November 24, 2018 – Weekly Review

Gold managed to add on a dollar for the holiday-shortened trading week, but silver ended lower by 13 cents (0.9%), courtesy to a Friday sell-off that took place before the COMEX opened officially (the old middle of the night, before they awake, dirty trading trick trotted out every so often). On Wednesday, silver prices nudged slightly above its 50 day moving average and the early Friday sell-off appeared designed to corral and put back on the sell side any managed money traders who wandered off the reservation on Wednesday.

As a result of silver's weekly loss, the silver/gold price ratio widened out by nearly a full point to just under 86 to 1, right back to 25-year extremes in the relative cheapness of silver compared to gold. I strongly doubt anyone (not severely over or under-medicated) was actually selling physical silver in order to buy gold and any changes or the level of the price ratio was strictly a function of manipulative paper positioning on the COMEX. The best way to counter the phony COMEX pricing, of course, is to buy actual silver, which will accomplish two things; the first being to reject artificial COMEX pricing with the second being to set yourself up for certain outstanding gains to come.

With no Commitments of Traders (COT) report to discuss today, let me run through a few notable recent developments after reviewing the weekly physical turnover or movement of metal brought into or removed from the COMEX-approved silver warehouses, an unprecedented phenomenon still unique to silver and largely ignored despite persisting for 7.5 years.

This holiday-shortened four day workweek saw 7.3 million oz. physically moved, nearly double the average weekly movement of the past seven and a half years, yet down sharply from the movement over the past couple of months. Still, 7.3 million oz

comes to 380 million oz on an annualized basis and last I looked 380 million oz is not exactly chump change in the real world of silver. No definitive answer has come up as to why so much silver is being moved in and out of the COMEX warehouses for so long and so consistently since starting at the magic time on the silver calendar of April 2011. I say it has to be related to physical demand from JPMorgan and the first plausible alternative explanation I run across I'll disclose promptly.

Total COMEX silver warehouse inventories declined by 1.1 million oz this week to 293.1 million oz, largely the unusual result of a 1.2 million oz withdrawal from the JPMorgan warehouse, reducing the holdings there to 151.1 million oz. There's simply not enough known about these specific data points to form solid conclusions on what JPMorgan is up to, other of course, from knowing no good. I'd like to see someone (hopefully not from the DOJ) try to explain how every aspect of paper trading and physical dealings in silver isn't dominated by the crooks at JPM.

One interesting development is that on what has been a fairly steep correction in the US stock markets since early October (10% in the DJIA and S&P, 14% in Nasdaq) precious metals have held up (gold better than silver). In addition, other widely-followed markets, from crude oil to Bitcoin have also weakened notably. It's too soon to form solid conclusions, of course, but many of the markets showing weakness of late have been thought by many (including me) to be in overbought and even bubble conditions (excepting crude oil).

My point is that if the markets that have attracted the most attention and investor dollars over the past several years, which in turn has driven those markets higher still, now turn lower and trip off collective investor liquidation and reverse the process; it is not unreasonable to conceive some of the liquidating investors will be

seeking alternative assets, such as precious metals. I don't need to remind you that should the tiniest percentage of such collective investment flows attempt to move into silver the results could prove astounding, given how tiny the silver market is to begin with. And as far as further great investor liquidation in silver, well, forget about it. After years of little to no investor buying in silver (or gold), it is not reasonable to expect big liquidation. This is a variation of when you ain't got nothing, you got nothing to sell (lose).

The other big recent development is the continued collapse of crude oil prices, of which much has been written, but little pertaining to what I maintain is the chief culprit, namely, managed money selling on the NYMEX. Undoubtedly, there will be significant net managed money selling reported in Monday's new COT report, as crude oil prices sold off sharply on the Tuesday cutoff. However, yesterday's very large drop and heavy selling won't be incorporated in Monday's report.

Four years ago, on Thanksgiving Day 2014, Saudi Arabia stunned the market by announcing that it would not be cutting its production in reaction to growing production inroads by US oil frackers. To be sure, it certainly surprised me as this was the sure path to lower oil prices designed to eventually drive out growing higher cost production and reassert Saudi Arabia's lower cost advantage and restore market share. The Saudi's had to resort to this open-the-spigots policy many years earlier and while it eventually worked, very low oil prices prevailed for quite some time.

