Gold and silver prices were crushed this week, as gold fell $23 (1.9%) and silver was smashed for 60 cents (4.1%). The much steeper relative percentage decline in silver caused the silver/gold price ratio to widen out to 85.6 to 1, essentially, the cheapest silver has been compared to gold in a quarter century. I guarantee you that should you try to find the cause for silver being so cheap compared to gold and not consider the manipulation (of both) by paper positioning on the COMEX, you will fail to find an alternative explanation.

I realize that it gets tiresome of hearing the truth in the face of continued price weakness, but the alternative to the truth is not an option for me. I know why and how silver (and gold) is priced the way it is and I also believe I know that the defective and corrupt price-setting process must come to an end. I have some new thoughts as to why I believe the manipulative price setting process may come to an end relatively soon and I will share them with you in a bit (hint – it has to do with the recent guilty plea by the former JPMorgan trader). But first, please allow me to show how pernicious the paper futures positioning sickness has spread by using a different commodity as an illustration

No commodity is more important to the world than crude oil. Each day some 100 million barrels (42 gallons to a barrel) of crude oil are produced and consumed around the world. Just to put a dollar amount on this (in order to make relevant comparisons) at roughly $65/barrel that means the world produces and consumes roughly $6.5 billion worth of crude oil per day. The dollar amount of annual world oil production and consumption comes to around $2.4 trillion.

By comparison, the dollar amount of total world annual production and consumption of silver is less than $15 billion. This means that in dollar terms, crude oil is 160 times larger than silver or, stated differently, that the dollar value of total annual silver production and consumption is about one half of one percent of oil production and consumption. A little more than two days' worth of crude oil production just about equals the dollar amount of all the silver produced in a full year. Despite this lopsided real world dollar comparison and the obvious importance to the world of oil versus silver, official CFTC data demonstrate unequivocally that the price discovery process in each are equally manipulative and artificial.

From Oct 2 to last Tuesday, the price of crude oil (the WTIC benchmark) fell by roughly $15 from over $76 to under $62 or nearly 20%. The price decline was the steepest in years. At the beginning of October, crude oil was racing higher, with talk of $100 widespread. Instead, oil prices collapsed and considering this is clearly the world's largest and most important commodity, it is more than reasonable to ask why. President Trump has indicated that he was responsible for the price collapse in crude oil, but I respectfully disagree, as I also disagree that any fundamental changes in crude oil production or consumption drove the price decline.

https://www.cnbc.com/2018/11/07/trump-on-falling-oil-prices-thats-because-of-me.html?recirc=taboolainternal

The fact is that daily world oil production and consumption has varied little over the past five weeks. Something else has accounted for the steep drop in crude oil prices. That "something else" is the very same something that causes silver and gold and copper and other prices to move higher and lower – paper positioning on various futures exchanges. And it's no coincidence that the positioning match up in the leading crude oil futures exchange, the NYMEX, involves the same managed money technical funds that dictate silver and gold pricing on the COMEX; although let me be quick to point out that the principle counterparties to the managed money traders in NYMEX crude oil futures are not the banks or JPMorgan.

In the Commitments of Traders (COT) Report of Oct 2, the managed money traders held a net long position in NYMEX crude oil futures of approximately 330,000 contracts. In the just released COT report as of last Tuesday, the managed money net long position had been reduced to 148,000 contracts, meaning the managed money technical funds sold 182,000 net contracts (by long liquidation and new short selling) from Oct 2 to Nov 6. Since each NYMEX crude oil contract covers 1000 barrels, this means that the managed money traders sold the equivalent of 182 million barrels of crude oil in five weeks. Of the 100 million actual ("wet") barrels of crude oil produced and consumed daily, a variance of a million barrels would be a very big deal – the thought that 182 million barrels could be sold by one highly specific group of traders in five weeks would be inconceivable in terms of real barrels. But the concentrated sale of 182 million equivalent barrels is documented by the CFTC.

