

Having failed to make new price highs since the outset of September, gold and silver ended the last full week of the month lower; with gold ending down by \$20 (1.3%) and silver off by 45 cents (2.5%). Silver's relative underperformance caused the silver/gold price ratio to widen out by a full point to nearly 85.5 to 1.

After see-sawing the past few weeks, the all-important financial status of the 7 big COMEX gold and silver shorts improved on this week's declines in price by \$600 million to \$3.6 billion in open and unrealized losses on yesterday's close. Since the outstanding and still unresolved sole issue that matters to price, in my opinion, is whether the big shorts can rig prices lower and get out of harm's way, we appear to have reached a critical juncture.

On Friday, for the first time in the life of a rally that has lasted, essentially, for 4 months, the key 50 day moving average was penetrated to the downside on an intraday basis in both gold and silver (although both ended slightly above that average).

Over the course of the rallies that added as much as \$285 in gold and \$5 in silver, the prime if not sole price driver was the massive amount of managed money net buying in COMEX futures. In gold, the managed money traders bought nearly 250,000 net gold contracts (25 million oz) and an even more astounding 100,000 net silver contracts (500 million oz). Any analysis for what has been the largest price rallies in years that doesn't focus on this managed money buying as being the prime or sole driver of price can't possibly be considered objective.

After all, we're talking about the purchase of gold that has a notional value of \$35 billion and comes close to equaling the amount of gold in the world's largest ETF, GLD. In silver, the 500 million oz bought by the managed money traders equates to a

notional value of \$8.5 billion, 60% of world annual mine production and is more than 100 million oz greater than the amount of silver in SLV, the world's largest silver ETF. Remember, all this managed money buying occurred over a few months. The true wonder is why such gargantuan amounts of gold and silver buying in such a short period of time didn't propel prices much higher than witnessed.

The answer to that, of course, is because there was counterparty selling of roughly those same amounts by a small number of commercial banks that blunted what would have been much greater price rallies had that selling not been so aggressive. In addition, the lion's share of the bank short selling was by 8 or less traders, pushing to the forefront the critical matter of concentration, the cornerstone of manipulation. I would estimate that the 8 largest traders on the short side accounted for roughly 70% of the net gold and silver short selling over the life of the rallies.

In the latest Commitments of Traders (COT) report released yesterday, the total commercial net short position in COMEX gold futures reached an all-time high and the concentrated short position of the 8 largest shorts came within a whisker of establishing a similar record. I'll get into the details momentarily, but would point out that up until now, only a fool (or a regulator) would deny that COMEX futures positioning is what sets the price. Watching the Justice Department and the CFTC keep issuing traffic citations (for spoofing) while the serial murderer (JPMorgan) continues to rape and kill is infuriating, but I will deal with it the best I can.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses came to 5.4 million oz this week, slightly above the weekly average of the past 8.5 years. The twist this week was that the movement was mostly of the "out" variety, as there was a sizable drop in total COMEX

inventories of 4.2 million oz to 313 million oz. No change, for the 13th week, in JPMorgan's COMEX warehouse, still stuck at 153.8 million oz.

Also notable was that 9.4 million oz of COMEX silver inventories were switched from the registered category to the eligible category this week, which lowers the storage cost for whomever is holding the metal. There's no question in my mind that the switch was made by JPMorgan which took delivery of 8 million oz this month in the Sept COMEX deliveries in its own name and more for clients. In addition to the metal in its own COMEX warehouse, JPMorgan appears to hold at least 100 million oz in other COMEX warehouses or more than 250 million oz in total. Soon, I'll have to increase my estimate of how much JPMorgan holds, since it is continuing to accumulate physical silver (and gold).

It would be quite easy for the Justice Department or the CFTC to either confirm or deny my allegations of what JPMorgan holds in physical silver in the COMEX warehouses and the bank's various methodologies for accumulating physical metal over the past 8.5 years. That neither will inquire has a lot to do with a man not seeing what his job requires him not to see. That failure on the part of the DOJ and CFTC is more troublesome than the crooked scam JPMorgan has been running for all these years.

While just over 4 million oz of physical silver came out of the COMEX warehouses this week, around that same amount came into the SLV. There was a 2 million oz withdrawal from the SIVR silver ETF yesterday as well, so it's safe to conclude that the physical movement of silver has been unusually active – something always noteworthy. However, even more noteworthy this week have been physical developments in gold.

For one thing, there were close to 1.3 million oz of gold deposited into the big gold ETF, GLD, over the past week or so. What made the deposits unusual was that trading volume in GLD wasn't particularly heavy and while gold prices rose on some days, they also fell on other days. It didn't appear to me to be plain-vanilla collective investment buying driving the physical gold inflows, leaving the explanation as either highly specific buying or metal deposits made to eliminate a chunk of the short position. Generally, physical gold deposits occur in GLD (and SLV) when prices and trading volumes are rising, but that didn't appear to be the case this time.

