

November 18, 2015 – Upon Further Review

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Years ago, when instant replay first came to pro football, I had mixed feelings about it detracting from the spirit of the game. But with the level of competitive play so incredibly advanced over time, I am amazed how often what looked like a pass completion or a step out of bounds comes out differently when seen from a different angle and in slow motion. In hindsight and in a game increasingly of inches, I've come to appreciate officiating review that's on a par with the level of competition on the field.

That thought came to mind after I had some time to reflect on my comments Monday on the newly-released COT report. Usually I get to think about a new report overnight, but the logistics didn't allow for that on Monday. My overall conclusions haven't changed, but I'd like to bring up some other thoughts in what I still feel was one of the most important COT reports ever.

First, a correction. While I am still highly encouraged about the sharp reduction (4800 contracts) in the big 4 short position in silver and I would still attribute that almost exclusively to JPMorgan; I think I misinterpreted the increase (1300 contracts) in the big 5 thru 8 short position to other commercials. With the very large (17,000 contracts) increase in managed money short positions, it now appears obvious that one or two managed money traders have entered into the ranks of the largest silver shorts. That doesn't negate the possibility of a double cross eventually in which JPMorgan breaks ranks with its collusive commercial partners in crime, but I should have noticed the big increase in managed money shorting as accounting for the increase in big 5 thru 8 shorting. Mea culpa.

Sticking with the silver COT report, it dawned on me afterwards that while I was close enough on the (blended) headline number to my guess of 20,000 net contracts; how we got to that headline number was very much not in keeping with my previous expectations. I had expected, basically, for there to be much larger managed money long liquidation and not as much new shorting from the managed money traders as was reported. Where it was reported that managed money traders sold and liquidated 5611 long contracts and shorted nearly 17,000 new silver contracts, I had expected those numbers to have been reversed, with much more pronounced long liquidation than new shorting. After all, with the amount of long liquidation reported, there are still more than 53,000 managed money long contracts (as of Tuesday Nov 10), well above my core non-technical fund long holding of around 40,000 contracts.

But when I put on my think-like-a-technical fund hat and look at the price smash in silver (and gold), I can't come up with any legitimate justification for being long on strictly technical grounds. Depending on what the new COT report shows on Friday, considering every day in the reporting week to be covered was another new price slice to the downside, whatever the level of managed money longs in that report will be my new core non-technical fund position. If there is a 3000 contract liquidation in managed money longs, then 50,000 contracts will be my new floor. If there is no long liquidation, then the floor will be 53,000 contracts.

In other words and depending upon what the level of managed money longs exist in the new report, it seems to me that a good-sized number of contracts (around 10,000) may have been acquired by managed money longs not of the technical fund persuasion. If this turns out to be the case, it's an important bolstering to the bull argument in that this core non-technical fund position has yet to be liquidated on the downside.

The issue has been raised as to whether I'm being a bit premature in having become maximum bullish since the headline numbers of the total commercial net short position in both COMEX gold and silver are not at the lowest levels of the price bottom this past summer. It's an extremely fair point and I fully admit that I may be premature. After all, while the COT report is highly objective, my (or anyone's) interpretation is necessarily subjective.

We can only know the exact price bottom and contract positioning extreme in hindsight. It may very well turn out that the headline number of the commercial net short position in both COMEX gold and silver ends up much closer to the low readings of this past summer. If that comes about, then prices will have to have moved lower and I will have been premature in throwing caution to the wind. But the headline number is just that — one number in an incredibly detailed and nuanced report. While the headline number is unquestionably important, I think it wise to look closely at all the data.

For example, if the core non-technical fund managed money long position has expanded by 10,000 contracts (as seems likely in the COT report of Monday), that mathematically ratchets up the net commercial total net short position by that amount. The whole point here is to look at the data from all angles, much like reviewing a key play in a football game.

Flipping to gold in the COT report issued on Monday, while the headline number of the total commercial net short position was reduced by an historic 94,000 contracts in just two weeks, it has been pointed out that we're still 50,000 contracts or more higher than was the case at the summer price bottom. Somewhat offsetting that is that the concentrated short position of the 4 and 8 largest traders has only been lower once (on May 5) since early January and is now among the lowest readings in history.

If you believe that gold and silver are manipulated (as I do) then they have to be manipulated by someone big and the CFTC clearly identifies the quantities and concentrations of the biggest traders. The concentrated holdings of the biggest shorts, in many ways, may be more important than the headline number of the total net commercial shorts. And considering what has most likely has been further improvements in the reporting week ended yesterday (since prices were once again lower just about every trading day), I wouldn't be shocked to see the concentrated short positions of the 4 and 8 largest gold traders even lower.