If anyone is seriously interested in why crude oil price fell more over the past five weeks than at any time in recent years, look no further than the sale of 182 million barrels by the managed money traders on the NYMEX. Please understand that I'm a consumer of oil (gasoline and heating oil), not an investor in oil and would prefer lower, rather than higher crude oil prices. But the price setting process in crude oil is every bit as screwed up and defective as it is in silver and gold. This means that the silver price discovery "disease" has spread to other markets, including the most important commodity market in the world – crude oil.

Managed money traders by CFTC definition and classification are speculators – not legitimate hedgers. No other group of traders sold anything close to the amount of crude oil contracts that were sold by the managed money traders. And why did these managed money traders sell in the first place? Because prices fell below the key moving averages (the same reason as in silver and gold), with the 200 day moving average in crude oil being penetrated for the first time to the downside in a year. Leaving out any suggestion that the managed money technical funds in crude oil were tricked (by spoofing and other dirty tricks) as they are regularly tricked in silver and gold; the thought that managed money technical fund nitwits are responsible for a 20% decline in the world's most important commodity is beyond unnerving – it's completely nuts and illegal to boot (according to US commodity law).

Official CFTC data shows that speculators are solely responsible for the collapse in crude oil prices. There's no other way to spin this. If there was, then surely the CFTC would have responded by now to the many years I have pointed this out to them in silver and gold. I'm going to come back to this, but let me break for a review of weekly developments first.

The turnover or physical movement of metal either brought in or removed from the COMEX-approved silver warehouses remained at the frenzied levels of late, as 13.9 million oz were turned over and physically moved. Total COMEX silver warehouse inventories jumped by 3.2 million oz to 293.8 million oz, only a couple of million ounces shy of the record of a few months back. Nearly 1.1 million additional oz came into the JPMorgan warehouses, bringing the total in that warehouse to a record 152.1 million oz. Having commented on the highly unusual physical movement in the COMEX silver warehouses quite extensively recently and wishing to discuss other matters today, I will leave the topic for today. But having read reports of the new record holdings in the JPMorgan warehouse, I know that others must see the even more extraordinary overall COMEX silver movement but for some reason they refuse to comment on it. That's weak and even cowardly to intentionally overlook a vital data point without any discussion.

There was another increase in the short position in SLV and a decline in GLD, as of Oct 31. In SLV, the short position increased by 1.6 million shares (ounces) to just over 9.9 million shares. In GLD, the short position was reduced by more than two million shares to 13.2 million shares (1.3 million ounces). Not much to see here, so I'll move along.

http://shortsqueeze.com/?symbol=SLV&submit=Short+Quote%E2%84%A2

The changes in the new COT report were mostly expected in that there was managed money buying and commercial selling in both gold and silver, reflecting the sharp one-day bump up in price on Thursday, Nov 1. While I didn't offer contract predictions, the amount of commercial selling in silver was higher than what I anticipated and the nature of the selling was definitely not what I expected in terms of what the crooks at JPMorgan were up to, not only in silver, but in gold as well.

In COMEX gold futures, the commercials increased their total net short position by a moderate 6900 contracts to 38,100 contracts. While there's a difference of nearly 65,000 contracts from the nearly 26,000 contracts the commercials were net long on Oct 9, the 38,100 contract commercial net short position must be considered more bullish than bearish on a historical basis – even more so since the price weakness in gold since the cutoff and, particularly, on yesterday's price shellacking. Remember, on big down days, the commercials are always buyers and the managed money traders are always sellers. Always.

Therefore, we know the gold market structure is better than it was on Tuesday. I can't necessarily say all better, but better. Gold did re-penetrate its 50 day moving average to the downside, but is one day's penetration enough? I don't know. The one negative standout (also true in silver) is that the stone-cold crooks at JPMorgan appear to have added around 30,000 gold short contracts over the past month, according to the Bank Participation Report. In essence, JPMorgan appeared to be the sole commercial gold short seller over the past month. You can't get more crooked than that (until you get to silver).

