Weekly Review<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

After the dust settled on one of the most volatile trading weeks in a while, gold ended unchanged and silver slid 40 cents (1.8%) for the week. As a result of silver's relative weakness to gold, the silver/gold ratio widened out a full point to just under 61 to 1. I've been meaning to point out that in direct contrast to my strongly held opinion that silver will greatly outperform gold in the long run, the prime manipulator of precious metals, JPMorgan, is positioned directly opposed to my opinion by virtue the bank's long market corner in COMEX gold and short market corner in silver. I'll discuss why this appears to me to be another good reason to switch gold positions into silver. As always, I'm not recommending anyone put on leveraged positions involving the shorting of gold and the purchase of silver on margin; this is strictly a cash on the barrel head, long term proposition.

Even to someone expecting price volatility, the volatility this week was remarkable. Ostensibly in reaction to the Fed's surprise no-taper announcement on Wednesday, silver rocketed up $2 and gold by $75 in a flash, only to finish Friday with a thump to the downside of $1.50 in silver and $40 in gold. It was almost amusing to listen to the rapidly changing analytical interpretations for the price action based on the Fed; but when you are talking about the value of investors' holdings, there is nothing funny about that.

I'm not a Fed-Head because whatever they do is not specific to silver and gold, but applies to asset values in general. I'm more interested in the things most specific to silver and gold. As is usually the case, what moved silver and gold violently this week was not the Fed, in my opinion, but factors much more specific, namely, the illegal trading practices on the COMEX. In fact, it's hard for me to comprehend how anyone paying close attention could fail to see the obvious explanation for the week's volatility in silver and gold □ JPMorgan and other collusive commercials rigging prices on the COMEX for their own benefit.

I continue to be amazed by the explanations emanating from the gold commentator community revolving around impending gold shortage, backwardation, allocated gold delivery defaults, GOFO (still goofy), and gold warehouse stocks, etc. as having anything to do with metal price movements. As far as I can tell, most of the commentators do believe that prices are manipulated; but they drift off from the pure and simple proof of the manipulation □ the existence of market corners by JPMorgan and collusive commercial price rigging on the COMEX.

I ask you to consider what the developments were in the physical world of silver and gold supply and demand that influenced prices this week. Were there any that come to mind? I certainly can't think of any and that's my point. Prices were set strictly upon what occurred on the COMEX. Daily price changes of 3% to 5% and more in major world commodities without any obvious physical activity indicates something is wrong. Yet how much physical activity can take place within the minutes that gold and silver prices get ramped up and down?

If these price movements took place in corn or cattle or even in crude oil or currencies, farmers, oil men and bankers would be picketing the Chicago and NY exchanges or Washington, DC. Regulators would be addressing the issues front and center and working overtime to end unnecessary price volatility. That's not the case in silver and gold, I've come to conclude.

Those being harmed by the combination of low prices and great volatility are not a strong political constituent group. Those being harmed the most are metal miners and investors and both rank low on the political spectrum. One of the reasons for JPMorgan and other big banks coming under pressure and looking to sell their base metals warehouse and energy trading operations was because of great pressure from major industrial consumers, like beverage and automobile producers, of artificial upside price pressure. These big industrial consumers are a fair match against JPMorgan and the big banks. But big industrial users of silver will hardly complain about prices being too low, like aluminum users complained about prices being too high due to warehouse games.

Since big industrial silver users aren't about to complain about prices being too low, that leaves the miners and investors. But with most miners confused and afraid to speak out against the trading practices on the COMEX and investors and commentators speaking of too many issues unrelated to the COMEX and JPMorgan's market corners, it's no wonder the crooks on the COMEX are having a field day.

Clearly, away from COMEX silver and gold, the big price manipulator in each, JPMorgan, doesn't appear to be faring that well. It seems surreal to me that after singling out JPM for more than five years, finally over the past year or so, the bank's fortunes and reputation have suffered mightily. I can't help but contemplate if it's possible that JPMorgan could be so rotten in so many lines of their business and not be the crooks I have made them out to be in silver and gold. Yesterday, the bank agreed to pay out $1.3 billion to a variety of regulators and in restitution (when unrelated credit card misbehavior is added to London Whale matters). Many appear to be shocked at the legal travails the bank is experiencing; but not me.

