

October 18, 2017 – The Test of Time

In the end, time is the final arbiter about whether a premise is correct or not. In the interim, the passage of time has every opportunity to disprove a premise. Not that I remotely understand any of the details, but I am continuously amazed at the confirmations accorded to Albert Einstein, who still proves to having been ahead of his time, so many years after his passing. I am reminded of this as a result of the recent news from NASA about two stars colliding more than a billion years ago confirming an original theory of his. Einstein's varied findings have certainly withstood the test of time.

There is a big difference between hard and brilliant science and market theory, to be sure, but time does judge each in the end. As it turns out, I have been postulating my premise of price manipulation in silver by way of COMEX futures market positioning for quite some time; for decades in general and now for nine years as regards JPMorgan's specific role in the manipulation. Therefore, enough time has passed to determine, at a minimum, whether the premise has been proven wrong. I will stipulate that to prove my findings correct, we would have to witness a radical change in the pricing structure of silver, as well as the direct correlation of a radical departure in the usual positioning pattern between the managed money traders and the commercials.

What prompts this line of thought were some recent suggestions taking issue with one of my key findings, namely, that neither JPMorgan nor any of the other seven traders making up the 8 big shorts in COMEX silver had ever taken a loss after adding new short positions over the past ten years (and longer). The suggestion that JPMorgan and the other big shorts lost their shirts on the big price run up into April 2011, prompted me to take the time to review the data at that time.

Fortunately, the CFTC maintains detailed data which can be readily accessed (for free) in the historical archives section of the weekly COT reports, which answers the question as to what transpired on the run up to near \$50, six and a half years ago. I happen to keep the pertinent data in a running log that I began long before that historic price run up and collapse, but anyone seeking out the data should have no problem doing so and, in any case, can seek all the personal assistance from me as needed. Here's the link for the historical reports:

<http://www.cftc.gov/MarketReports/CommitmentsofTraders/HistoricalViewable/index.htm>

In closely reviewing the COT positioning and price data at that time (April 2011), I must rescind and rectify my previous claim that JPMorgan or the big 8 never took a loss by buying back any added short position in COMEX silver futures because there was such a buy back over the month of April. These weren't recently added short positions, so I suppose I could cling to some technicality that I wasn't really wrong, but after reviewing the data it is clear that the big 8 bought back 11,000 short contracts and JPMorgan accounted for 4000 contracts of that total. I'd estimate all these shorts were bought back at an average loss of \$6 over the course of April 2011 (it's almost impossible to calculate before that), meaning that total closed-out losses to the big 8 were \$330 million, with JPM's share at \$120 million.

From everything I look at, there has never been another occasion where there were any other closed-out losses on COMEX silver short positions, but it's mandatory that this exception to my premise of

no short-covering losses be duly noted. There is no denying that JPMorgan and the other big 7 shorts took it in the teeth on the \$20+ rally over the last few months of the run up into May 1, 2011. Their total open and unrealized losses look to have slightly exceeded the \$4 billion open loss held by the 8 big shorts in COMEX silver and gold in the summer of 2016. But all those open losses in 2011 were eventually eliminated (and then some) as silver prices fell over the next 6 years.

In correcting the record as far as the closed-out shorts in April 2011, I never contended that JPMorgan or the big 8 didn't withstand large open losses as they periodically added silver short positions on rising prices. My point was the open short losses always went away by the time it came for the shorts to be bought back and closed out. JPMorgan and the big silver shorts have maintained a perfect trading record since April 2011, but they did get their fingers burnt pretty badly in April 2011. In setting the record straight, I can't help but wonder if it proves my basic findings to be in error? I don't think so.

Does it make much difference that JPM and the big 8 lost once over a decade (twice if you include the losses to Bear Stearns in 2008) in an impossibly perfect trading record on the short side of silver, including the past six and a half years? Is that the technicality that the CFTC could ever use to explain away an impossible to explain trading record? If anything, the realized losses (fairly modest relative to the total money game), only reinforce my original premise for what happened at the time and what followed.

I've always claimed that JPMorgan looked into the financial abyss in April 2011, when it found itself short around 20,000 COMEX silver contracts (100 million oz) and pulled out all stops in arranging a price smash, with the approval of the regulators. The revelation now that JPM had started to cover silver shorts only reinforces the financial pressure they were under. The May 1, 2011 silver price smash (a Sunday evening, no less) was a last minute emergency measure to stop the advance in the price because the big silver shorts, the most prominent being JPMorgan, were in deep trouble. Silver investors, of course, weren't in deep trouble until the dirty deed of a price smash was set.