On the buy side of gold, the managed money traders bought 8077 net contracts, including the purchase of 2083 new long contracts the short covering of 5994 contracts. Managed money longs are still historically low at 82,188 contracts and not likely subject to great liquidation on lower prices. Managed money shorts, now at 129,634 contracts are still more large than small on a historical basis, but I would think more new shorts could be added than longs liquidated on lower prices. Yesterday's preliminary gold total open interest, which increased by just over 11,000 contracts, is highly suggestive of new managed money shorting, although I still doubt these nitwits will sell short as much as they held short not too long ago.

In COMEX silver futures, the commercials increased their total net short position by a rather large 9500 contracts to 19,300 contracts. While not particularly large (bearish) on a historical basis, this is the largest commercial net short position since August 7. If you were looking for a reason for why silver prices have been smashed since the cutoff, then look no further. And to put an exclamation point on that statement, it looks to me that JPMorgan short position on Tuesday was up to 15,000 contracts, up from the 10,000 contracts I estimated last week. I don't think JPM added 5000 new silver shorts in the reporting week, I'm just recalibrating in accordance with the new Bank Participation Report.

Over the past month, JPMorgan has added 15,000 new silver shorts (I would imagine it has bought back some on the price weakness since the Tuesday cutoff). Most importantly, these crooks and manipulators have been the sole commercial short seller over the past month, the same as in gold. The biggest difference between silver and gold over the past month is that at least JPMorgan sold short in gold on a definite increase in price, while silver prices have largely been unchanged over this time. I'm not doubting for a moment that JPMorgan hasn't added shorts at prices it can profit from (and may have already profited from) – I'm stating that for JPMorgan to be aggressively short selling in silver at prices that haven't even risen to $15 is as pure price manipulation as it gets.

Back from April to June, when JPMorgan added 20,000 new silver shorts and was the sole short seller, at least prices climbed to over $17. This time, JPMorgan is capping prices below $15. Who the hell do these crooks think they are? This is more disgraceful and manipulative than anything I've witnessed over the past 30+ years. Let me finish up before getting into my new thoughts

On the buy side of silver, the managed money traders bought 4328 net contracts, comprised of the sale and liquidation of 2891 long contracts and the buyback and covering of 7219 short contracts. As was the case in gold, the remaining number of managed money longs, now down to 47,496 contracts, doesn't appear susceptible to great further liquidation on lower prices. The remaining number of managed money shorts, now down to 68,344 contracts is still large historically, but well off the recent extremes. I would imagine more managed money shorts could be and likely have been added on the price weakness since the cutoff. But I am more certain that whatever new shorts the nitwit technical funds do add, they will eventually lose on. The beating the technical funds have taken in most markets recently is quite extreme.

A few follow up comments about the still rather remarkable announcement by the Department of Justice on Tuesday concerning the guilty plea by the former trader from JPMorgan for spoofing in precious metals. Contained in the announcement was the statement that the guilty plea was accepted and sealed on Oct 9, nearly a month before it was unsealed on Nov 6. With a rather short sentencing date approaching on Dec 19, and the time it took to unseal the plea, it may be assumed that the trader has already fully cooperated in the hopes of reducing his actual jail time, said to approach 30 years with no cooperation.

