September 12,2012 – Same Song/Trapped Rat

The Same Old Song

It seems remarkable to me that both the short and long term direction of the silver price will be determined by the actions of one trading entity, JPMorgan. Even more remarkable is that this has been true for more than four and a half years. I suppose I could talk about the potential effect on silver from the Euro, the Fed, the coming elections, the charts or any number of other factors; but all of those influences combined do not measure in importance to what JPMorgan will do with its massive concentrated short position. That's because all those other factors are only influential in a free market; in a manipulated market only the actions of the prime manipulator matter. At least, that's the way I see it.

I'll conclude this article with a separate piece dealing with the investment implications of JPMorgan's giant silver gamble to the downside, but the most remarkable thing of all is in how little the manipulative pattern of JPMorgan has varied. JPM loads up on the short side as the price rises, single-handedly providing all the new short sales necessary to satisfy all buying demand, until it can eventually cap the price. Then the bank works in collusion with other large commercial traders in buying back its short contracts on engineered price declines. The collusion is bad enough and should warrant immediate regulatory intercession (assuming there was a competent regulator); but what sets JPMorgan's activities in silver as almost pure market manipulation is the single-handed nature of the new short selling.

On the recent jump in silver prices, JPMorgan was virtually the only reporting (large) commercial adding new short positions, as they increased their short position in COMEX silver by 85%, from 70 million oz to 130 million oz thru Sep 4. Without that 60 million oz of additional silver contracts sold short, it is elementary that prices would have gone much higher until other sellers were discovered. This was the same old song sung back in late December when JPMorgan was the only reporting commercial selling short additional silver contracts on the price rise to $37 by the end of February. Back from Dec to Feb, JPMorgan increased their COMEX silver short position from 65 million oz to 120 million oz. (This is all in the archives). It is the single-handed nature of JPMorgan's additional silver short selling that makes this whole scam so glaringly apparent. I suppose it might be hard to prove any collusion to the CFTC unless they were presented with notarized emails from the colluders admitting guilt; but when one market participant can be shown to have been the sole short seller on repetitive occasions and that the selling clearly manipulated the price, then there is no burden of proof to overcome. The act speaks for itself. It is not possible for any one market participant to be the only new seller (or buyer) and for that not to be manipulation.

In 1980, the Hunt Brothers manipulated the price of silver higher by their concentrated long position and because they were often the sole buyer. Legend has it that the mere appearance of one of their key floor brokers, Norton Waltuch, was enough to send silver up the limit that day. Today we have the mirror image of that with government data of JPMorgan's concentrated short position and that JPM is often the only new short seller. Just like the Hunts caused the price of silver to first soar, only to crash when their buying turned into selling; the actions of JPMorgan have caused the price to be lower but destined to soar once their manipulative selling is finally ended. However, in the interim, as you know, anything can happen.

The profile of JPMorgan in the silver market is so pronounced that it is hard for me to envision how JPM's dominant role can continue for much longer. Even if they do succeed in causing the silver price to fall significantly one more time, I just don't see how the growing awareness of JPM's role in silver won't ultimately end the manipulation. In all candor, my main personal concern is avoiding legal liability for libel and defamation. After all, I have referred to JPMorgan as the silver crook of crooks, among other findings. There is no body of experience or knowledge that I can draw on to guide me in my conclusions about the current circumstance of silver being manipulated with JPMorgan as the prime manipulator. This is as unprecedented a situation as ever existed. Four years ago, I started out quite gingerly in first openly suspecting it was JPMorgan that was the big silver short and that is when I began sending all my articles (when I mentioned JPM) to their CEO and the regulators.
http://www.investmentrarities.com/ted_butler_comentary/09-02-08.html

My main mission back then was two-fold; end the silver manipulation and don't get sued in trying. That's still my primary mission and is why I recently wrote to JPM's board of directors about my allegations. Since my main intent was not to harm JPMorgan but to end clear wrongdoing, I continue to figure that openness and honesty are the best policy in dealing with this very serious matter. As a citizen, I feel it is my right and obligation to bring this to the attention of everyone who could possibly make a difference; regulators, management, directors, everyone. I have not heard back from the directors at JPM yet, which I'm interpreting as good news from the point of not getting sued (he said as legal papers were about to be served). But my common sense tells me that cannot last as JPMorgan cannot tolerate continued direct accusations about their integrity and market responsibilities. I'm still hopeful that the directors will do the right thing and move to resolve the matter, as difficult as that may be.

