

If there is one thing that has both elevated the United States as a country and a beacon to the world and now seriously threatens that continued role it is the adherence to the rule of law. Never in my lifetime has the concept and ideal of the objective application of the rule of law been more critical than it is now. Middle school students are taught that in the US, laws are promulgated by congress, enforced by the administration and interpreted by the courts.

Although first authorized in 1789, but not created by the US senate until 1870, a cabinet level agency of the administrative branch was established to enforce the law in the public's interest. That agency is the Department of Justice and it is the premier law enforcement agency in the US most responsible for the fair and impartial enforcement of the rule of law. I'm sure you have noticed that the Justice Department is at the center of just about everything important currently occurring in the US related to the rule of law. Why should silver be any exception?

It has now been two weeks since the DOJ announced the criminal guilty plea of the ex-trader from JPMorgan for spoofing and manipulating the prices of silver, gold and other precious metals from 2009 to 2015. I continue to think of little else and still feel it is the most significant development in silver in my decades of closely studying the market. Until yesterday, little new has been said about the guilty plea announced on Nov 6, either in the press or by the commodities regulators, the CFTC or the CME Group, or by JPMorgan. Additionally, relatively little has been written about the guilty plea in Internet circles since the days immediately following the announcement.

Yesterday, however, it was reported by Bloomberg that the Justice Department asked a judge overseeing a civil antitrust case against JPMorgan to postpone the case for

six months “to protect the integrity” of its ongoing criminal probe. To someone (me) already consumed with little else but thinking about the original announcement on Nov 6, the new development put my mind into overdrive. Nothing could indicate more that the Justice Department is deadly serious about pursuing the matter of a silver price manipulation and JPMorgan’s involvement, or so it would seem to me.

<https://www.bloomberg.com/news/articles/2018-11-20/jpmorgan-metals-probe-moves-ahead-as-u-s-seeks-to-delay-lawsuit>

Admittedly, these developments have hit home with me to a degree not likely to resonate as strongly with others. After all, I have been alleging an ongoing COMEX silver price manipulation for more than 30 years, zeroing in on JPMorgan over the past 10 years. How would you feel if your main purpose in life (away from family), was always consistently denied or ignored by those directly involved or overseeing the matter, and suddenly showed strong signs of being picked up by the premier adjudicator of the rule of law?

Further, now take those feelings and magnify them with the firm knowledge that it was possible (maybe, just maybe) that the DOJ became involved as a direct result of you calling and writing to them seven months ago, as I revealed in “Another Possibility”. This is just about the perfect timeline for the Justice Department to have investigated enough to bring the initial case announced on Nov 6. I understand that this is a circumstance highly unique to me, but I have shared it with you over many years. Could it possibly be playing out as described in advance? I suppose stranger things have happened.

Look, if I’m imagining things and barking up the wrong tree here, then time will tell and in that case, I apologize in advance for seeing something that was just not there.

But if I am close to judging things correctly, then please try to consider the full ramifications of what may be developing directly ahead. For one thing, as the premier law enforcement agency in the US, the Justice Department has the ultimate power to put people in jail for criminal violations of the law. This is not just about monetary penalties that might stretch to many billions of dollars - should JPMorgan be found to have criminally manipulated the price of silver (as one of its ex-traders has just pled guilty to) - other people at the bank could end up in jail.

Certainly, no one at the top of JPMorgan can claim to be unaware of allegations that the bank manipulated the price of silver should the DOJ find that to be the case. Not only have I written numerous public articles alleging JPM's criminal involvement, I have sent them just about every article (more than a thousand) that I have written privately on these pages; all on the joint email addresses I've sent to the commissioners and top regulatory officials at the CFTC and the CME. Additionally, several years ago (in 2012), I wrote by email and snail mail to the individual members of JPMorgan's Board of Directors and General Counsel about the bank's role in manipulating silver prices. I did stop, as my emails were quickly blocked. My point is that no one at JPMorgan, the CFTC or the CME Group can claim ignorance of allegations of silver price manipulation.

It seems to me that what the Justice Department will have to decide is whether or not the behind the scenes and heretofore undisclosed secret agreement between JPMorgan and the US Treasury Department and Federal Reserve granting immunity to JPMorgan for continuing to manipulate the price of silver (and gold) as a condition for the bank taking over Bear Stearns was, in fact, legal. The CFTC was forced to go along with the agreement struck by Treasury and the Fed, but none of these agencies are authorized to subvert the rule of law. Price manipulation is the most

serious market crime of all and the Justice Department will have the final word on whether the law has been broken.

Even to someone who has been alleging manipulation for more than three decades, I must confess to a sense of foreboding over the potential consequences of the DOJ moving forcefully against JPMorgan. Believe it or not, my prime sentiment is as it has been all along, namely, to see the manipulation ended and not to extract vengeance. Considering the financial and emotional damage that the ongoing manipulation has brought to far too many, I understand fully the desire for punishment in the end against the perpetrators. But for me, I will be content with the manipulation drawing to an end.

The good news is that, at a minimum, if the Justice Department is as immersed in this case as the limited announcements and published commentary to date seem to suggest, it's hard for me to fathom how the manipulation can continue. JPMorgan never taking a loss in COMEX silver (and gold) shorting and then using its control over prices to accumulate epic quantities of physical metal cheaply was never destined to last forever, even though it endured for far longer than I would have ever imagined. But something that had to end at some point would seem to be quite close to termination now that there are strong signs of Justice Department involvement.