As far as predictions for what Friday's COT report will show, I'd rather not press any recent luck I may have had, but it's hard not to imagine further reductions in the commercial net short positions in both gold and silver. After all, this is what salami slicing and the gold and silver market are all about. Yesterday's late gold smash which has carried through today in silver and gold, may not have made the cutoff for yesterday's close of business COT report deadline. Being lower, yet again, every day for the third straight reporting week, there has to be a reduction in the headline number of commercial shorting. On that basis I'd guess a 5,000 to 10,000 contract reduction in the commercial headline number for silver and 15,000 contracts or more in COMEX gold (and I certainly hope for more).

I'd like to focus on a familiar topic Â? what the inevitable rally will look like, particularly in silver, whenever this extreme COMEX futures positioning is completed. As you know, this is where I will invoke my often made, but never realized prediction that it could easily turn into the big silver move up. Perhaps Â?yet to be,Â? rather than never realized would be a better choice of words. I have some new reasons why we may be looking at a genuinely explosive silver rally soon, but let me first set the background for why we must see a silver explosion at some point.

It has to do with the manipulation that has existed in silver for more than 30 years and continues through today. It is a historically proven and logical fact that all manipulations must come to an end. The free law of supply and demand dictates that any artificial distortion of price must be overwhelmed in time. In what time, of course, is open to debate; but there can be no debate about the inevitable destruction of the artificial price regime of every manipulation. In addition to knowing that all price manipulations must end at some point, we also know that the end of every price manipulation must be dramatic to the point of being shocking — sending prices suddenly in the opposite direction of the manipulation.

Simply stated, if silver has been manipulated lower in price than the actual fundamentals dictate (as I contend), then when that manipulation is broken prices must soar. It's even gotten so specific that I have pinpointed in advance what will constitute an end to the COMEX silver manipulation — no additional concentrated short selling by the largest commercial shorts, must definitely including JPMorgan. As you know, since settling into the role of the prime silver price manipulator as a result of its takeover of Bear Stearns in 2008, JPMorgan has capped every silver rally since by adding to short positions. This alone should prove to the regulators that silver has been manipulated, but that's a separate issue. What I'm talking about now is not whether JPMorgan has capped every price rally in silver over the past seven years, as that's evident in the historical record; but what this crooked bank will do next. And to be perfectly frank, no one can know in advance (except the crooks at JPM).

Everyone has their own picture of how the silver manipulation will end (aside from a physical shortage). My silver mentor, Izzy Freidman, always envisioned the shortage would hit like a hurricane at full tide and catch the big shorts with large positions (Full Pants Down). On the other hand, I have always been of the opinion that the big commercial shorts are crooked and powerful enough to see the silver shortage coming before anyone else and use that knowledge and power to rig prices lower and buy as much as they could from the technical funds before liftoff. As recently as three weeks ago, the Full Pants Down theory could be considered, now the commercials have drastically reduced short positions in silver and gold.

At present, it comes down to this — having added silver short positions into the price top of October 28, JPMorgan has once again bought back all the short silver contracts it added through today; thus preserving its infallible trading record of never taking a loss on any silver short position added on higher prices. (Never a loss is the same as always a crook). So once again, we're back to will JPMorgan add shorts on the next silver rally or not? I know it's a simple question, but it encapsulates everything that needs to be focused on in silver. In black and white terms, the answer will determine if we get just a move up in silver or the big one.

If JPMorgan does add new shorts on any silver rally from here, the odds favor the rally being disappointing in historical terms — say, a couple of dollars or so. Same as every progressively disappointing rally over the past four years. But if JPMorgan doesn't add new shorts on the next silver rally — then silver prices will explode. What do I base the explosion premise on? It's simply a matter of market mechanics. With prices establishing consistent new lows over the past three weeks, the managed money technical fund traders have had every reason (to their way of trading) to sell; and that's exactly what they've done and is why silver prices have fallen.

But silver prices can't and won't go down forever and sooner or later prices will turn higher. That means it won't be long before the technical funds get buy signals on higher prices, in the same way they always get buy and sell signals and how they just got sell signals these past three weeks. Timing aside, this is as inevitable as the tides. Right now, we have a lot of pent up potential buying power in the form of new managed money buying and short covering — it's already baked into the cake.