Is today's HFT takedown the start of the overdue engineered takedown or will the tide finally turn against JPMorgan's continued control of the silver market? That's still unknowable, at least to me. I do know that any deliberate silver sell-off, even if successful, will be of lesser price magnitude than the ultimate long term resolution to the upside. There's more risk present than existed prior to the recent price rally, but the long term risk/reward profile of silver is still heavily tilted to the upside. A reminder of that was sent to me in an email from a reader today showing a breakdown in performance of various things from 9/11/2001 thru yesterday. http://www.zerohedge.com/sites/default/files/images/user5/imageroot/2012/09/september-11-2012.png Will silver do as well over the next decade as it did over the past? No one knows for sure, but the eventual certain end to JPMorgan's manipulation of the silver price is a big factor in expecting a repeat.

I might have an update tomorrow of some type regarding the new stock short report and SLV, as that report will only be available very late today. Here's the article on the investment implications of JPM's big silver short position which I wrote for clients of Investment Rarities. It occurred to me that I assume everyone knows the bullish implications of a very large short position, but that is presumptuous on my part.

Trapped Like A Rat?

Unique to silver is the fact that a single U.S. bank, JPMorgan, holds a massive concentrated short position on the COMEX. For more than 25 years, I have alleged an ongoing silver manipulation due to excessive short sales on the COMEX. However, it wasn't until four years ago that I was able to pinpoint that the big short seller in COMEX silver was JPMorgan. The revelation was contained in Commodity Futures Trading Commission (CFTC) correspondence to various U.S lawmakers explaining, that in 2008 JPMorgan took over a massive short position from the failed investment firm Bear Stearns.

The short position of JPMorgan is a powerfully bullish factor for silver. Such an unnaturally large short position cannot be maintained indefinitely and its ultimate unwinding will provide a price booster not present in any other commodity. Paradoxically, JPMorgan's still-expanding COMEX silver short position also represents the prime near term bearish factor for the price. That's because unlimited short sales can cause the price of anything to fall in the short term.

The short position of JPMorgan is so large it will be the dominant influence for the long term price of silver. This makes the bank comparable to a trapped rat Â? cornered, but still dangerous. A strong degree of care must be taken in the type of investment in silver because of JPM's massive short position. That means only buying silver on a fully-paid for basis; no borrowing, margin or leverage; otherwise you stand to lose your position on temporary price drops. In order to put the long term advantage of JPMorgan's silver short position in your favor, you must hold for the long term. You can't allow a margin call to take you out from holding silver. When you buy silver, make sure it's for cash on the barrel head.

A giant short position means two things; a price artificially depressed while the short position is established, followed by an artificial lifting of the price as the short position is bought back. Silver is not a stock that can go bankrupt; it is a basic element known to man for the past 5000 years that will be known to mankind for ages to come. Because silver can't go bankrupt or disappear, the massive short position must be bought back or delivered against at some point. It is that ultimate resolution that is uniquely bullish to silver compared to anything else.

According to government data for positions held as of September 4, 2012, I calculate JPM to be short 130 million ounces (26,000 COMEX futures contracts). That's up from the 70 million ounces JPMorgan held two months ago. 130 million ounces is more than any country produces for an entire year and four times what the U.S. mines annually. It is such a large amount of silver that silver would have traded above $50 recently had not JPMorgan sold short an additional 60 million ounces since July. There can be no argument that the short sale of 60 million ounces in less than two months by one entity would exert significant downward pressure on the price.

Indeed, JPMorgan's additional silver short selling exerted a wicked downward pressure on the price that was invisible to most observers. That's because, despite this artificial selling pressure, the price of silver actually rose sharply over the past month. The price of silver would have risen infinitely more had not JPMorgan continued to sell short aggressively. As investors learn how bullish JPMorgan's outsized silver short position will be for the price of silver they will buy it and drive the price higher. This is incredibly unique and specific to silver. The big short has to keep selling or the price will explode. The big short is trapped like a rat.

Each day I see more vocal Internet commentary on the role of JPMorgan on the short side of silver. Type in Â?jpmorgan silver manipulationÂ? on Google and more than 800,000 results appear. There has never been anything close to this circumstance before. It makes silver the most attractive investment opportunity that just about anyone can participate in.

To this day, you can count on one hand the number of large investors who are aware of the role JPMorgan plays in the silver market and what their massive short position means to the coming price of silver. Silver has risen more than any commodity over the past 5 and 10 years while the world's largest investors have been unaware. That can't continue and sooner or later, the big investors will wake up to the real significance behind JPMorgan's concentrated short silver position. That's when the time for cheap silver will end.

Every short contract holds the responsibility of either buying back those short contracts or delivering actual metal. Additional short selling postpones the inevitable price explosion. However, it makes a short squeeze, a delivery failure or physical shortage more probable. The trick is to see the unusual short position of the big trapped rat for what it is Â? a remarkable long term opportunity.

Ted Butler

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Silver – $33.25

Gold – $1732

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