

For the sixth week running, gold and silver prices remained in a fairly narrow band of consolidation, following a price pattern that was nothing less than remarkable for its extremity from March to early August. For the week, gold ended \$9 (0.5%) higher, while silver ended higher by 5 cents (0.2%), causing the silver/gold price ratio to widen out by a fraction of a point to 72.6 to 1.

I find it somewhat remarkable that whatever has caused the absolute prices of gold and silver to be so extremely volatile from early spring to late summer to recent low overall absolute volatility, has had the same effect on a relative basis. Using silver as an example of what I'm talking about, whatever forces caused silver to drop to ten year price lows in mid-March, only to race to seven year highs by August and then, inexplicably, to take a breather for the past six weeks, also had a very similar effect on gold.

While gold never came close to setting multi-year price lows on the selloff into mid-March (and was barely down on a year to date basis), it did race to all-time highs at the same time silver registered its seven year price high in August. Seen through the eyes of the silver/gold price ratio (which measures relative performance), the ratio hit an historical (5000 year) extreme of 125 to 1 at the March lows indicating the most undervalued silver had ever been to gold, to a three year high in relative silver overvaluation in August, where it has remained over the past six weeks.

Please don't misunderstand what I'm getting out. While I am beyond gratified that silver picked up to multi-year absolute and relative price highs, seeing as that was long overdue, I can't help but be concerned with what caused such extreme never seen price results. After all, I am serious about analyzing silver in the most factual and objective manner possible, thinking about such questions for most of each

waking day. We do live in quite extraordinary times, particularly as concerns financial markets, so it's sometimes difficult to put things in proper perspective.

As extreme and unprecedented as many financial mile-markers have been, how the heck can a world commodity go from ten year price lows to seven year price highs in a matter of months? And what could possibly explain a relative price ratio extreme dating back from the pre-Old Testament era to multi-year highs - all in a matter of months? I know I've asked this question and made this observation repeatedly of late, but so what? What other question or observation should I be making - the next tick up or down in the dollar, or what the Fed says or does, or how many Silver Eagles the US Mint sold this week or month?

How could any of these things have anything to do with the absolute and relative price extremes for silver that I just outlined? I wouldn't ask the question, if I didn't think I had the answer. The answer to silver's recent mind-boggling absolute and relative price volatility is not the things typically mentioned, but something else entirely. The "something else" is JPMorgan.

I may not know all there is to know about how JPMorgan has come to completely dominate everything about silver (and gold), including the price, but I believe there is enough documentation to indicate this bank has complete control of everything that matters when it comes to silver and gold - ever since it took over Bear Stearns in 2008. There is not the slightest doubt in my mind that JPMorgan is large and in charge when it comes to silver and gold. I can't argue about whether JPM is taking orders from the US Government or vice versa, as the evidence can be interpreted either way.

My best guess is still that JPMorgan mostly lords over the USG and is driven mostly

by greed, but I am open to bona fide evidence to the contrary, the likes of which I have not seen in my 35 year intense study of silver. The evidence of JPM's control is certainly clear when one objectively reviews the usual weekly review that I'm about to undertake. JPM dominates every category in silver and gold that matters. Before that review, allow me to make a point about JPMorgan that I don't recall making previously, or at least not for a long time.

JPMorgan has such an obvious dominance in just about every category of COMEX deliveries, warehouse inventory holdings and paper market trading that it has gone far beyond what would normally be thought of as a monopolistic share of everything that matters in silver and gold, to the point of raising serious antitrust questions. Free markets, particularly regulated commodities markets in the US, are (or are supposed to be) characterized by widespread participation; where the maximum number of market participants is the goal.

Instead, since taking over Bear Stearns in 2008, JPMorgan has come to dominate everything related to silver and gold, including having the largest COMEX warehouse holdings in each metal (from zero in 2011), being the dominant issuer and stopper of futures deliveries and, up until recently, the largest short seller for most of the past decade. Huh? What the heck is the largest bank in the US even doing in participating in precious metals, no less completely controlling these markets? Considering the checkered regulatory track record of banks, particularly JPMorgan, in all manner of more traditional banking activities, why are banks even allowed to deal in precious metals?

The best example I can give you about how everything is completely upside down when it comes to JPMorgan, silver and gold and the US Government is the pending

case of the US Justice Department and Commodity Futures Trading Commission against JPM. After settling “spoofing” cases with other banks, like Bank America and Scotiabank, the next settlement up looks to be JPMorgan. But as indicated when the first JPMorgan trader pleaded guilty two years ago, the government case is a sham if it only focusses on spoofing and not the outright price suppression JPM has conducted for more than a decade.

