
November 14, 2018 – Another Possibility

To be sure, last week's announcement by the Department of Justice of a guilty plea from the ex-trader from JPMorgan is virtually all I have been thinking about since. Maybe I'm missing something, but it seems like the most important development that has come down the silver pike in a very long time. Remarkably, the announcement was initially carried by the Financial Times and online from CNBC and after a full week, I have seen no mention of the guilty plea in any other major media source, including the Wall Street Journal, the NY Times, Bloomberg or Reuters (although I suppose it's possible I just missed stories from those sources). If you have not already read the announcement closely, I urge you to do so.

<https://www.justice.gov/opa/pr/former-precious-metals-trader-pleads-guilty-commodities-fraud-and-spoofing-conspiracy>

Writing about the announcement last Wednesday in "A Crack in the Dike" I mentioned that it seemed odd to me that there was no mention of the DOJ cooperating with the CFTC, as is customary in commodity related matters. On Saturday, I opined that perhaps (maybe, just maybe) the CFTC had come to its senses and requested help from the DOJ in breaking up an ongoing manipulation because its hands were tied by concessions granted to JPMorgan as a result of the takeover of Bear Stearns in 2008 by the Treasury Dept. and the Federal Reserve.

Today, I'd like to introduce yet another possibility for what may have led to the guilty plea announcement by the DOJ. A little over six months ago, I called and wrote to the FBI (part of the Justice Department) to complain that there may be public corruption involved in the CFTC's refusal to crack down on JPMorgan for its role in the silver manipulation. I never made the letter public because my intent was not to showboat, but to genuinely involve the FBI in what I am convinced is the CFTC's refusal to fulfill its most basic mission – preventing market manipulation. I have decided to make the letter I sent back then available for you to review and then decide for yourself that in light of the DOJ's announcement that maybe just maybe whether the DOJ did decide to take my complaint seriously.

April 30, 2018

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FBI Headquarters

935 Pennsylvania Ave, NW

Washington DC 20535-0001
Public Corruption

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Dear Sirs:

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I tried to make this complaint over the phone to a representative identified by the number 9174, but I got the distinct impression she was highly skeptical and disbelieving, so I'm mailing it instead.

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Please accept this as a formal complaint of public corruption lodged against the U.S. Commodity Futures Trading Commission (CFTC) for willfully failing to fulfil its prime mission of rooting out market manipulation, despite being presented with overwhelming evidence that JPMorgan, among others have been manipulating the silver market. In fact, it is incontrovertible evidence from the agency itself, in the form of its weekly Commitments of Traders (COT) and monthly Bank Participation Reports which provide the basis for this complaint.

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In brief, CFTC data indicate that JPMorgan, trading for its own proprietary benefit has amassed a trading track record which has been impossibly perfect for ten years running, ever since acquiring the failed investment bank, Bear Stearns, in March 2008. JPMorgan has never taken a loss when adding short positions in COMEX silver futures over the past ten years, only profits. It has been able to do so by being allowed by the CFTC to add as many new short positions as necessary to cap every silver price rally over the past decade, until the weight of its additional short sales finally causes prices to decline, at which point JPMorgan then has bought back its added shorts at prices lower than sold short at originally, guaranteeing itself a profit.

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Starting in April 2011, JPMorgan embarked on an additional manipulative scheme to use its control of silver prices by virtue of its ability to sell unlimited quantities of COMEX silver futures contracts to then use the resultant depressed prices created by its unlimited short sales to acquire a massive amount of physical silver at prices it had caused to be artificially depressed. Over the past seven (7) years, I would estimate that JPMorgan has accumulated more than 700 million ounces of actual silver in this fraudulent manner - 140 million oz of which is now stored in its own COMEX warehouse. This same warehouse contained zero ounces when the fraudulent scheme began in April 2011.

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While there is little question that what JPMorgan did was illegal according to US commodity and antitrust law, my complaint to you is for the CFTC allowing this to occur. Specifically, I wrote to the CFTC's Enforcement Director, James McDonald, on the first day he assumed his role with the agency in April 2017, informing him of what role JPMorgan played in the silver market and how it never had taken a loss, only profits, all the while amassing actual silver at prices it had artificially suppressed. In addition to writing to him directly, I also published an article in the public domain which included my letter to McDonald.

<http://silverseek.com/commentary/another-opportunity-16489>

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From that point, I sent him articles twice a week (some of which I put in the public domain) in which I reported on the ongoing silver manipulation and JPMorgan's role in it. All told, I sent him and other officials at the CFTC (as well as JPMorgan and the CME Group) at least 100 articles over the past year, never once receiving the courtesy of a response from any one. On the occasion of McDonald's one year anniversary as Enforcement Director, I wrote to him and also publicly, describing what JPMorgan had accomplished over his tenure, namely, a minimum of \$400 million in trading profits by continuing to sell short COMEX futures until it was able to drive prices lower and buyback those added short sales, all while adding another 100 million oz of actual silver to its holdings at prices it had artificially suppressed.

