

Weekly Review

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Sharp losses on Friday caused gold and silver to finish deeply in the red for the week, with gold falling \$35 (2%) and silver \$1.20 (3.7%). Silver's relative weakness caused the silver/gold ratio to widen out a full point to nearly 54.5 to 1. The ratio is still within the confines of a fairly tight full-year trading range, but near a three month high point. If the normal (and crooked) COMEX trading scheme plays out as it has in the past, further weakness must be expected, both for flat prices and the ratio. As concerned as I am and have been about short term price prospects, I remain convinced that we may be setting up for an historic buy point for silver, both outright and as a switch from gold.

From the high price points of five weeks ago, we are down more than \$100 in gold and more than \$4 in silver. The price highs were achieved following a \$200 rally in gold and an \$8 rally in silver from the summer price lows. As I have tried to convey, both the previous price rally and the current decline can be traced directly to paper trading on the COMEX and not to any notable developments in the real, physical world of gold and silver supply and demand. This has been the pattern of all previous gold and silver price cycles over the past quarter century. This should also be seen as contrary to the spirit and intent of the functioning and regulation of US commodity markets. Futures markets are supposed to discover prices based upon developments in the underlying physical host

markets, not set prices for the host markets. The tail is not supposed to wag the dog.

Yet the tail wagging the dog is exactly what occurred yesterday in COMEX gold and silver, just like it has on too many prior occasions to begin to count. Yes, the knee-jerk reaction by the uninformed was to point to the employment report and some strength in the dollar, but the facts are clear □ this was the long feared price-rigging by JPMorgan and other collusive commercials to trigger technical fund selling. I don't see how anyone could explain yesterday's high volume and out-sized price action in terms of the employment report, at least not with a straight face. This was strictly a price rig job by the COMEX commercials to force technical selling. It's easy to pinpoint specific blame on JPMorgan because they have an unprecedented concentration on the short side of silver. Can anyone dare suggest that JPMorgan just happened to be on the right side of the market and simply got lucky? I don't think so.

I'm going to jump out of the usual order a bit and review the weekly Commitment of Traders Report (COT) before I discuss physical silver market developments. The COTs came in as expected with some reductions in the headline total commercial net short positions in both COMEX gold and silver. Prices during the reporting week were mostly flat, but following moving average penetrations to the downside of previous weeks, it was expected that there would be continued technical fund selling and commercial buying. Those

expectations were fulfilled.

In gold, the commercials reduced their total net short position by 9900 contracts to 222,800 contracts. This is the fourth week in a row that the commercials have bought back short positions on the same four week price decline. (I hope you see the pattern). By category, the big 4 bought back 4000 short contracts and the big 5 thru 8 traders bought back a bit over 5000 contracts. The gold raptors (the smaller commercials apart from the eight largest traders) bought back about 700 contracts. It still looks like the gold raptors misjudged the gold sell-off, having sold short too aggressively too early into the gold rally and have missed fully participating in the orchestrated gold price sell-off. I'm certainly not shedding any tears for the collusive gold raptors; I'm just pointing out how hard it can be to time changes in extreme COT structures. It would seem even colluders can misjudge.

Through Tuesday, the total gold commercial net short position is down 46,500 contracts from the peak on Oct 2, no doubt a sizeable number of contracts and the equivalent of 4.6 million oz. Please keep in mind that the previous \$200 price rally required 133,000 net contracts of technical fund buying/commercial selling, so there would still be more than 85,000 contracts that could be potentially liquidated (if we were to return to the extremely bullish COT set up of the summer ☐ on which there's no guarantee). Undoubtedly, Friday's high volume and deliberate price smash cleaned out an additional large quantity of

technical gold longs (20,000+), so we are much closer to the ultimate COT bottom. It's just that the last few price steps lower can be doozies. The price lows will be marked by there being no technical funds left to sell, as always.

In silver, the total commercial net short position declined by 1800 contracts, to 53,700 contracts. The big 4 (read JPMorgan) bought back 500 contracts and the raptors added to their long position by 1500 contracts. The 5 thru 8 added 200 short contracts. Two standouts □ one, the raptors do seem to be offering buying competition (while still being collusive) to JPMorgan, buying as many contracts or more than the prime silver manipulator for the past two weeks. I would expect this to continue as the raptors can easily buy another 20,000 contracts on engineered silver price declines. That's roughly the number of contracts that JPMorgan needs to buy back to reduce its net short position to the levels held in July. The question is if the commercials can lure 40,000 net contracts to be sold by technical funds and other speculators?

The second standout is in the relative small number of silver contracts (through Tuesday) sold by the technical funds and bought by the commercials. At the cut-off, only 4100 net contracts had been liquidated from Oct 2. The question lately was if the tech funds would hold tight (for the first time ever) and not sell into declining prices since they hadn't rushed to sell when key moving averages were first violated. Or was it more a case of they hadn't sold yet, but would?

Based upon Friday's high volume, it would appear that the tech funds are

capitulating on lower prices. The good news is that the tech funds may have sold 10,000 net contracts on Friday, greatly reducing the number of contracts that they will ultimately sell. The bad news is there are many more contracts that potentially still could be sold by the technical funds and purchased by JPMorgan and the raptors. Should that turn out to be the case, it will only be accomplished with lower prices.

I would peg JPMorgan's concentrated silver short position to be 31,500 contracts, still over 32% of the entire COMEX silver market (ex spreads). So large and clearly manipulative is this position that I am starting to think of JPMorgan not only as the big silver crook, but as an evil institution. I am beginning to think of the CFTC in the same perspective. (It's not possible for me to think any lower of the CME than I have all along). An astute and alert reader sent me an article that indicated another federal regulator, the Federal Energy Regulatory Commission (FERC), was poised to fine Barclays a record \$470 million for manipulating electricity prices. In separate reports, JPMorgan has also been said to be in this regulator's gun sights.