The CFTC seems to be developing some backbone in that the agency has refrained from joining in with the other regulators in the Whale settlement and is demanding that JPM admit to manipulating the derivatives in question due the large size that JPM's market share had on the price of the derivatives. This is the same issue I raise in COMEX gold and silver. It seems the Dodd-Frank act allows for a lower standard of proof of manipulation in that intent to manipulate need not be proved, just reckless disregard in establishing too large of a position or market share.

The great irony here is that the London Whale trade fell into the agency's lap only after it went bad for JPMorgan. I don't think the CFTC had a clue about the trade before it blew up as the full disclosure of OTC derivatives and swaps is only beginning. Compare that to what's been going on in COMEX silver and gold, where the agency continues to provide clear proof that market corners exist in gold and silver by JPMorgan. Using the data in the Commitments of Traders (COT) and Bank Participation Reports it's easy to conclude that JPMorgan continues to corner and manipulate each market to the tune of $3.5 billion so far this year. Forget reckless disregard; I'd like you to consider if making $3.5 billion by manipulating gold and silver prices could possibly be unintentional?

I know that there must be some prior agreement that has kept the CFTC from clamping down on JPMorgan in silver and gold, but I would remind you that enough time has passed (more than five and a half years) that any of the individuals from the US Government who made the arrangement are no longer in office (or will soon depart). That means current key members of the CFTC, including the chairman and most commissioners, as well as enforcement and market oversight officials, were not party to the original arrangement with JPM.

Why they would continue to allow JPMorgan to manipulate gold and silver prices and risk personal potential liability is a mystery. That they can't speak to the issue directly is not a mystery.

The turnover in the COMEX-approved silver warehouses was active, with most activity occurring earlier in the week. More than 3 million ounces came in and out, as total silver stocks rose 1.5 million oz, to 162.6 million oz. When it comes to tightness, it's not the metal, it's the movement. There was a hefty deposit of almost 3.5 million oz into the big silver ETF, SLV, on Thursday, either from plain-vanilla investor buying or perhaps the deposit was made to reduce the short position. If it was to reduce the short position, it will not be reflected in the next short report, as the cut-off for that report was last Monday. Based upon the extreme price weakness yesterday, it would not be surprising to see a withdrawal in the days ahead. But the standout comparison is still the overall increase in the metal holdings of SLV relative to the massive decline in metal holdings in the big gold ETF, GLD. This dichotomy, particularly considering silver's greater relative price weakness this year, is astounding and, I believe, supportive of my opinion that silver will outperform gold long term.

Sales of Silver Eagles continue to far outpace sales of Gold Eagles over the past few months, according to US Mint statistics, but there has been a recent cooling in sales of Silver Eagles. At this point, I can't know if the big buyer of Silver Eagles has backed off or if the Mint isn't getting the full supply of blanks needed to produce the coins. No such supply problem appears likely in the case of Gold Eagles and continued reports from the retail front indicate lackluster domestic demand.

The changes in this week's COT report were largely in the expected category, as prices for COMEX gold and silver closed lower for each day of the reporting week or made new intra-week lows each day. Therefore, there should have been reductions in the total commercial net short position in both gold and silver, although I expected more in silver.

The most important takeaway was that a multi-week reduction in both markets' total commercial short positions occurred on the Tuesday cut-off, just before the next day's late price blast-off. On the following Wednesday morning, both gold and silver hit recent new lows, accompanied by additional technical fund selling and commercial buying. My point is that by the time the Fed's tapering news was delivered, there was an even better set up for a price rally; simply because JPMorgan and the commercials were better prepared for it. Stated differently, had there been a different set up prior to the news where JPMorgan was not situated as they were, the Fed could have announced anything you could imagine and the price of gold and silver would have been smashed downward. The news doesn't matter for the crooks at JPMorgan, only what is best for their bottom line.

In COMEX gold, the commercials reduced their total net short position by 14,900 contracts, to 65,300 contracts. By commercial category, the big 4 shorts reduced their net short position by 3700 contracts and the raptors (including JPM) bought 11,200 contracts of new longs. Somewhat surprisingly, JPMorgan only picked up 2000 new long contracts and the smaller raptors picked up the balance. This is the second week running that the smaller commercials (the original raptors) were aggressive in buying on the lower prices they rigged.