The thought of facing serious jail time for someone that never thought such an outcome was possible for everyday practices known to supervisors and other traders at the bank had to come as a shock. For years, the trader was riding high, a master of the trading universe in a highly respected position, now suddenly facing incarceration. Companion reporting suggested that JPMorgan itself was unaware of the guilty plea, according to a person with knowledge of the matter. It was not indicated if the CFTC was closely involved. Since the former trader left JPMorgan last year, it's not hard to imagine how his cooperation with the DOJ could remain unknown to the bank.

https://www.cnbc.com/2018/11/06/ex-jp-morgan-trader-pleads-guilty-to-manipulating-metals-markets.html

One thought that occurred to me and that was also mentioned by a subscriber (thanks Adam) was the possible price fallout from the government eventually ordering JPMorgan to divest of its massive hoard of physical silver and gold. It's a fair point and as an analyst, I'm required to consider it. My initial thought (remember, I only learned of the guilty plea Wednesday morning) was that could be a real kick in the teeth – having JPMorgan manipulate and depress prices for nearly 8 years so that it could accumulate physical metal on the cheap, destroying metal investors and mining companies along the way – only for them to suffer the final indignation of a forced massive dump on the market. But in thinking about this more, I have a decidedly different take.

In order for the US Government to get to the point of ordering JPMorgan to divest of its accumulated physical silver, an awful lot would have to occur first, starting with finding that JPMorgan had been manipulating prices for a decade. If that were to happen, I doubt JPMorgan could continue to exist as it currently does. Manipulating silver and gold prices for a decade would invite legal repercussions of almost unimaginable consequences. As much as that would validate all my findings about JPMorgan and silver, it isn't going to happen in that manner, so there's no real point in discussing it.

I don't know if this will turn into yet another Eureka moment for me – along the lines of first discovering the COMEX paper manipulation back in the mid-1980's or discovering that JPMorgan had figured out the criminally genius solution to covering its manipulative paper short position by accumulating physical metal. But the more I think about the DOJ announcement last Tuesday, the more I think it could be profound in the end.

While I initially was puzzled by the lack of any mention of cooperation by the CFTC in the guilty plea, something different has occurred to me. Just like I've been puzzled (and pleased) by JPMorgan not coming after me for openly calling them crooks, I've been puzzled and far from pleased by the CFTC, the primary market regulator, turning its back on what I know are highly legitimate concerns and allegations about JPMorgan and silver and gold market manipulation. We've come to accept it, but it was never right – after all, my allegations are based upon the agency's own data. Yes, the agency denied the allegations for the first 20 years or so, but for the last 10 years, it has simply clammed up. It's not as if they can't see what's going on and know that it is wrong, it's just that they have remained silent.

The main reason the CFTC has remained silent over the past ten years is because of concessions extracted by JPMorgan as a result of it taking over Bear Stearns at the US Government's request. That request came from the Federal Reserve and the Treasury Department and stemmed from the genuine concern of some type of financial system chain reaction should Bear Stearns been allowed to collapse. The CFTC was hardly a party to the agreement and being but a flea on the back of the elephant that was the Fed and Treasury, it had no choice but to go along with JPMorgan's continued manipulation of silver and gold prices. This also explains the failure of Gary Gensler to establish the legitimate position limits that would have ended the silver manipulation.

But I don't think the people running the CFTC on a daily basis are all inherently bad or stupid people, including Enforcement Director McDonald. They must see what I (and you) see, since the evidence of manipulation is contained in their own data. After all, no one at the agency has ever come out and said that what JPMorgan is doing is legal – they just haven't said anything one way or the other. Even when they called off the formal five year investigation into silver manipulation begun at my initiative, they didn't say all was hunky dory in silver – they just said their investigation was inconclusive. Look, I'm not exonerating the CFTC for allowing the silver manipulation to continue – I'm just trying to make sense of all and, particularly, in light of the very recent facts.

I think the CFTC sees that not only has silver been manipulated for the past three decades, but that the silver "disease" has spread to other markets, including crude oil, the most important commodity of all (as described above). Otherwise, if what I am saying is so wrong and wide of the mark, they would have been able to refute my contentions on a point by point basis. Yeah, I get stupid and personally insulting comments whenever I write a public article, but if anyone has ever truly rebutted anything I've written, I haven't seen it. Certainly, the CFTC hasn't argued with anything I've alleged in many years.

