J.P. Morgan Getting Squeezed In Silver Market?

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It is widely known that J.P. Morgan (NYSE: JPM) holds a giant short position in silver. Furthermore, some observers are accusing the bank of acting as an agent for the Federal Reserve in the market – every tick higher in the price of silver undermines confidence in the U.S. Dollar. A lower silver price helps keep the relative appeal of the U.S. dollar and other fiat currencies high.

By selling massive amounts of paper silver in the futures market, JPM has been able to suppress the price of the precious metal. It is believed that these short positions are naked (i.e. they are not backed by any physical silver). In fact, reports indicate that JPM is short more paper silver than physically exists in the world.

An article by Max Keiser which appeared in the Guardian on December 2, 2010 claims that the size of the short position is 3.3 billion ounces of silver.

In recent days, rumors have been swirling on the internet that JPM's massive short position is about to blow up in their face in the form of an almighty short squeeze and potential COMEX default as large traders demand physical delivery of silver that COMEX does not have in their vaults.

J.P. Morgan is currently under investigation by the CFTC for allegedly manipulating the price of silver. The investigation into the bank can be traced back to November 2009 when London metals trader and whistleblower Andrew Maguire contacted the CFTC to report market manipulation prior to it actually occurring.

Maguire had been told by J.P. Morgan commodity traders that the bank was manipulating the price of silver and subsequently reported this to the CFTC. He also gave the CFTC two days' notice about an impending silver manipulation that would take place around the Nonfarm payrolls number on February 5, 2010.

The manipulation played out EXACTLY as Maguire had predicted. You can find the emails between Maguire and Ramirez here. Shortly after this information came to light, the whistleblower was involved in a bizarre hit and run accident in London which caused him and his wife to be hospitalized.

The price of silver has absolutely exploded in recent months as these reports have surfaced and it is clear that blood is in the water. The predator (J.P. Morgan) has now become the prey. Every tick higher in the price of silver brings more pressure on the bank to cover their short position. This in turn puts more upward pressure on the silver price.

It is not clear if JPM has been actively trying to reduce their exposure or not – but something is definitely going on. The price of the widely traded iShares Silver Trust ETF (NYSE: SLV), which tracks the spot price of the precious metal, has exploded in recent months.

On August 23rd, the SLV closed at $17.61. The ETF closed on Friday at $28.60 and the price of silver is now trading at 30 year highs. Over the last three months, SLV is up over 47%.

In the overnight futures session on Sunday night, silver is currently trading 2.27% higher at $29.935. SOMETHING IS GOING ON. Making matters worse for JPM is the fact that a viral campaign (Crash JP Morgue Video) to buy physical silver and "crash" the bank is now spreading like wildfire on the internet. Just Google Crash J.P. Morgan Buy Silver.

Furthermore, it appears that significant physical silver shortages are developing in the marketplace and the metal is being sold well over spot where it is available. Shortly after popular financial blog ZeroHedge posted the "Crash The JP Morgue" video (linked to above), the website which created the video, goldsilvergold.com, reported that it was sold out of inventory and will not be taking new orders until December 6.

Another report indicates that JPM may really be on the ropes with their short silver position and are attempting to hedge themselves by buying $1.5 billion worth of copper. According to the Telegraph, the bank has bought "between 50% and 80%" of the 350,000 tonnes in reserve at the London Metal Exchange.

ZeroHedge opines that "JP Morgan is now intent on cornering the copper market, as the monopolist firm stretches its FRBNY-facilitated muscles in an attempt to stem the massive losses incurred via its silver short."

Readers who are interested in learning more about this story are encouraged to do follow up research and post comments. Those who wish to participate in squeezing the living daylights out of JPM, may want to consider buying physical silver, silver futures and SLV.

Keep a close eye on this market during the coming week…

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