

Weekly Review<?xml:namespace prefix = o ns
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Prices for gold and silver were trashed this week in a sell-off similar to the deliberate price smashes of mid-April and at the end of June. Gold fell \$65 (4.7%), while silver dropped \$1.65 (6.9%). It was even worse, with silver off more than 10% for the week before a late Friday afternoon rally trimmed losses. As a result of silver's greater relative weakness to gold, the silver/gold price ratio widened out to trade over 60 to 1, before the late rally pushed the ratio to just under that level.

As is usually the case, the ratio moves mostly on what silver does. It may be premature, but so far silver has held up better relative to gold than it has in past sharp sell-offs. Regardless of whether that continues to be the case on a short term basis, it still appears near certain to me that silver will widely outperform gold longer term.

The most remarkable aspect to this week's price smash is how unremarkable it was in its consistency compared to every previous deliberate price smash witnessed in gold and silver. The consistency is that we only go down big in price when the commercials (mainly JPMorgan) are looking to buy. I know that there are always breathless announcements that the commercials have bombed

the COMEX gold and silver market with many thousands of sell orders in the middle of the night or at other thin trading times, but these reports are only half true.

Invariably, JPMorgan has bombed the gold and silver market sure enough, but not by selling many thousands of contracts; but by first selling relatively few or pretending to sell many (spoofing) contracts in order to scare and induce others into selling many contracts so that the crooks at JPM can buy. Always, always, always is it true that JPM and the commercials are net buyers on the big down days and always is it true that the only reason for the big down days is to allow JPMorgan to buy at distressed prices. JPMorgan is perhaps the most crooked financial institution ever, but you must acknowledge that they are sophisticated crooks. They don't stick up 7-Elevens; they conduct sophisticated financial fraud against other supposedly sophisticated market participants. More on this in a moment.

Turnover, or movement of metal into and out from the COMEX-approved silver warehouses intensified this week on gross turnover of over 4 million oz. Total COMEX silver inventories fell more than 2 million ounces to 161.1 million oz. I'm not so much impressed that silver inventories have declined as I am in the rapid turnover, which connotes wholesale physical tightness.

There were big withdrawals from both SLV and GLD yesterday, the big silver and gold ETFs. The withdrawal from GLD (almost 200,000 oz) looked to be a result of Thursday's heavy trading volume and big price drop, as plain vanilla investor liquidation. The same may be said about the 2.2 million oz withdrawal in SLV, but usually the reported movements in SLV inventory come with a longer time delay, raising the possibility that it wasn't investor liquidation (as was the case in GLD), but simply a sign that silver was needed more urgently elsewhere. Then again, while I can see delays in deposits into SLV when metal is owed to the trust if none is available in the open market, there is little reason for withdrawals to be delayed as the metal is there already.

I'd like to conclude my recent discussion that SLV was "owed" 10 million oz in deposits as a result of the rally and heavy trading volume in SLV shares a number of weeks ago. I said the 10 million oz "owed" to the trust must show up in actual deposits or in an increase in the short position in SLV. It turns out that a bit more than 2 million oz was deposited into the trust over the relevant period and the new short position indicated a 2.5 million share/oz increase in the short position for SLV. For a while, I thought I missed completely, but in retrospect close to half the expected amount was accounted for. Had I said 5 to 10 million oz (as I should have); I wouldn't have to dance around. The important point is that the increase in the short position of SLV most likely occurred because there was not enough silver available for deposit into the trust at the time of the (short) sale.

<http://www.shortsqueeze.com/?symbol=slv&submit=Short+Quote%99>

Sales of Silver Eagles appear to be off to a weak start for September, relative to recent months and year to date, although still considerably stronger than Gold Eagle sales. I think I have been conveying that reports from the retail front have indicated weak retail demand for silver and, particularly, for gold. The puzzle to me has been why Silver Eagles sales were so much stronger than for Gold Eagles, with the US Mint still being forced to allocate (ration) Silver Eagles. My guess was that there was an unusually large buyer for Silver Eagles and that buyer could be JPMorgan.