Even though JPMorgan only picked up a couple of thousand new long contracts on the lower gold prices of the reporting week, it is still wholly proper to label them as the prime crooks, by virtue of their unprecedented long market corner in COMEX gold. When you are the prime manipulator, you get the blame, regardless if there are other crooks in the game. I'd peg JPMorgan's concentrated long position and market corner in COMEX gold to be 62,000 contracts as of the cut-off, or 19.3% of the total net open interest (minus spreads). I'd like to see anyone try to explain how a net 19.3% share of a major regulated futures market would not constitute a market corner.

For the second week running, there was net selling by the technical funds in gold (in the managed money category of the disaggregated COT report) of 10,000 contracts (this week exactly 10,000). This week there was further selling out of technical fund long positions of 4000 contracts and (finally) more selling of 6000 contracts in the form of new shorts. Undoubtedly, on the price rally late Wednesday to Thursday new technical fund longs were purchased as well as buybacks of tech fund short positions put on through Wednesday morning. This was the fuel for the rally which JPM and the other commercials sold into that led to the price smash on Friday. The question is were the tech fund late buyers washed out completely on Friday's price smash or is there more price rigging to the downside ahead? I don't know as the answer is complicated by the remarkable degree of corruption of JPM and the collusive commercials. But considering the historical bullish structure still in place, any sell-offs should be temporary.

In silver, the commercials reduced their total net short position by 1200 contracts to 22,300 contracts, still a historically low (and bullish) level. By commercial category the 4 big shorts (JPMorgan) bought back 800 shorts and the raptors added 500 contracts of new longs, to a long position now at 29,000 contracts. I'd peg JPMorgan's concentrated net short position to be around 14,000 contracts as of the cut-off. This is the lowest level in some time for JPMorgan, but at close to 15% of the total net open interest (minus spreads), still qualifies as a short market corner.

While the reduction in the total commercial net short position in silver was modest at 1200 contracts, the technical funds sold more than 3000 net contracts, mostly in liquidating long positions. This makes the report better □under the hood□ but the key issue is if whatever technical fund buying that came in late Wednesday and Thursday was flushed out on Friday.

I have one new thought on JPMorgan's alleged market manipulation in the London Whale derivatives trade and the ongoing gold and silver manipulation. There were no technical funds as counter parties to JPM in the London Whale trade; the counter parties were sophisticated hedge funds who took a position opposite to JPM on a valuation basis, not because of moving average price signals. The counter parties in the London Whale trade weren't price fickle traders of the kind that represent the COMEX counter parties to JPMorgan in gold and silver. Therefore, JPMorgan couldn't shake out the hedge funds in the Whale trade as this crooked bank can do on the COMEX. There will come a day when JPMorgan can't trick the technical funds on the COMEX, either because the silly tech funds no longer exist or because more value oriented traders take them on in silver and gold.

Thinking the Unthinkable

It is always wise to consider all the possibilities, even those with a remote chance of happening. The long-shot occurrences have the biggest impact in markets, precisely because so few were positioned for them beforehand.

Oftentimes, the black swan or bolt out of the blue that rattles a market is something that was visible all along, but was just not expected to come to fruition. The bigger the surprise, the bigger the market jolt.

In keeping with a recent theme, today I'd like to explore one unexpected development in gold and silver that would jolt prices greater than any other possible event that comes to my mind. The great irony is that the event unlikely to occur is one that should occur in a lawful environment. The unthinkable in this case is that the federal commodities regulator, the CFTC, would order JPMorgan to immediately cease manipulating the gold and silver markets and to liquidate all open positions held by the bank.

I am not predicting that this will occur; in fact far from it, as any such action by the agency would qualify as the longest of long shots. But since JPMorgan's market manipulation in gold and silver is as real as rain and is becoming increasingly obvious, this creates the possibility the CFTC could move against JPMorgan. I know that this is something the agency should have done years ago and its failure to do so overwhelmingly suggest the CFTC will never do anything about the manipulation. Forget what the CFTC should have done and didn't; remember instead that this is about the unthinkable occurring. What would happen to prices if the CFTC came in and shut down JPMorgan from dealing in gold and silver now?