<http://bankcreditnews.com/news/u-s-regulators-poised-to-fine-barclays-for-energy-market-manipulation/5803/>

What caught the reader's eye was that FERC was convinced of manipulation because traders from Barclays had accounted for nearly 25% of trading on the days of alleged wrongdoing. Holding 32% of open interest is much worse than

accounting for 25% of daily trading volume in terms of control and manipulation. Yet, FERC is looking for \$470 million as a fine for that much control of daily trading volume by Barclays. By the standards established by FERC, the CFTC should be seeking many billions in fines from JPMorgan for manipulating silver. Thank goodness the country has one regulator that can stand up to the crooked banks. It seems every day I read of new fines and settlements against the banks and, particularly, by JPMorgan. Why have we allowed the big banks to become the biggest commodity speculators and manipulators of all? It sounds downright evil to me.

For more than 18 months, I have highlighted the unusual and frenzied movement within the COMEX silver warehouses. Starting around April 2011 (amidst signs of a developing silver shortage), the pace of silver moving into and out from the COMEX-approved warehouses intensified to unprecedented levels. While many commentators were quick to publicize one-time sizable withdrawals, the message to me was always the continued movement. My reasoning was that the most plausible explanation for the frantic movement was a tight, hand to mouth silver supply condition in the wholesale market. I've yet to hear a more compelling explanation. A number of times I wondered aloud if this movement could possibly stop suddenly of its own accord, since there was rarely a week of let up in the silver warehouse movement. This week, we came as close to no COMEX silver warehouse movement than was seen since the phenomenon started a year and a half ago. We did add almost 700,000 oz,

bringing the total to 142.5 million oz, but on much lower turnover. The cause of the lack of movement was not something I had anticipated – Hurricane Sandy.

The COMEX silver warehouses are located in and around New York City, ground zero for the super storm. As a hurricane veteran (experiencing 4 in one year alone), my thoughts and prayers go out to all impacted by what is being called the worst natural catastrophe in the nation's history in terms of property damage. With flooded streets and buildings, no electricity and little fuel, it's no wonder that COMEX silver warehouse movement came to a screeching halt. The problem is that the quantities of silver being consistently shuffled through the COMEX represented a sizable percentage (nearly 25%) of total daily world production and consumption. It would appear that the outside force that I never anticipated may have disrupted an important and consistent flow of metal. Although I do not anticipate an extended interruption of the COMEX flow of physical silver, it is closer to the truth to say I don't know.

What I do know is that the sudden interruption of a formerly continuous source of silver supply must have price consequences, at least in the short run. And try as I might, I can come up with no reasonable price consequence other than up. I ask you to think of the news reports of the sudden gasoline and food shortages in the NY metropolitan area. I ask you to imagine searching for a gasoline station that is open and has gas, or of a supermarket basically depleted and awaiting the next shipment. If you were lucky enough to find a source of

gasoline or food items after waiting in line for hours, would you expect to pay less than normal? Or would you be happy to pay more in order to secure what was needed? Hurricane Sandy cut into the physical supply flow of silver just as sure as it cut into retail gasoline and food shipments in New York. Yet, where fistfights and line-butting and higher prices (softened by anti-gouging laws) were the order of the day in all items affected, only in silver did the supply disruption result in drastically lower prices on Friday.

No, you haven't lost your mind trying to contemplate how a silver supply disruption in needed material could result in a sharp price sell-off; unless you dismiss the manipulation by JPMorgan and other collusive commercials. If, however, you come to embrace the fact that JPMorgan has been the prime determinant of the silver price, then everything makes sense. There is no need to rack your brain trying to reconcile how silver prices can plunge in an unprecedented supply disruption if you look at silver through the eyes of JPMorgan.

It's quite simple. JPMorgan sold 100 million additional paper silver oz to satisfy all the paper buyers. If it were required, JPMorgan would have sold short 200 million or a billion additional oz. Nitwits at the CFTC and elsewhere would have suggested JPM held offsetting positions elsewhere, no matter how lame that may be. Once the buyers were satisfied, then could JPMorgan begin to harvest the technical buyers and force them to sell by then rigging prices lower. If a

devastating natural calamity occurred in the interim, threatening to foil JPMorgan's evil plan, no worries. All that would be required was to accelerate the process and get the tech funds flushed sooner, before the physical shortage was recognized. In fact, that's what I think just occurred, namely, Sandy proved so potentially bullish for the price of silver that the crooks at JPMorgan had no alternative but to accelerate the timeline of the pending sell-off. Certainly, I saw no TV footage or press reports of storm victims rushing out to sell silver.

After focusing on the consistent and frantic turnover of metal among the COMEX-approved warehouses, my sense is that the recent disruption may be an important mile-marker in the ongoing silver manipulation story. I know the disruption could not possibly be negative to prices in a free market sense and can only be bearish in terms of manipulation. Whether this is the case should be knowable in time. What Sandy means for prices is still iffy on a short term basis, but more bullish longer term. Hopefully, we all had the hatches battened down as best we could in the face of dealing with an evil opponent in the form of JPMorgan and the collusive COMEX commercials. It seems to me that JPMorgan may be pulling out all the dirty tricks it can to cause the tech funds to sell quicker than planned because of Sandy. I still can't tell you what that may mean to prices in the very short term, but it will make the long term for silver better than ever.

Ted Butler

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Silver - \$30.90

Gold - \$1677