I did write, many months before the Saudi decision four years ago how the oil market was set up for a fall due to a historical large managed money net long position on the NYMEX, which had hit a record of around 325,000 contracts (325 million barrels) in mid-2014, as crude oil prices traded above $100 a barrel. That record net long

position had been reduced to 200,000 contracts by Thanksgiving 2014 as oil prices had fallen to $80, but then continued to fall to 50,000 contracts by the time oil prices bottomed out at less than $30 at the beginning of 2016. From the top in mid-2014 ($100) to the bottom at the start of 2016 (sub $30), 275,000 net managed money contracts (275 million barrels) had been sold.

Not for a minute am I suggesting that the drop in crude oil prices of more than $70 (70%) from mid-2014 to the start of 2016 was caused solely by managed money net futures contract selling. Saudi Arabia's role in maintain and increasing actual production played a pivotal role in that historic collapse. But it would be fool-hardy to dismiss the effect of 275 million paper barrels of net selling by the managed money traders. Clearly, it was both. But what about the collapse in oil prices of more than $25 (33%) over the past 7 weeks? Has there been any announcement by Saudi Arabia of its intent to maintain or increase its own oil production as a policy tool to rein in growing fracker production ala 2014? If there has been, I missed it. If anything, Saudi probable production cuts have been reported. Sure, there are all sorts of conjectures behind the scenes involving political intrigue, but there are no indications that OPEC and its oil ally Russia are intending to drive oil prices lower to drive down western production.

Therefore, unlike Thanksgiving 2014, where oil prices had the double impact of openly declared increases in actual production (by Saudi Arabia) and massive managed money net selling, this time it's a one-legged stool of managed money net selling alone. In the $70 price collapse from mid-2014 to early 2016, 275 million barrels were sold by the managed money traders. On the $25 oil collapse from early October, 200 million barrels have been sold by the managed money traders and we're still awaiting the COT results covering the last $8 of the decline.

Interestingly, the managed money gross long position in NYMEX crude oil futures is already as low as it was at the depth in oil prices in 2016 (sub $30), so the question is if the managed money traders will add as many as 100,000 new short contracts to bring them to the levels they held short at the exact bottom in prices at the start of 2016. While we await the results, the bottom line is that it still appears to me that the price collapse in oil over the past two months is an exclusive futures market phenomenon. Which is another way of saying that we all have gone stark raving mad for not seeing this, with the regulators of having gone stark raving negligent for allowing it.

Obviously, I've been thinking about oil and other markets, so that means I've been thinking of things other than the blockbuster announcement from the Justice Department of Nov 6. But, truth be told, the other things make up a very small percentage of my total thought process – still dominated by the guilty plea by the ex-trader from JPMorgan. How can it be otherwise? I've watched the CFTC bring every spoofing case in precious metals possible over the last few years, never once implicating traders for JPMorgan. And I've seen the CFTC partner with the DOJ in bringing joint civil/criminal cases for traders of banks (not JPM) in precious metals (with disappointing results). But now the DOJ, apparently going it alone, gets a guilty criminal plea (not merely a charge) against a JPMorgan trader, with a clear statement of this involving an ongoing investigation. For me it is like the Christmas I wanted as an eight-year old (and never got) coming early.

My central worry is that the DOJ will manage to snatch defeat from the jaws of victory by missing the obvious, namely, that spoofing is only a tool used by JPMorgan to further the much bigger crime of long term price manipulation. This is not a concern should the Justice Department have picked up the case as a result of me

writing to them on April 30, as the case was laid out in a manner impossible for them not to see it. But if the DOJ stumbled upon JPMorgan's transgressions limited to spoofing elsewhere, the outcome is less certain.

To be sure, JPMorgan's major crime in silver (and gold) is the fact that it has never taken a loss in more than a decade when adding to COMEX short positions and that JPM has used its control over prices to artificially depress them to accumulate massive quantities of physical metal. These are assertions that I have made publicly and privately, with all private assertions sent to JPMorgan and the regulators (the CFTC and CME Group) and with never a denial or rebuttal. The Justice Department won't get denials or rebuttals either, the only risk is that they won't know enough to ask. That would be a real shame.