<http://silverseek.com/commentary/interesting-anniversary-17209>

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As a result of this article, a week later, McDonald gave a CFTC podcast interview in which he outlined how everything was fine in COMEX silver, essentially misleading and lying to the public, rather than addressing the specific allegations that I had made over the past year. It is my understanding that many members of the public did write to McDonald and other CFTC officials seeking comment on how it was possible that JPMorgan could achieve a perfect trading record of never taking a loss and still there has been no response from the agency.

<http://silverseek.com/commentary/avoiding-obvious-17229>

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While I don't think for a moment that McDonald is the main party responsible for the agency's malfeasance, by refusing to directly respond and granting a public interview that at best can be described as intentionally misleading, he is a good person to start with should you decide to pursue this, as I pray you will. This silver manipulation has been going on for more than 30 years and I have been complaining to the CFTC for nearly all that time. I would respectfully beseech you to conduct an objective investigation and I can assure you that I will assist in any way I can.

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Theodore J. Butler

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I never heard anything back from the FBI or the DOJ and don't expect to, as the facts speak for themselves. They've either looked into this matter or not. I would imagine, however, that we'll come to learn what's really behind the guilty plea in the reasonable near future and if the DOJ is now on the trail of JPMorgan (as I pray it is), it is hard for me to see how there could be much life left in the seemingly forever silver manipulation. Then again, perhaps I'm just a hopeless optimist on that front. For what it's worth, the Assistant Attorney General, Brian Benczkowski, in charge of the DOJ's Criminal Division and who is quoted in the announcement, has direct oversight over Public Integrity matters.

On to other developments since the Saturday Review. I did have extended comments on the price decline in crude oil, the world's most important commodity, on Saturday and how the price decline was caused by massive managed money selling. Seeing how crude oil prices have subsequently continued to collapse through yesterday's cutoff for the reporting week, I would anticipate another large increase in managed money selling in Friday's Commitments of Traders (COT) report.

You'll recall that on Saturday I wrote that the managed money technical funds had sold the equivalent of 182 million barrels of NYMEX crude oil futures in the previous five reporting weeks, causing oil to drop by \$15 or nearly 20% over that time. Over the past reporting week, crude oil has dropped by another \$6, making the total price decline over the past six reporting weeks to be \$21, or nearly 28%, the largest decline in that time period in 35 years. I would imagine Friday's COT report will indicate at least 30,000 contracts (30 million barrels) of managed money selling and maybe a lot more.

The price decline has reduced the annual dollar amount of total world annual crude oil production and consumption by an incredibly large three-quarters of a trillion dollars (\$750 billion). Please don't misunderstand me - I'm not lamenting for a minute the loss of oil producer income and the savings of consumers. After all, I am an oil consumer, along with most of the other 7.5 billion world citizens.

What I'm concerned about is the mechanics behind the oil price collapse. In fact, I fear we have lost our collective minds in allowing only a little more than one hundred traders in the managed money category of NYMEX crude oil trading to set and determine oil prices to the rest of the world. For sure, there will be real repercussions to this artificial price decline, such as production cuts by OPEC and Russia and others to shore up oil prices. But the process is absolutely nuts that we allow a hundred traders to so discombobulate the world of crude oil pricing. Most assuredly, crude oil pricing has caught fully the silver disease.

Turning to precious metals, there would appear to have been very heavy managed money technical fund selling in COMEX silver and gold thru yesterday's Tuesday cutoff. Gold and silver traded at lower price lows each day of the reporting week (classic salami slicing), with gold trading as much as \$30 lower for the week, with silver trading as much as 60 cents lower. The important 50 day moving averages in each were penetrated, always triggering a Pavlovian-like signal for technical fund selling. Finally, total open interest in both gold and silver increased dramatically over the reporting week; gold

by nearly 45,000 contracts and silver by nearly 11,000 contracts. Unless the increases in total open interest were due to some type of uneconomic spread trading, I would guess we would see net managed money selling of such amounts in Friday's COT report.

Of course, a key feature of Friday's report will be what the crooks at JPMorgan were up to; meaning how many silver and gold short contracts the bank bought back. As always, the more the merrier. In addition, since it is all I have thought about over the past week, I can't help but believe that the price decline in silver and gold over the reporting week, caused by induced managed money selling and commercial and, particularly, JPMorgan buying was directly related to last week's announcement by the DOJ.

The two published reports on the DOJ's guilty plea announcement (the FT and CNBC) indicated that JPMorgan was surprised by the development. I'm inclined to believe that JPMorgan was unaware of the pending guilty plea and as a result, needed to put its house in order quickly by buying back as many of its short positions as possible, as fast as possible. The most practical way of doing so profitably would be to arrange a selloff in order to induce managed money selling. If my hunch is correct, this is a very limited time-duration process and may be complete by this time. Yes, I continue to buy kamikaze silver call options with a near reckless abandon, continuing to flush good money, apparently, down the drain. As always, that's not an invitation for anyone else to behave so recklessly, just an indication of how I view the market.

(I'm sending today's article earlier than usual because I finished earlier than usual).

Ted Butler

November 14, 2018

Silver – \$14.08 (200 day ma – \$15.74, 50 day ma – \$14.45)

Gold – \$1208 (200 day ma – \$1270, 50 day ma – \$1213)

Date Created

2018/11/14