Additionally, unless I'm reading things all wrong, very recent market activity seems to suggest JPMorgan has behaved exactly as I would expect were it setting up to stop manipulating silver and gold prices. The last Commitments of Traders (COT) report indicated that JPMorgan was the largest single buyer of silver and gold futures contracts on the COMEX on the sharp price decline below the key 50 day moving average in each, as hoped for. Thus JPMorgan, once again, rang their perfect trading

record cash register, almost eliminating the entire short position it had put on over the month of October. I know I have said it before, but it seems to me like this will be the last time JPM adds to shorts.

For the reporting week ended yesterday, gold and silver prices staged a recovery from the prior Tuesday's closing price; gold by as much as \$30 and silver by 50 cents. In the process, new highs were established daily and gold re-penetrated its 50 day moving average to the upside, although silver failed to do so. Generally, this is the formula for strong managed money buying and commercial selling, although COMEX trading volumes were subdued. As a result I would expect some managed money buying, say 15,000 contracts or so in gold and no more than 5000 contracts in silver, hopefully less. This would be a very good (bullish) reading in silver, considering that in the previous reporting week, the managed money traders sold nearly 20,000 net silver contracts.

By the way, there will be no COT report published on Friday, in observance of tomorrow's Thanksgiving holiday. I may or may not have separate COT comments on Monday, after the report is published. I will have a regular weekly review on Saturday, although it may be truncated in light of no COT report on Friday.

A couple of other developments. In the least surprising report of all-time, the LBMA announced that its actual trading volumes of gold and silver were a fraction of what had been reported forever and were, in fact, less than trading volume on the COMEX. As I hope long time readers know, I have always held the LBMA as being little more than smoke and mirrors when it comes to trading in gold and silver. This announcement reminds me of the scene in the Wizard of Oz when the curtain was pulled back and the "wizard" was exposed. Pay no mind to the man behind the

London phony bologna curtain - prices are set on the COMEX.

<https://www.bloomberg.com/news/articles/2018-11-20/london-gold-market-comes-clean-it-s-not-as-big-as-some-thought>

Finally, there was wide coverage of the blowup of the Tampa, FL based commodity trading advisor, OptionsSellers.com, over catastrophic losses suffered for having sold call options on natural gas, which exploded in price. As a result of a three day explosion in natural gas prices, the firm's nearly 300 clients lost around \$100 million, not only completely wiping out most accounts, but also leaving many with unsecured debit balances which must be paid by the wiped out customers to the brokerage maintaining the accounts, FC Stone. Talk about adding insult to injury. Even the tearful apology of the man responsible for putting his clients in such extreme harm's way is of much comfort to those wiped out and owing even more.

<https://www.zerohedge.com/news/2018-11-18/optionsellerscom-goes-dark-after-catastrophic-loss-event-natgas-short-squeeze>

<https://www.zerohedge.com/news/2018-11-21/owner-blown-hedge-fund-left-clients-owing-more-money>

Why do I raise this matter? Catastrophic losses suffered by anyone bring no joy to me, as I have seen option selling disasters occur to those I consider close friends and I wouldn't wish it on anyone. Invariably it occurs when folks lose track of what selling naked options actually entails. While it is true that the vast majority of all options (both puts and calls) expire out of the money and worthless, meaning that the premiums on the expiring options fall to zero, allowing the sellers or writers of the options to pocket all the premium as profit, there is a catch.

In a particularly large and unexpected adverse price move, the option sellers can find themselves exposed to unlimited losses over which they have absolutely no control. Selling naked options (not backed by the ownership of the underlying asset upon which the option is written or sold) usually results in profit, but when it goes bad, it can turn horrid, as was the case with OptionsSellers.com clients who were short naked calls on natural gas.

There is another lesson here, one that involves my continual buying of kamikaze call options on silver (actually SLV). The options I buy are the exact kind of the type sold by OptionsSellers.com in natural gas. Buying out of the money call options is the opposite of selling such options naked, meaning that on the buy side, any loss is strictly limited to the cost of the option and if one gets lucky, the profit is virtually unlimited. This compares to the equation on the sell side, namely, limited gains and potential unlimited loss.

Of course, the odds may favor the option sellers over the buyers over time, but the potential risk/reward equation is so favorable on the buy side, that the odds of success are secondary. Besides, I can't imagine how anyone could sleep at night knowing there was a chance that an option risk exposure was unlimited. The only reason the clients at OptionsSellers.com may have slept at night before the natural gas nightmare occurred, was that they were unaware of the true risks. That they are undoubtedly aware now I'm sure comes as scant comfort.

To be sure, please don't take this as an invitation or recommendation for anyone to buy out of the money call options on silver, as I do. As an indication or recommendation to buy and hold as much silver as you can (on a non-margined basis) at this particular time? Hell yeah. Happy Thanksgiving and Go DOJ.

November 21, 2018 - The Rule of Law

Ted Butler

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Silver - \$14.49 (200 day ma - \$15.67, 50 day ma - \$14.46)

Gold - \$1228 (200 day ma - \$1267, 50 day ma - \$1215)