, the commercials reduced their total net short position by 2900 contracts to 33,900 contracts. This is yet another new bullish low extending back nearly a year. As has been the case for some time, the concentrated short position of the 8 largest traders, particularly when considering JPMorgan's abandonment of the short side, has remained stubbornly high, this week falling less than 1200 contracts to 73,711 contracts.

About the only disappointment was having to adjust JPMorgan's net silver long position to 3000 contracts, as a result of recalibration with the new Bank Participation report. I had been estimating JPM was long at least 7000 contracts if not more. Last week, an alert subscriber pointed out that this week's Bank Participation report would tell the tale and Alex was right. And it certainly wasn't that JPMorgan turned seller this week, if anything it continued to buy.

Where I believe I went wrong was in underestimating JPM's short position back on Feb 25, when it was closer to 25,000 contracts than the 18,000 contracts I estimated back then. One thing that hasn't changed is that JPMorgan bought extremely aggressively on the nearly unprecedented big break in silver prices in March, cementing my conviction that it is the crook of crooks when it comes to the silver manipulation.

On the sell side of silver, the managed money traders were the featured sellers as they sold 4022 net contracts, consisting of the sale and liquidation of 2573 long contracts and the new sale of 1449 short contracts. As a result, the gross managed money long position fell to a new 7 year low of 28,398 contracts, leaving further selling potential from that source in the "fumes" category. Therefore, it can't be considered shocking that silver would rally a bit as it did starting on Thursday, except of course, that the rally was so overdue that it took most by surprise.

There was one other development that occurred this week that has attracted very little attention, but is worthy of much more scrutiny – actually two statements from the CFTC. The first, from Commissioner Dan Berkovitz, essentially calls for an investigation of what I have called the crooked dealings in the CME Group's NYMEX May crude oil contract on April 20, when the contract settled at an impossible

negative $37 a barrel.

https://www.cftc.gov/PressRoom/SpeechesTestimony/berkovitzstatement050720

Now before anyone jumps up and says “there he goes again” about me expecting anything constructive from the CFTC about effective regulation of the commodity markets and, specifically, the role of the crooks at the CME and JPMorgan, I would ask you to at least read what Berkovitz had to say. To be sure, I went out of my way to welcome Commissioner Berkovitz upon his return to the agency, this time as a commissioner and truth be told, have been extremely disappointed to date with the lack of intervention in an increasingly blatant manipulation of silver by JPMorgan.

That said, his words are exactly as they should be in the face of the events of April 20 in crude oil and as you read his comments, substitute the word “silver” for crude oil and see for yourself how the issues of manipulation are aligned. I’m not holding my breath, but neither am I foreclosing on Berkovitz finally doing the right thing. One thing for sure – when a Commissioner calls for an investigation, an investigation is certain. Remember, rarely does a federal agency openly announce an investigation is taking place – this is as close as it gets. I just wonder if the CFTC will uncover that JPMorgan was behind the crude oil price smash, as I allege. By the way, the new Bank Participation report confirms big short covering by the big US banks on the smash in crude oil – yeah, big surprise.

There was another statement from the CFTC on May 7 that caught my attention. This one was from the Chairman of the agency, Heath Tarbert, who both commented on Commissioner Berkovitz’s statement on crude oil and expanded on a new push for position limits. Keep this up and next these guys will be affirming apple pie, the American flag and motherhood.

https://www.cftc.gov/PressRoom/SpeechesTestimony/tarbertstatement050720

Like I did with Commissioner Berkovittz, I had high hopes for Chairman Tarbert upon his assumption of office and, unfortunately, have grown disillusioned. But no man is beyond redemption and Tarbert's renewed interest in legitimate position limits must be encouraged. Let me not re-litigate the entire issue, but stick to specifics. From reading his statement, it seems to me that the Chairman is most concerned with not hindering in any way, bona fide hedging by the restrictions of position limits.

But on its face, there doesn't appear to be any, or very little bona fide hedging occurring in COMEX silver futures. The 8 largest traders on the short side hold 73,711 contracts short or 368,555,000 ounces. That breaks down to 9214 contracts each on average, or more than 46 million oz each. At most, there may be one silver miner in the world which produces that amount of silver annually and why any miner would lock in and hedge silver at $15 is beyond economic justification. Who locks in a loss? Besides, all publicly traded miners must report any such hedges and I'm aware of no such reporting.

Therefore, the concentrated short position by the 8 largest traders in COMEX silver futures would appear not to be a bona fide hedge, but rather a manipulative short position that if it didn't exist would automatically result in substantially higher silver prices. I would respectfully ask Chairman Tarbert and Commissioner Berkovitz and all the commissioners to consider and respond to these specific points in their consideration of legitimate speculative position limits and hedge exemptions from those limits.

So where do silver prices go from here? Is this the start of the incredibly delayed

major move higher or just another false breakout doomed to failure? The short answer is that no one (aside from JPMorgan) knows. That silver could and should move explosively higher here and now is undeniable, but that's been true for a long time. I still believe the important point is that the expectation of and positioning for a sharp and major move higher must be the only prudent approach. After all the time and water that has passed under the bridge, should prices blast off here, not to be fully positioned seems foolhardy. OK, so we have to be ready for the crooks to knock it down again for the umpteenth time; but we also have to be ready that they might fail. There hasn't been a legitimate bearish case in silver for a very long time.

As far as the 8 big shorts' financial standing, after seeing their open losses shrink as of Wednesday's report, all that shrinkage was erased by week's end and they ended up $100 million more in the hole than they ended last week, at $6.1 billion. The twist this week was that the price rise in silver more than offset the slight fall in gold prices. Someday, silver will prove to be the main damage to the big shorts and here's to hoping that day is nigh.

Ted Butler

May 9, 2020

Silver – $15.75 (200 day ma – $16.96, 50 day ma – $15.13)

Gold – $1705 (200 day ma – $1552, 50 day ma – $1657)