Likewise, my claim that this was JPMorgan's "come to Jesus" moment when it decided to buy as much physical silver as time would permit is only strengthened by the actual losses it started to take in April 2011. Nothing concentrates and clarifies the mind and generates solutions to problems like looking down the gun barrel of unlimited losses. JPMorgan, better than anyone, came to know in early 2011 that there wasn't enough physical silver to go around and that's why prices were rising sharply. That was the buy physical silver wake-up call received by JPM.

Finally, I can't help but feel that my whole premise about silver being manipulated in price by massive and uneconomic concentrated short selling by 8 large commercial crooks was proven in spades by the short covering of the 8 largest shorts in April 2011. I've long contended that silver would soar if JPMorgan and the other big shorts refrained from adding shorts and/or began to cover on higher prices. Is this not exactly what occurred in April 2011?

Another "Dipsy-Doodle"?

In turning to matters since Saturday's review, the standout feature has been price volatility over the past few days. We ended last week up sharply in both gold and silver, finishing above both key moving

averages (the 50 and 200 day) on Friday's close. We made fresh highs in each on Monday in active trading before ending slightly lower for the day at the COMEX's 1:30 official close, which undoubtedly featured a continuation of the managed money buying and commercial selling occurring thru Friday. After the close Monday, both gold and silver prices sold off sharply and continued to do so thru yesterday's cutoff for this week's COT report and into today.

Thus, we've just experienced a second straight reporting week in which trading was split. In last week's reporting week, gold and silver prices were initially weak, then finished strong, making guesses about what the report would show difficult. For the reporting week that ended yesterday, prices were strong thru Monday, only to finish weak on the Tuesday cutoff (and below the moving averages just penetrated to the upside). This muddies predictions for this week's COT report, but just to make it interesting, I'd venture that there will still be increases in managed money buying for the reporting week for gold and silver, despite big selling yesterday, but not to the point of putting numbers on it. (I don't have time to discuss it today, but I would guess that we would see a big increase in managed money buying in COMEX copper, to the tune of 15,000 to 20,000 contracts in the coming COT report).

I can't help thinking that we just experienced another dipsy-doodle, a term I believe I have used previously to describe a sharp counter-trend move in which the commercials allow their open losses to grow sharply, but temporarily, so that they can position and quickly un-position the technical funds for short term realized profits. I mentioned this on Saturday. The quick realized profits to the commercials pale in comparison to the changes in the size of the unrealized losses, but I would imagine the smaller short term profits matter over time and in the frequency of occurrence.

Strictly on a back of the envelope type calculation, I would estimate that the technical funds were hoodwinked into buying 15,000 new gold contracts and 5000 silver contracts on the recent bust out of prices above the moving averages that were quickly closed out with losses of around \$15 in gold and 40 cents in silver, or total losses of \$30 to \$35 million to the technical funds. This is small potatoes relative to last week's increase of \$940 million in unrealized open losses to the big 8 in gold and silver, but as of this moment, much of last week's increase in unrealized losses has been eliminated as of today. Look, if there's a better market premise to explain gold and silver price movement, please send it my way.

There's no sure way of knowing what transpires price-wise from here, but if it turns out that the commercials succeed in inducing substantial managed money selling ahead, then the high probability result will have occurred (again). In turn, that result can only occur with lower prices ahead, with the added wild card of whether the managed money traders are persuaded to add significantly to short positions. The market structures in COMEX gold and silver are bearish (although not extremely so), meaning that the commercials will likely try to trigger managed money selling on lower prices. It's what they do. There's no guarantee the commercials will succeed, but there is a near-guarantee they will try.

This morning, I received an email that may have been a joke, but also may have been sincere and genuine. I'll reprint it without any editing (save for shielding the sender's last name and email address). As for whether my response was sincere, I will not say, but I did try to channel Mark Twain.

To info@butlerresearch.com

I hear Ted Butler quoted all the time. I'd like to see a photo of him and some kind of proof that he is really alive. He's the guy everyone cites but none of his predictions seem to come true. I sometimes believe he is a made up character used by silver sellers to move product. Prove me wrong please
Thanks The Real Will G

Dear Will G,

I would ask you to keep your findings to yourself. It has been no small feat keeping this thing going for all the years since my demise. A new photo would likely give it away and ruin it for all the people who have been filling in for me. By the way, they really resent being accused of always being wrong.

Best regards

Ted Butler

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Silver – \$17.02 (200 day ma – \$17.16, 50 day ma – \$17.19)

Gold – \$1284 (200 day ma – \$1256, 50 day ma – \$1302)

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