Therefore, I can't help but think that maybe – just maybe – the CFTC (or at least some people within the agency) recognize full well just what kind of monster has been created by allowing, not only JPMorgan to have its way in silver and gold, but also the rotten state of affairs that has resulted from allowing the CME Group to permit the managed money traders' influence for growing so large and manipulative to prices. Yes, the technical funds are nitwits being maneuvered by their counterparties, but it is the lack of restrictions on managed money trading that is at the heart of the defective price discovery process. What can the CFTC do about it – under the way out premise that it wants to do something?

I can tell you what the CFTC can't do and that includes telling the Fed and the Treasury Dept. to crack down on JPMorgan because the agency is a pipsqueak in the pecking order of federal agencies. Or ordering the CME Group to crack down on unfettered technical fund trading. Or suddenly ordering JPMorgan to stop its evil and manipulative ways. Besides, trying to do any of these would raise the question of where the heck had the CFTC been for so many years?

So what can the CFTC do to fix the very big problems that definitely need fixing, like ending JPMorgan's manipulation and the runaway train wreck that unlimited technical fund positioning has become? Up until recently, I would have answered that the agency couldn't do much, seeing as it dug itself into a hole by its years of inaction and all it could was await the inevitable disorderly market resolution of markets simply blowing up and self-destructing. But with the DOJ's guilty plea announcement last Tuesday, perhaps there is another way out for the CFTC.

Again, maybe – just maybe – the DOJ wasn't operating without the cooperation of the CFTC, but instead operating on behalf of the CFTC. As far as I know, the Department of Justice doesn't take orders from the Federal Reserve or the Treasury Dept., to say nothing of taking orders from JPMorgan or the CME Group (at least, I hope to God not). Yes, it did seem unusual for the DOJ not to mention the CFTC in its guilty plea, since this was a commodity case, after all. But maybe that was deliberate and used to surprise JPMorgan.

I think it's possible that the CFTC has enlisted the DOJ because it would never be able to stand up to JPMorgan on its own. If that's the case, then it's a pretty nifty solution. Of course, I may be giving the CFTC way too much credit and the DOJ had other reasons for not mentioning the CFTC in the announcement of the guilty plea, along the lines of the DOJ not wanting the CFTC involved. In any event, the announcement is only four days old and anyone claiming to know for sure its full meaning and all the ramifications attached is not to be believed.

But I do know that no one in the silver market is as crooked as JPMorgan and the announcement by the Department of Justice of a guilty plea by one of its former traders is the first solid connection between my allegations of the past ten years about JPMorgan and a finding of wrongdoing by a trader for the bank in COMEX silver and gold. This is a connection never achieved or perhaps never attempted by the CFTC and it remains to be seen if the agency is involved with the DOJ. To be sure, this is a very long way towards total vindication of my narrative of the past ten and thirty years, but every journey begins with a single step.

I don't think the DOJ has any real clue of my allegations over the past ten years unless the CFTC has informed them, so this might be merely a one and done as far as the DOJ is concerned. Then again, the announcement left little doubt of an ongoing investigation and, once again, pleading guilty to a criminal charge is no minor matter.

As far as JPMorgan's blatant manipulative actions over the past month in being the sole short seller in gold and silver, I can't rule out these crooks succeeding in driving prices lower yet again, but to abandon silver here seems like lunacy. But in a way, I'm kind of glad that JPM was so damn arrogant in shorting right up until Tuesday, the day of the DOJ announcement. Here we have silver at $14 and with JPMorgan shorting the snot out of it for no conceivable legitimate economic motive, just as the Justice Department announces a criminal guilty plea by one of its former silver traders for manipulating prices. I could never have made any of this up if I tried.

Ted Butler

November 10, 2018

Silver – $14.15 (200 day ma – $15.77, 50 day ma – $14.46)

Gold – $1211 (200 day ma – $1271, 50 day ma – $1213)