Also unusual in gold were the large number of contracts issued and stopped on yesterday's first notice day of delivery for the October COMEX contract. October used to be a traditional delivery month for gold, but that has diminished over the years - until yesterday. Last year, for instance, a little over 1800 gold contracts were issued and stopped for the entire October delivery month. Yesterday, roughly 4 times that amount were issued, or more than 7200 total gold contracts, the equivalent of 720,000 oz. Even more interesting were the individual issuers and stoppers.

The big gold issuers were HSBC with 4000 contracts from its house account and 3121 contracts from a customer(s) of JPMorgan. On the stopper side, the standout taker was JPMorgan with 3157 contracts in its own name. This was the largest number of gold contracts stopped by JPMorgan in its own house account since Dec 2017. As I'm sure I've mentioned in the past, when a clearing member firm makes or takes delivery on behalf of clients, there is no way of determining who the client may be. But when a clearing member firm makes or takes delivery for its own account and name, it is clearly known to be for the clearing firm itself.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

Therefore, we know that JPMorgan took delivery of 315,700 oz of gold in its own name and account yesterday, after taking delivery of 65,000 gold oz in the Sept COMEX delivery month. Since I contend that JPM has accumulated 25 million oz of physical gold over the past 8 years, I shouldn't be particularly surprised by this. I can't know what JPMorgan's next moves will be, but it's safe to conclude it is still accumulating physical gold (and silver) – all while being a very large (if not the largest) COMEX gold and silver short holder.

One would think that the highest law enforcement and investigative agency in the land, the US Department of Justice, in its ongoing investigation into precious metals price manipulation on the COMEX (centering on traders from JPMorgan), might have more than a passing interest that the largest COMEX short seller is simultaneously the largest physical accumulator. Moreover, one would think the DOJ might have an added interest into how the largest COMEX short seller, JPMorgan, has never suffered a loss in more than 11 years in trading COMEX futures. But based upon the Justice Department's record to date, the only reasonable conclusion is that one should stop thinking about such weighty matters – at least while there are so many spoofing traffic tickets to write.

The new COT report can't be called surprising in the large amount of managed money buying and commercial selling reported in gold, although there was a mild surprise that there was some managed money selling and commercial buying in silver. Both gold and silver ended higher over the reporting week, but gold's gains appeared more pronounced since it finished higher for 4 days of the reporting week, while silver only ended higher for one day.

In COMEX gold futures, the commercials increased their total net short position by

26,700 contracts to a record 345,100 contracts, exceeding the previous record high three years ago by around 5000 contracts. Thus, it is obvious that, as of Tuesday, the market structure in gold had never been more bearish. Whether it turns out that gold prices continue to move lower, as they have since Tuesday remains to be seen, but the lopsided commercial short position (and managed money long position) is still the sole bearish factor in gold (and silver).

It's also no particular surprise that the concentrated short position of the 8 largest gold traders is also very close to all-time extremes, since these big shorts run the ongoing COMEX price racket. All told, the 8 big shorts added nearly 16,000 contracts of new shorts, with JPMorgan appearing to have added 5000 new gold shorts this reporting week, increasing its gold short position to 55,000 contracts. JPMorgan added 5000 contracts of new paper shorts and then stopped more than 3000 new physical longs – why not and who cares? It's only the DOJ and the CFTC minding the store.

On the buy side of gold, the managed money traders bought 24,015 net gold contracts, consisting of new longs of 23,572 contracts and the short covering of 443 contracts. The resultant managed money net long position of 237,871 contracts (265,508 longs versus 27,637 shorts) is the largest (most bearish) in two years and quite close to the all-time extreme in 2016. I would imagine there has been managed money selling since Tuesday, but the real question is how much more selling there might still remain.

I would point out that the commercials, particularly the largest shorts, did add aggressively to shorts into the Tuesday price high and any buy backs done since then have been at profits for the newest short sales, but the bulk of the outstanding open

losses remain intact – for now.

In COMEX silver futures, the commercials reduced their total net short position by a scant 1,800 contracts to 75,800 contracts. This is the lowest net short position in about a month and does stand somewhat in contrast to the all-time extreme short position in gold, but can hardly be considered bullish for silver – just less bearish than in gold. I can't say I'm surprised by the relative weakness in silver versus gold since the Tuesday cutoff and would attribute that to the fact that silver is just much more manipulated than gold or any other market.

JPMorgan may have reduced its silver short position by perhaps a thousand contracts and I'll peg it as being short around 22,000 contracts. This coming Friday's Bank Participation report will, hopefully, allow a more definitive recalibration.

On the sell side of silver, the managed money traders sold 3686 net contracts, comprised of the sale and liquidation of 894 long contracts and the new short sale of 2792 short contracts. The resultant managed money net long position of 48,934 contracts (76,746 longs versus 27,812 shorts) while bearish in historical terms, is nowhere near as bearish as it is in gold. Whereas gold is close to all time extremes in positioning terms, silver is not as close to bearish extremes as is gold. And considering the relative price weakness in silver since Tuesday's cutoff, I would imagine there has been relatively more managed money selling in silver than in gold considering each market's size.