If Silver Eagle sales start weakening now, my next guess is that the big buyer may have stepped away. And perhaps for good reason, because if it was JPMorgan as the big buyer of Silver Eagles how would it look if that turned out to be the case while the bank was suppressing the price of silver with its short market corner in COMEX silver. A jury of 9 year olds would convict JPM for such an obvious fraudulent scheme. By the way, I'm not terribly concerned with weak retail silver demand as I see that as more of a contrary indicator of low investor expectations, generally a hallmark of a market at a price bottom.

The changes in this week's Commitments of Traders (COT) Report were encouraging, as the headline number of the total commercial net short position

declined in both COMEX gold and silver. As I indicated in my opening remarks, this should come as a surprise to no one as both gold and silver prices fell in the reporting week through Tuesday; gold by \$50 and silver by almost \$1.50. The only reason why gold and silver prices fell is because the commercials (JPM) rigged prices lower to enable the commercials to buy and that is almost always reflected in a reduced total commercial net short position during down weeks. You can set your watch on this indicator. It is the rhyme and rhythm for gold and silver price movement.

In gold, the commercials reduced their total net short position by 12,200 contracts, to 80,200 contracts. By commercial category, the big 4 shorts didn't do much (actually adding 300 contracts short); while the big 5 thru 8 shorts bought back 2500 short contracts. That left the heavy lifting to the raptors who bought almost 10,000 new long contracts. The only surprise was that JPMorgan appears to have only added a bit more than 2000 new long contracts, with the smaller and more traditional raptors doing most of the buying.

I'm going to round off and call JPMorgan's long market corner in COMEX gold at 60,000 contracts even, but would bet dollars to donuts that JPM and the commercials bought a lot more since the cut-off, both in gold and silver. At Tuesday's cut-off, JPMorgan's gold market corner of 60,000 contracts represented 18.8% of the true net open interest in COMEX gold futures (minus spreads). This is more than five times the number of contracts the proposed

formula for position limits by the CFTC would allow (if position limits existed). It is not possible for an 18.8% market share in the COMEX gold market not be a corner on the market.

I know that some have questioned how it could be possible for gold to decline so much in price if JPMorgan held a long market corner. The answer is clear, once you remember that prices only fall sharply in order to enable JPMorgan to buy. Near the bottom in gold prices at \$1200, JPMorgan was long 85,000 contracts. On the subsequent \$250 rally, JPM sold off and close out nearly 30,000 contracts of their long gold market corner, booking and realizing \$350 million in profits. Now JPMorgan has decided to buy more and has cratered gold prices by more than \$100 in order to re-buy as many new gold contracts as they can. JPMorgan is not concerned that the market may have temporarily gone against their existing gold corner as they continue to buy as many contracts as possible. JPM wouldn't have any problem in meeting margin calls as it is presently structured; because it rests upon unlimited funding. When you look back at this year, it is crystal clear that JPMorgan made \$3 billion in buying back big short positions in gold and silver and actually flipping their short corner in COMEX gold to a long corner that they've already milked for a \$350 million profit recently and so far.

Finishing up on the gold COT, the action by the key counter party to the commercials, the technical funds, behaved as one would have hoped. The tech

funds (in the managed money category of the disaggregated COT report) sold more than 10,600 net gold contracts, mostly in long liquidation of nearly 7300 contracts, but also in selling short more than 3300 new contracts. As I indicated this week, the key to lower prices is how much selling and mainly new short selling by the technical funds will occur, as this will be the determinant to how low we go. I still feel that way, particularly after this week's fairly dramatic reduction in the gross technical fund long position. It's possible that the price blast to the downside after the cut-off sucked in as many new technical fund shorts as JPMorgan could muster. If so we won't likely go lower in price. If there are more technical fund shorts to be lured in by JPMorgan, we'll go lower in price, but it seems we are already deep into this price rig and even if we do go lower, it doesn't feel like it would last long in time.

In COMEX silver, the commercials reduced their total net short position by 3900 contracts, to 23,500 contracts. By commercial category, JPMorgan was relatively more successful than they were in gold as the 4 big shorts bought back 2600 short contracts and the raptors bought 1300 contracts of new longs. I'd peg JPMorgan's short silver market corner to be down to 15,000 contracts and most likely less since the cut-off. Despite the reduction, JPMorgan held almost 16% of the true net total open interest in COMEX silver futures (minus spreads) on the cut-off, or three times the proposed level of position limits.