The government’s own and other public data clearly indicates that JPMorgan has had a monopolistic control of silver and gold ever since the government-requested takeover of Bear Stearns. Now the bureaucratic clowns in high office look set to crack down on one tool of the price suppression, spoofing – which still largely exists to anyone who follows the market. Talk about taking a pea-shooter to a heavy artillery battlefield. The world has suffered through decades of a silver price manipulation on the COMEX and the USG is set to crack down hard by throwing a few JPM traders under the bus, while letting the crooked bank off the hook, yet again. Where the heck is the Antitrust Division of the Justice Department? Or is JPM some type of regulated electric utility – granted monopolistic control of what is supposed to be a free market where no one entity has total dominance

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained frantic this week as just under 11 million oz were moved. As has been the case for the past two months, the physical movement was mostly of the “in” variety, as total COMEX silver inventories rose by 7.2 million oz to 365 million oz, another new all-time high. The holdings in the JPMorgan COMEX silver warehouse rose by 3 million oz to 178.2 million oz, also another all-time high (surprise, surprise). And if the government bureaucrats ever got around to making a few phone calls, they’d discover JPMorgan controls even

much more silver in other COMEX warehouses.

Over the past 9 weeks, some 40 million oz have been added to the COMEX silver warehouses and even though turnover, essentially, the silver taken out as well, is much larger (at more than 100 million oz), the net addition is more than noteworthy. I'm still of the opinion the recent increase is more related to the September COMEX futures deliveries (dominated by you know who), since those deliveries are now over 50 million oz.

But I am also mindful of the remarkably large increase in COMEX gold warehouses earlier this year, so if COMEX silver inventories grow by a proportionate level in the near future, then I am prepared to alter my view of what is driving the increase in COMEX silver inventories. Then again, COMEX silver inventories would need to grow by 300 million to 1.2 billion oz to equate to the increase in COMEX gold inventories in percentage terms or to cover the concentrated short position. I don't see that happening, but I am not a prophet, only an analyst.

Over the same time COMEX silver inventories have grown sharply, the growth in COMEX gold inventories appears to have abated. This week, total gold inventories in the COMEX warehouses were unchanged at 36.5 million oz, also largely unchanged over the past 7 or 8 weeks. Gold holdings in the JPMorgan COMEX warehouses increased by roughly 120,000 oz to 13.35 million oz. As you might expect, JPMorgan warehouses hold the most metal in the COMEX warehouse system for both gold and silver.

As far as deliveries in the big, traditional September silver contract, total deliveries amount to 10,269 contracts (50.5 million oz), with JPMorgan both the dominant issuer and stopper, with more than 40% of the issue side and 48% of the stopper

side. Yes, these are for customers and not JPM's own house account, but who (aside from the chumps at the DOJ and CFTC) would not suspect the bank is pulling the strings? Again, why is JPMorgan allowed to hold such a monopolistic control in every aspect of gold and silver?

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Turning to ETF developments where JPMorgan is the custodian of SLV and several other silver ETFs (how'd it miss out on GLD?), there has continued to be outflows in SLV, this week in the amount of 3.6 million oz. The possibility does exist that silver from the SLV may be finding its way into the COMEX warehouses, but I'm still inclined to think the metal "coming out" of SLV is the result of conversions from shares to metal than outright investor liquidation, given the continued price consolidation. But I will revise my thinking if, as and when new facts dictate as much.

There was a large deposit of some 413,000 gold oz into GLD yesterday, which was somewhat odd given the fairly low trading volume and narrow price range of late. But my first thought was how the roughly \$800 million transaction would equate to roughly 30 million oz of silver had the transaction been made in silver instead. Even after the silver/gold price ratio had tightened in by more than 50 points since mid-March, it's still astonishing to me how much more silver you get for the same money than you do in gold. And regardless of what prices do in the short term, the still-extreme relative discount of silver compared to gold is one sure sign that silver is nowhere near as overbought as it will surely get some day.

Turning to yesterday's Commitments of Traders (COT) report, I was initially

disappointed when I viewed the legacy report (as I always do first) because the commercials sold more than I expected in silver and not as much as I expected in gold. But my views moderated a bit when viewing the disaggregated report which featured less managed money buying in silver than gold. I'd also make the broader point that the deterioration in market structure thru Tuesday seemed to explain the sharp price takedown on Wednesday, largely rectifying the deterioration. Moreover, the changes weren't truly significant in terms of what has transpired over the year and past months.

In COMEX gold futures, the commercials added a moderate 4100 contracts to a total net short position now at 285,200 contracts (as of Tuesday). Yes, this did put the total commercial short position at two month highs (same as in silver), but it's much closer to the truth to say the position has been largely unchanged over this time and still way down from the price highs of February. By commercial category, the 8 big shorts added around 2600 short contracts to a concentrated short position now amounting to 231,157 contracts. The raptors (smaller commercials) added 1600 new shorts. JPMorgan added a thousand contracts to a near flat short position of 2000 contracts, as of Tuesday and most likely less now.

