Shocking Bank Participation Report<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

After a three-day delay, the Bank Participation Report (BPR) for October was released by the CFTC today. The report, for positions held by commercial banks (foreign and domestic) as of October 6, covers all commodities regulated by the Commodity Futures Trading Commission. http://www.cftc.gov/dea/bank/deaoct09f.htm It is the companion monthly report to the Commitment of Traders Report (COT), which is issued weekly. The new BPR indicates that the largest one or two US banks dramatically increased their short positions in COMEX gold and silver in the reporting month.

For silver, in particular, the increase was shocking. The largest US bank (thought to be JPMorgan), or banks, increased its silver short position by more than 28%, or by 8,487 contracts to an all-time record of 38,375 contracts. Expressed in equivalent ounces, the US bank(s) increased its silver futures short position by 42,435,000 ounces to 191,875,000 ounces. With a short position of almost 192 million ounces, JPMorgan appears to be short 29% of the annual world mine production of silver (660 million oz). Never in history has one (or two) entity held a more concentrated position, long or short, in any commodity of finite supply.

In gold, there was also a dramatic increase in the short position of one or two US banks to the second highest short position on record. The one or two US banks increased their gold short position by more than 41,000 contracts to 116,790 contracts. Foreign banks were also notable shorts. It is clear that the big short has not been pulling in its short position on the rally in gold and silver prices.

A while back, there was evidence that JPMorgan was retreating from the market, and I speculated on that development. I said I would follow up on my speculation as continuing data rolled in. With the latest BPR, I can state now that I was wrong about them moving to cover their shorts. The data reveals that they did close out many of their gold short positions a month or two ago, at prices around the $950 level, but reinstituted those shorts on the price rally. They never did close out silver shorts back then, but did greatly add to their silver short position on the current rally. The net result is that JPMorgan covered and replaced a big chunk of its gold short position and added to its silver short position at higher and more advantageous prices to them. I might say good for them, but I'd be lying.

As offensive as I find JPMorgan's dealings in silver and gold, I would imagine there might be someone else even more offended. I speak of the chairman of the CFTC, Gary Gensler. What JPM did in the past month is contrary to everything that Chairman Gensler has spoken out against since he has been in office. The current and forever silver investigation came as a direct result of the Bank Participation Report of August 2008 and my urgings for readers to write into the Commission. This new BPR is much worse than that one. JPMorgan is now short almost 30% of world silver production. This at a time when mining companies are retreating from hedging their production. Chairman Gensler must know this is wrong. He is too smart not to know. He must know that the price of silver and gold would have been much higher than what they are now, if it were not for JPMorgan's concentrated and excessive short-selling. In my estimation, if JPMorgan did not short sell more than 8,000 contracts, or 40 million ounces, silver would have been over $30 an ounce right now.

JPMorgan's concentrated and uneconomic silver short position has placed the market at risk. I am aware on no legitimate reason why this position is allowed to exist. It undermines the credibility and lawful functioning of our markets. It is nothing short of an outrage. It bothers me greatly to have to make these accusations of manipulation. If there is a good explanation for why this is not the crime in progress that it appears to be, it is time for the Commission to offer that explanation. Enough is enough.

Ted Butler

October 13, 2009