As it stands, from the time the guilty plea was recorded and sealed on Oct 9 to the time the plea was unsealed on Nov 6, the crooks at JPMorgan were busy furthering their grand scam. As I've been reporting, over the month of October, JPMorgan added roughly 15,000 new COMEX silver short contracts and 30,000 new gold short contracts and according to my analysis was the only commercial short seller. On the deliberately engineered price drop into Nov 13, JPMorgan bought back many, if not most of the new silver and gold shorts it established over the month of October, possibly in reaction to the unsealing of the guilty plea on Nov 6.

Needless to say, all the short covering by JPM into the COT report of Nov 13 was profitable for these crooks, just as every previous short covering over the past decade was profitable, with never a loss. The guilty plea covered criminal spoofing and manipulative activities from 2009 to 2015 – I hope the DOJ considers what the crooks at JPMorgan are doing in real time as well. The maintenance of a perfect

trading record over a decade in something as usually hazardous as shorting silver or gold is as impossible as a lifetime batting average of .1000. Only if the game were seriously rigged could such a feat even be contemplated. I can provide the DOJ with a paint-by-the-numbers illustrated playbook documenting JPM's impossibly perfect trading record, but they have to be receptive to such evidence.

For the past ten years, as I've contemplated being sued by JPMorgan (or the CME) for openly accusing it of illegal activities in silver and gold. I've also thought (and been told) that the only reason I wasn't sued was because that might involve too much open disclosure by JPM in the form of discovery (the exchange of evidence and information pre-trial). I think this may be quite relevant for the Justice Department and JPMorgan if the initial guilty plea gathers legs and develops into an actual court case.

If the Justice Department already senses or stumbles upon the enormity of JPMorgan's crimes in silver and gold and JPM decides to fight it out, extensive pre-trial discovery will surely take place, in which JPMorgan will have to turn over all relevant materials and documents related to the case. Those will have to include the more than one thousand articles and separate emails sent by me to JPM and its CEO and directors. At long last, JPMorgan may have to directly address the allegations. It seems to me that if JPM could have answered and easily explained away the allegations, it would have done so long ago. Better to me than to the DOJ.

Even if the DOJ is forced to make a purely political decision and decides not to crush JPMorgan like the criminal cockroach deserving to be crushed it surely is, it's hard for me to see how or why the silver (and gold) manipulation will extend much longer. One potential result of the manipulation continuing to exist indefinitely would be

serious reputational harm to the DOJ itself. I have gone to the Justice Department on previous occasions over the decades, never succeeding in interesting it in this case. Now that the DOJ has an obvious interest, if the manipulation continues on its merry way despite its involvement, that could reflect very badly on the Department. Not to know is one thing; but to know or be in the position of should have known and do nothing is something else entirely.

Not that I can find any fault with the DOJ's approach until now. It seems they caught JPMorgan off-guard and surprised by unsealing the guilty plea made a month earlier. Likewise, same with the request to delay the somewhat related civil spoofing trial so that the DOJ could preserve the "integrity" of its ongoing investigation surrounding JPM. And while I wouldn't be surprised to see the sentencing date of December 19 be delayed before that date arrives, I'm convinced that the unusually short period of time between the unsealing of the guilty plea on Nov 9 and the original sentencing date was also designed to put pressure on JPMorgan.

Besides, the silver manipulation was always due to end, just like every other manipulation in history, even though it's lasted far longer than anyone (me) could have imagined. And it has become increasingly clear over the last several years that the silver manipulation would end when JPMorgan decided it would end. While I'm certainly on the outside and not at all privy to what JPMorgan is thinking, if there is any big upside for it to maintain the silver manipulation indefinitely, in light of the very recent Justice Department developments, then I fail to see that upside.

Accordingly, I'm forced to embrace the most logical alternative, namely, that the manipulative show is about to end and with that end, also the end to perpetually depressed silver prices. That means an all-in and damn the torpedoes approach for

me.

In a housekeeping note, I plan on publishing some brief comments on Monday's release of the COT report for positions held as of Tuesday Nov 20, most likely around 6 PM EST. I'm still looking for some relatively minor deterioration or managed money buying of, hopefully, no more than 15,000 contracts in gold and 5000 contracts in silver, following the much larger managed money selling in the prior reporting week.

Ted Butler

November 24, 2018

Silver – $14.26 (200 day ma – $15.65, 50 day ma – $14.46)

Gold – $1223 (200 day ma – $1266, 50 day ma – $1215)