As was the case in gold, the technical funds in silver were net sellers of more

than 2500 contracts, including more than a 1000 contract increase in gross shorts. Undoubtedly, there was more tech fund selling after the cut-off and JPMorgan bought as many of those as it could.

That this week's COT gold and silver readings were encouraging has little to do with short term price action directly ahead. If there is more technical fund selling to be created by lower prices, then rest assured that JPMorgan will be looking to set off that selling by rigging prices lower. Only when the technical fund selling is exhausted is when JPMorgan will stop rigging prices lower. Unfortunately, there is no way of pinpointing that time without the benefit of hindsight, but we are so deep into this current rigging that it feels we are past or close to the point of a cessation to JPMorgan's rig to the downside. I hope I'm not beating this process to death, but (aside from subscribers) so many observers don't seem to get what drives gold and silver prices.

Evil Market Making

Any objective review of this week's trading of gold and silver on the COMEX would conclude that something is out of kilter. Not because prices were down, but more in the manner in which prices went down. This is not the way markets are supposed to work; at least not how free markets should work. While it's fortunate that few markets behave as COMEX gold and silver did this week; it's

still sad that market irregularities continue to plague the COMEX.

What irregularities? Well, for starters, it's not normal for prices of world commodities to fall 10% in a few days with no apparent economic justification, as did COMEX silver this week. I follow silver pretty closely and have seen nothing in the real world of supply and demand to account for the sudden drop. Sad to say, this week's price decline pales in comparison to the 30% and 35% weekly drops in COMEX silver in 2011, with those prior drops also lacking economic justification. And it's not just price declines, silver is volatile to the upside as well, although never to the same extent of sell-offs. Why is silver so volatile, particularly to the downside? I would contend the extreme price volatility in silver is due to the unique trading circumstances of the COMEX.

The most obvious unique circumstance is the clear evidence of market corners in COMEX gold (long) and silver (short) by JPMorgan. In addition, there appear to be short market corners in place by JPMorgan in two NYMEX metals, platinum and palladium. (COMEX and NYMEX are both owned by the CME Group). There are very few instances of market corners or concentrated market shares in other commodities and on other futures exchanges, currently or throughout history. That so many market corners are presently in force in CME markets is nothing short of remarkable.

Let me define a market corner as a large enough position by a single entity so as to establish price control and market dominance. "Large enough" is further defined by what percent of market share was deemed too large by the CFTC in past actions against manipulation and relative to proposed levels by the CFTC's formula for position limits. Certainly, anything over 5% or 10% market share of a regulated futures market would come under question; and anything over 15% to 25% would meet the definition of a market corner without question. The four precious metals on COMEX/NYMEX exceed the upper threshold.

When a single entity controls a large percentage share of a market, it already has influenced the price because without the corner the price would be different; lower in the case of a long market corner and higher in a short market corner. And there's always the risk that a market corner could be suddenly undone, pushing prices in the opposite direction of the corner and, most likely, in disorderly conditions. The most insidious type of market corner is the type which is actively managed, so as to control the movement of prices and not just price levels. In other words, a market corner not created for one giant financial score; but for a long term active manipulation of prices up and down. This is precisely the type of market corner that JPMorgan is conducting in COMEX gold and silver.

I don't think I've made this distinction before, namely, that the current JPMorgan market corners in COMEX gold and silver are different from most historical

corners. Most previous market corners looked designed for one big payday, whereas JPMorgan's corners look designed to milk the gold and silver markets on a continuous basis instead. What makes the continuous market corner the most insidious is the same thing that makes a serial murderer worse than a one-time killer; the damage is greater. In fact, there's even a harsher rule of criminal law designed to handle serial financial crime, i.e., the racketeering statutes (RICO). The repetitive and continuous nature of JPMorgan's manipulation of gold and silver is nothing less than racketeering.

Certainly, all the verifiable data indicate that JPMorgan is the serial killer type of market manipulator and has been for the more than five years the bank has been manipulating COMEX silver and gold (following the takeover of Bear Stearns). I remember thinking after the great downward price manipulation of late 2008, when JPM pushed silver prices below \$9 and they reduced their short position in COMEX silver to close to 20,000 contracts from double that amount earlier in the year, that surely JPMorgan would say goodbye to the silver manipulation since they were so successful in reducing it by 20,000 contracts on a 60% beat down in price. I was about as wrong in that prediction as was possible; as I was every subsequent time when JPM closed out much of their silver and gold short position on price beat downs and I expected the bank to stop the manipulations.