As I have maintained over the past few months (and many years before that) nearly all gold and silver rallies are a result of managed money buying that end when these traders get fully long and the commercials get fully short. Based upon the historical record, we now appear to be close to one of these inflection points. All things being

equal, this would appear to be a time of high risk of a selloff.

Fortunately or unfortunately, all things do not appear to be equal. There are two things unequal that come to mind. One is the deep financial hole the big shorts have dug themselves into by shorting so aggressively into the rally that began at the end of May. Never before had the 7 big shorts (excluding JPMorgan) been out so much in terms of open losses than they have recently.

While I suppose it may be possible for these big shorts to break even on their current short positions (if they open silver one or two dollars and gold by a hundred dollars or more lower one of these days), at this point that looks unlikely. After all, we're at the 50 day moving average in both gold and silver and the average shorting price is still so much lower that it would take a very violent price takedown from here to allow the big shorts to get out whole.

I'm certainly not ruling out that possibility, but at the same time, I'm still scratching my head at the fact that the big shorts have allowed such large open losses to this point that it seems hard to accept they are completely in control (as they always have been in the past). How did the big shorts possibly benefit themselves by going so deeply into a financial hole?

The other big thing that occupies my thoughts is the role of JPMorgan at this point. There should be no question that JPMorgan has amassed prodigious quantities of physical silver and gold and, in fact, is still accumulating physical metal. So much physical metal that the accumulated amounts dwarf any paper short positions held by JPMorgan. This means that in the event that gold and silver prices turn upward for any reason, JPMorgan will be the single biggest beneficiary. Let me repeat that – on higher silver and gold prices, JPMorgan gains the most.

Yet given JPMorgan's still sizable COMEX silver (110 million oz) and gold (5.5 million oz) short positions (still a fraction of its physical long positions), JPMorgan could turn out to be the single biggest beneficiary of a sharp selloff in price, particularly if it moves to buy back its shorts on a selloff. Let me tell you that that's an extremely unusual circumstance – JPMorgan being the biggest beneficiary of either an upward price explosion or a price downdraft. Heads JPM wins, tails it still wins.

So, in addition to the stone-cold crooks at JPMorgan never taking a loss in COMEX silver and gold futures trading for 11 years running and amassing more physical silver and gold than anyone in history, all while being the biggest COMEX paper short seller, I get to add yet another no-lose proposition for JPMorgan, namely, it will be the biggest beneficiary in the short term whether prices fall or rise. If prices fall (get rigged lower), JPM will likely buy back much or all of its paper silver and gold short positions, in the process increasing its true net long position by amounts and at prices it couldn't buy in purely physical terms. If prices instead turn higher and don't look back, JPMorgan will gain more than anyone.

The fact that JPMorgan can't lose and must win no matter what the short term path prices take can't, I believe, be refuted. But, sadly, not because anyone is trying to refute the facts, but because the Justice Department and the CFTC appear to be doing everything in their power to look away from the real silver and gold manipulation. JPMorgan has the silver and gold markets locked up tight and has put itself in the no-lose, must win position of all time and the DOJ and CFTC are content to chase after a few short term spoofers and pat themselves on the back at every turn.

After openly lying to the public in its May 2008 letter on concentrated short selling

by deliberately omitting the failure of the biggest COMEX silver and gold short, Bear Stearns, less than two months earlier, the CFTC went on to perfect the art of never addressing the most important issue again. Now, it would appear, the Justice Department has learned a valuable lesson from the CFTC when it comes to precious metals manipulation, namely, never address or mention the important issues, like JPMorgan's easy to verify manipulative actions, and stick to those issues which deflect attention, like spoofing. Why go after crimes that amount to many tens of billions of dollars in damages and do some real good, when you can get press coverage and accolades for uncovering a couple of millions of dollars in chicken feed spoofing charges?

The Justice Department, like the CFTC before it, appears to have taken the easy and chicken way out by doing its best to avoid a direct confrontation with JPMorgan over serious market manipulation matters. Nothing would make me happier than to be proven wrong, but I'm not holding my breath.

As far as where we go from here, it's still the same old song. The only bearish factor is whether the managed money traders will sell to the downside and we should soon find out given the proximity of the key 50 day moving average. While no one can know for sure whether the managed money traders will sell, if they do sell, I'm still of the firm opinion that should result in the very last price rig to the downside, based upon the reasoning that the big commercial shorts won't add aggressively to shorts after their near-death experience of the past few months. As for JPMorgan, it must be great to have achieved total criminal dominance over silver and gold to the point where no matter what happens, it will be the biggest winner. I'm still more convinced than ever that silver and gold prices will soar in the not too distant future and if the commercials succeed in flushing out the managed money traders one last

September 28, 2019 - Weekly Review

time that will mark the bottom for a very long time to come.

Ted Butler

September 28, 2019

Silver - \$17.60 (200 day ma - \$15.77, 50 day ma - \$17.47)

Gold - \$1504 (200 day ma - \$1360, 50 day ma - \$1499)