The managed money traders did buy more net contracts than the commercials sold, but not excessively so (or what I feared in the 21,000 contract increase in total open interest over the reporting week). The managed money traders bought 6806 net gold contracts, consisting of 11,043 new longs, partially offset by 4237 new short contracts. The managed money net long position of 111,098 contracts is a bit higher than very recent lows, but still much closer to those lows than the highs of February and as such must be considered bullish, particularly when considering how much higher gold prices are than they were in February. The other large reporting traders

did reduce their net long position by a bit (2300 contracts), but by increasing shorts and not by decreasing longs.

In COMEX silver futures, the commercials did increase their total net short position by a larger than expected 6900 contracts to 56,000 contracts. As was the case in gold, this is the largest commercial net short position in two months, by a few thousand contracts; but is still 45,000 contracts less than it was in February when silver was around \$18 (and JPM was short close to 20,000 contracts). To think that we are 50% higher in price than we were in February and 125% higher than we were in mid-March and still have such a low relative commercial short position is astounding (and bullish).

By commercial category, the 8 big shorts increased their concentrated net short position by a fairly moderate 2000 contracts to 71,455 contracts, while the smaller commercials (the raptors) sold off nearly 5000 longs. JPMorgan appeared to sell a thousand contracts, putting it net short by a small 1000 contracts as of Tuesday.

The managed money traders bought nearly half as much as the commercials sold, in buying 3441 net contracts, consisting of 3296 new longs and the buy back and covering of 145 short contracts. The other large reporting traders and small non-reporting traders bought a combined net number of contracts equal to the managed money traders. The managed money net long position is similar to the position in gold; closer to historic lows than highs and therefore, much more bullish than bearish; particularly when considering the path of prices over the past six months.

Can the crooked COMEX commercials and even more crooked JPMorgan rig further selloffs? Of course, they can. Will they? Who knows? As soon as you or I find anyone who can accurately predict short term prices, how 'bout we agree to tell each other?



I've been looking for more than half a century and the minute I find such an individual, I promise to tell you and hope you would agree likewise. But let's not hold our breath, because if such a person did exist, why would he (or she) share such valuable information?

No doubt the very best advice is to forego close concern about the near term direction of prices and focus on the long term, at least as far as where to place and allocate investment funds. But at the same time, how do you turn off deep interest in the daily developments? For me that would be impossible, because the daily developments are just part of the ongoing long term. Follow the short term developments closely and long enough and the long term is here before you know it. Besides, if you invest a sizable chunk of your investment assets in anything, how can you not focus on it closely?

I guess what I'm saying is that silver looks particularly attractive, perhaps the best it has ever looked, as far as moving sharply higher in price over time. For me, I don't think I can say that about any other asset or asset class and certainly not stocks, bonds or real estate. I'm not saying these other things won't move higher, but not without higher risk nor with the certainty I hold for silver. For example, I don't see any other asset or asset class as having been suppressed in price for the decades that silver has been manipulated. Even gold has achieved new all-time price highs this year, while silver is still way below highs it made 40 years ago.

Yes, it's always possible for the crooked commercials and JPMorgan to slam silver prices down at any time. In fact, if we do experience a sharp selloff in silver, I can guarantee you in advance that the cause will be commercial collusion on the COMEX, because that has been the cause of every silver selloff for the past 35 years. But at

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the same time, the risk/reward equation in silver is as good as it has ever been on recent physical market developments and the actual downside risk in silver is not much or no greater than it was when silver was priced much lower this year. No one wants to see the recent sharp gains in silver erode sharply, as has happened in the past, but the signs of such an impending selloff are lacking, at least in terms of an extremely large managed money long or commercial short position. Certainly, JPMorgan is nowhere near as short as it has been in the past, a sure precursor to a selloff.

Yes, it is quite unfortunate that the regulators at the Justice Department and CFTC have no interest in enforcing basic antitrust or commodity law, but lots of things are unfortunate that we have to live with. It has been a long time since I and many of you have given up on the regulators doing the right thing, but at least this year, their collective failure hasn't mattered much in preventing silver prices from climbing. It's always wise to prepare for the worst but be in position to reap the benefits of what should occur. I guess that's just another way of saying hold silver on a long term basis (no margin) and don't let the crooked COMEX bastards shake you out.

The marginal price change this week left the 8 big shorts underwater by \$15.4 billion, an erosion of just over \$200 million. As has been the case recently, the rising moving averages, may be presenting a target and temptation for crooked commercial downside collusion.

Ted Butler

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Silver - \$26.95 (200 day ma - \$19.01, 50 day ma - \$25.45)

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Gold - \$1957      (200 day ma - \$1715, 50 day ma - \$1939)