Since the potential technical fund buying is certain at some point and price, attention must be directed to the other side of that certain buying, namely, who will sell to the technical funds when they come into buy and more importantly, at what price? As I've described previously, the technical funds buy and sell, effectively, with — at the market — or stop orders. These funds are not so much interested in the exact price they get filled at, as they are to complete buying their position on up markets and selling their position on declining prices. That's part of their essence.

By comparison, the commercials who take positions opposite to the technical funds are all about extracting every penny of every fill, since they control prices to begin with. It's a great racket — the commercials get to take the right position always and do it at the most advantageous prices. The extent of any silver (and gold) rally is always what the commercials, particularly JPMorgan, decide it will be. If JPMorgan decides to add silver short positions around \$16 (for example) and cap the price; the price will be capped there. But by the same reasoning, should JPMorgan decide to add sufficient shorts to cap the price at \$25 or \$50, then the price of silver will go to \$25 or \$50. Such is the power of JPMorgan in silver.

Most beneficial to JPMorgan is that if does nothing, that is, not add any new silver shorts, the price will soar. All these crooks have to do is keep their hands in their pockets and not sell and silver prices will soar. When I put my 30 year old manipulation journey on fast forward, it has to end with JPMorgan not adding shorts on the next silver rally. Feeling certain that the silver manipulation must end in this manner, but not knowing in advance exactly when the end may come, I'm forced to conclude that whenever the setup leaves it up to JPMorgan to decide whether to add shorts or not, it's best to err on the side of greater potential consequence.

That means treating it as if JPMorgan won't sell short because if they don't add to short positions on the next rally and silver does explode, if you weren't fully invested beforehand, you will not be able to get fully invested at the prices that existed before the rally commenced. If you are fully invested and JPMorgan does add to silver short positions at higher prices, you can decide to adjust positions at a profit. In a nutshell, that's why I'm all in and have thrown caution to the wind. Yes, the commercials crooks can still slice the salami and rig prices lower, but not knowing when the turn up will come, I feel compelled to err on the side of prudence and catch the falling knife, rather than chase it higher.

Regular readers know that none of this is new; this is the basic premise I have held for 30 years. And to be fair to JPMorgan, I don't think the bank became the big silver crook until 2008. But I would be lying if I told you there are some new things making me think the big move up is at hand. As I just mentioned, it's a matter of what JPMorgan decides, since it has been the prime silver price controller. The biggest factor may be the historic and massive accumulation of physical silver by JPMorgan over the past 4.5 years of close to 400 million oz. That means there has never been a better time or reason for JPMorgan to keep its hands in its pockets and not sell any additional COMEX silver contracts short on the next silver rally.

Come to think of it, almost every topic I choose to discuss in silver seems to revolve around JPMorgan and lead to the conclusion we are at the doorstep of the big move. Based upon everything I look at over the past four and a half years, from the unusual physical turnover in COMEX silver warehouse inventories and the emergence of the JPM warehouse going from zero to becoming the largest silver warehouse, to the unusual record sales of Silver Eagles over this time in the face of tepid retail demand, to the counterintuitive flows of metal in the big silver ETF, SLV, all seem aligned with JPMorgan's accumulation of silver.

It's actually quite astounding how everything matches up and points to JPMorgan. Perhaps most astounding of all is that I make these allegations and send them all to JPMorgan (to email addresses given to me by the bank 7 years ago) with no protest from the bank. Go figure.

It has now been 15 trading days or three full weeks in which silver and gold prices have declined and established new price lows, in essence the sharpest and most scripted price decline in history. Not the largest decline, to be sure, but certainly the most orchestrated. I don't believe such a thing could happen without causation and if that causation could possibly be traced to anything other than deliberate COMEX positioning then that would be obvious. That's not the case.

And it's not just COMEX silver and gold prices that have been scripted, as there has been an eerily-similar three week drop in platinum, palladium and copper (and, to a lesser extent in crude oil). That's 5 or 6 commodities with strikingly different actual supply/demand characteristics all moving with a price unison worthy of the Joffrey Ballet. I have to tell you that I look on with amazement how this pattern is not commented on by those who purport to follow the markets.

In fact, so convinced am I that this three week decline was deliberately engineered (by the commercials and JPM) that this might be the clearest indication that the next move up will be the big move up. This rigged down move was so deliberate and blatant that it has taken on an aura of an urgency to get the job done quickly because something is brewing – like the end of the silver manipulation. As I've indicated previously, I am as all in on silver as I have ever been and lower prices from here only creates an even bigger cake of baked in buying from the technical funds.

Ted Butler

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Silver – \$14.12 (50 day moving average – \$15.17)

Gold – \$1070 (50 day moving average – \$1131)

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