In retrospect, it is clear that JPMorgan was never interested in saying farewell to

manipulating COMEX silver and gold; otherwise they would have abandoned the price-rigging scam at first chance. Instead, the bank was interested in maximizing its profit on a continuous basis and had no intention of quitting the scam. Not only did this make JPMorgan a serial market killer, the ever increasing severity of the price smashes, mainly designed to intimidate, likened them to the sickest type of serial killer □ the kind that tortures his victims.

Since many more are becoming convinced of JPMorgan's manipulation of gold and silver, the obvious question is why the prime federal commodities regulator, the CFTC, condones the growing egregiousness in JPMorgan's behavior. That goes as well for the self-regulator, the CME; but seeing how the CME is a for-profit organization and that JPMorgan is their most important customer, it's easy to understand why the CME looks away from the market corners. It's clear that something is preventing the CFTC from enforcing the law and cracking down on JPM and much debate takes place on just what that something may be. Rather than speculate on something that can't be verified at this time, let me try to describe what JPMorgan may answer if they were ever questioned by the regulators.

The only possible justifications for what are clear market corners in COMEX gold and silver by JPMorgan would be that JPM is hedging for clients or making markets. Hedging for clients or against positions in other markets were always the popular excuses given, but never with any substantiation. In any event

hedging is completely out of the question as a result of JPMorgan flipping a 20% market corner on the short side of COMEX gold to as much as a 25% market corner on the long side. There could be no legitimate explanation for those extreme degrees of market shares to arise from any possible client hedging needs. What clients required JPM to be short 20% of the gold market in December and then required JPM to be long 25% of the market eight months later? If anyone could concoct such a story we would have heard it by now. Suffice it to say that no such hedging story can be created and that leaves market-making as the only excuse JPMorgan could offer in defense of its market corners.

Market making is the process by which large financial intermediaries participate in all markets for the purpose of making a profit, but also to serve as liquidity providers and to damp down unnecessary price volatility. They do this by constantly buying and selling and serving as continuous providers of inventory for those looking to buy and as providers of capital to those looking to sell. Maybe the easiest way to understand market-making is the example of specialists on the NY Stock Exchange. These specialists were given trading privilege and advantage as to the size of the positions they dealt in because they served a higher function, as providers of liquidity and to smooth prices out so that trading was conducted in an orderly manner. Nowadays, electronic trading on various exchanges has largely supplanted the stock market specialists.

I can easily envision JPMorgan claiming that they were merely serving the role of market-maker in COMEX gold and silver as the reason why they held such large and outsized market shares. It would sound like a legitimate explanation, especially since hedging for clients is out the window. JPMorgan could say they were always buying on price sell-offs and selling on price rallies and therefore were helping in keeping prices stable and providing liquidity to the market at the same time. So, instead of being the crooks I allege them to be, I suppose the case could be made that JPMorgan is one of the good guys and deserving of holding market corners for the purpose of smoothing of prices and providing liquidity. Let me tell you why that would be preposterous.

The simple truth is that JPMorgan is and has conducted the exact opposite of what legitimate market-making should be. Sure, JPMorgan buys gold and silver on sell-offs and sells on rallies; but not until after the bank first rigs the price to levels it creates. Instead of providing liquidity and smoothing prices, JPM does that only after it sets the price, not before. JPM will let you buy and sell all you want at any time and price point, but only after it sets prices to the level it desires. JPMorgan is making markets, all right, but it is an evil market making; far removed from what legitimate market making should be.

It is this evil market-making that accounts for everything that matters; from the

consistently volatile price action in gold and silver, particularly to the downside, to the mega profits that roll in to JPMorgan at the expense of looted bystanders, to the undeniable market corners that exist in COMEX gold and silver.

If someone accepts that JPMorgan is conducting legitimate market-making in COMEX gold and silver, then it would appear, judging by recent headlines, that this may be the only financial activity by JPM that is legitimate. All the others, from how the bank handles mortgages, loans and credit cards to how it trades base metals and energy and electricity, seem to end in federal or civil charges and settlements. Perhaps JPMorgan is rotten in all these other things but squeaky clean in gold and silver. Yeah, perhaps.