I've been alluding to what might happen in recent commentary, but I've never come out and spoke of it openly. But analysis should be objective, even if we're talking about an event not likely to occur. In strictly objective terms, if JPMorgan was ordered to liquidate all their COMEX gold and silver positions immediately and do no further trading on the COMEX, the immediate impact would be that gold would plummet and silver would soar in price. I think the gold price plummet would be temporary as the mark down in price would probably result in buying from India and Asia, but only after a big gold price decline, as has occurred this year. Let me see if I can explain my reasoning.

In the latest Commitments of Traders Report, JPMorgan looked to be long 62,000 contracts of COMEX gold futures or almost 20% of the entire net open interest. JPM's gold position is so large that it meets every conceivable definition of a long market corner. In any market and at any time, if the most dominant trader holding the largest long position was suddenly forced to sell, that market would crash in price. The classic example of this was when the Hunt Brothers were forced to sell a similar percentage share of the COMEX silver market in 1980 and the price of silver fell almost 80% (from $50 to $10) in a short time frame. I don't think gold would sell off that much today, but a $200 or $300 sell-off would not be impossible. Please remember, we're talking about the long-shot of the CFTC actually enforcing the law and the mechanical impact on the price of gold.

Had JPMorgan been ordered to immediately liquidate the short market corner of the 75,000 contracts it held short on the COMEX gold market last December, the gold market would have been jolted higher by hundreds of dollars or more. That's because JPMorgan would have had to buy back 75,000 contracts immediately. That's the difference between a long market corner and a short market corner. Bust a long market corner and the resultant forced selling will smash the price; bust a short market corner and the resultant forced buying would cause prices to soar.

On that same mechanical basis, were JPMorgan ordered to cease manipulating silver and forced to buy back the bank's short position in COMEX silver of 14,000 contracts, the price would soar. By how much? By a lot more than gold prices would plummet if JPM was forced to sell its gold contracts. It's not so much that 14,000 silver contracts, or the equivalent of 70 million oz is such a large amount; it's more a case that JPMorgan would be refrained from selling additional quantities of silver going forward.

There's no way JPMorgan would be ordered to buy back its silver short position and also be allowed to sell more paper contracts short; that's more impossible than the remote possibility of the CFTC moving against JPM in the first place. This is the real kicker in the equation; without the existence of JPMorgan being able to sell unlimited quantities of paper silver, the silver manipulation would suddenly cease to exist for the first time in 30 years. I can't see how the price of silver wouldn't climb quickly to well over $100 an ounce in that circumstance.

Because JPMorgan has an indisputable long market corner in COMEX gold futures and a short market corner in silver, this crooked bank has created what I consider to be the stupidest trade ever; much worse than their disastrous London Whale trade. In addition to potentially losing a lot more than the $6 billion lost in the Whale trade, any crack down on JPMorgan for their crooked COMEX dealings would quickly reveal that the bank managed to manipulate the price of two world commodities in assembling a long gold/short silver trade. The legal fallout from that would be severe.

But JPMorgan is not as stupid as their gold/silver positioning might suggest. In fact, I don't think this bank is stupid at all; crooked yes, stupid, no. It all has to do with how and why the trade was established in the first place. JPMorgan didn't set out to establish a long gold/short silver trade on the economic merits of the trade; it just came into existence by virtue of changing circumstances. The short silver position is a direct consequence of inheriting the position from Bear Stearns five and a half years ago. JPMorgan has used that position to manipulate silver prices ever since. I believe JPM wishes now it had quit the silver price manipulation long ago, but greed and its dominance over prices lured them into over-staying the trade. In fact, JPMorgan has whittled their short silver position down to the previous low points of the position since 2008 and that suggests not wanting to be short silver.

JPMorgan's long market corner in COMEX gold had the same origin as their short market corner in COMEX silver, in that the bank inherited a short gold market corner from Bear Stearns in 2008. But whereas JPMorgan was never able to flip their short market corner in silver to a long market corner; they succeeded magnificently in flipping into a long market corner in gold this year. My best guess is that the amount of COMEX gold speculative selling, as well as the amount of physical gold liquidation, that resulted from JPM's rigging of the gold price lower by $500 in the first half, surprised even JPM. I don't think JPMorgan intended to get massively long gold to the point of holding a market corner, as they don't need additional regulatory scrut