

## February 22, 2012 – The Highest Level Possible

### The Highest Level Possible

It occurred to me that as much as I preach about keeping the right perspective, sometimes I don't follow my own advice. Since I get caught up in the silver manipulation, I tend to study and write about silver from that particular viewpoint. There's nothing fundamentally wrong with that because I believe that it is at the core of what is important in silver. But it dawned on me that perhaps I haven't fully conveyed the investment implications of what an end to the manipulation would mean to the price of silver. First, however, let me set the stage a bit.

It is said that no matter what you choose to undertake in life, you should pursue it to the very best of your abilities. I think that also applies to matters in which you develop an interest. Why waste time on something if it's not interesting and important? If it further turns out that such an interest leads to an actual financial investment, then for sure you want something worthy of your time, homework and hard-earned money. On that criteria, I believe silver is the most interesting subject and endeavor in the investment world. Certainly, there are a good number of observations indicating that silver is important from the perspective of the allegation that it is manipulated.

Whether you agree that silver is manipulated in price or not, there are some things that are clear. Manipulation is the most serious market crime possible and that's why preventing it is the Commodity Futures Trading Commission's prime mission. Aside from the fact that the current CFTC investigation of silver is, by far, the longest-running investigation in that agency's history, it is the third formal silver investigation in the past eight years. No other commodity has been investigated by the Commission more than silver. That's for good reason. Over this same time, the CFTC has received more public complaints on silver than the total complaints received on all other commodities combined. By those measures alone, the matter of a silver manipulation more than meets the standard of being interesting and important.

One of the things most overlooked in the ongoing silver manipulation debate is the incredibly high level at which it is occurring. Not only is market manipulation the highest concern of the CFTC, the allegations have been presented to the highest levels of the agency – from the chairman and commissioner level on down. This is as it should be, considering the gravity of the matter. (It's a shame that Bernie Madoff was not brought to the chairman and commissioner level at the SEC before that scandal became history).

No matter what you attempt, do it at the highest level possible. You want to be careful in sticking to the facts and not introduce frivolous arguments; but if the facts are correct and the thesis is sound, then there is no reason not to take it to the highest levels. That's behind my petition that you contact your elected representatives to have them prod the CFTC to complete their stalled silver investigation. Talk about a high level  $\hat{A}$ ? it's hard for (US) citizens to aim higher than in asking Congress for help on an important matter. Those who have done so are fulfilling an important civic duty and the responses I have received from you indicate your representatives have handled it accordingly. No petitioner has been told that the delay in the silver investigation or the issue in question is not an important matter.

Even the names of the alleged miscreants are at the highest levels possible. CFTC data and correspondence identify JPMorgan as the big COMEX silver short. JPMorgan is the nation's largest bank (by assets) and among the most important financial institutions around. It would be hard to go higher than that. (Before JPM, I alleged that AIG was at the center of the silver manipulation.) Additionally, the CME Group, owner of the COMEX, is the largest derivatives exchange in the world and central to the ongoing silver scam. Not only are the alleged silver manipulators at the very top of the financial food chain, just like is the case with the CFTC, those contacted about the silver manipulation are at the very top of these organizations, namely, the chairman and CEO levels.

Summarizing to this point; the crime of market manipulation is the most serious market crime possible and the most important function of the federal agency created to deal with it. That agency, the CFTC, has received more public complaints about a silver manipulation than any other single issue in that agency's history. Those complaints have been directed to those at the highest level of the agency. Now, numerous elected officials have been brought into the fray to prod the CFTC to finish the longest investigation in history. The alleged manipulators include the largest commercial bank in the US and the largest derivatives exchange in the world; with the allegations also brought to the highest levels possible within those organizations. For all practical purposes, it is almost impossible to go higher.

Whatever the final determination of the silver manipulation, let it be said that it has been elevated to the highest level possible. Now let's discuss the outcome of the CFTC's silver investigation. There are three possible outcomes. One is that the agency will try to avoid making a definite determination until we are all dead, including them. Since the current investigation is being conducted by the Enforcement Division and not by the Division of Market Oversight (as was the case for the first two investigations), the agency may try to resort to saying nothing and pretending that all was well with no explanation. This is the weasel's way out. I'm hoping that pressure from congress will eliminate what may be the favored outcome by the agency.

Second, the CFTC may find that there has been no wrongdoing in silver, as they did in 2004 and 2008. The key here is whether they provide detailed rebuttals to all the important matters raised. Those matters include an explanation for how the price of a world commodity can twice fall 35% in a matter of days with no observable supply/demand justification. Plus, the Commission may have to answer how a US bank holding the equivalent of 25% of the world production of a commodity short would not be manipulative to the price, in and of itself. My guess is that the agency would prefer to choose either of these first two options.

If the CFTC chooses the no wrongdoing in silver route, it seems to me that the matter won't go away, just like it didn't go away in 2004 or 2008. Please remember that the allegations are much more specific in the current investigation than in the previous silver investigations. In addition to the "impossible" 35% price smashes of 2011, under extremely suspicious trading circumstances, there is the matter of the specific identity of the big COMEX silver short. When the current investigation began in 2008, it was not known that JPMorgan was the big short, as I only learned that from CFTC correspondence after the investigation was initiated. This makes it more difficult for the CFTC to convince you to move along, as there is nothing to see here. I'm not saying the CFTC will try this, as I'm not trying to handicap the outcome, just present the possibilities. No mention of JPMorgan in the CFTC's eventual finding will leave many cold (and me frostbit).

That leaves the third possible outcome to the CFTC's silver investigation and the subject of this piece, namely, that the agency finds that the silver market has been manipulated. Make no mistake – that would be the proper finding. In that event, the silver world should be turned on its head. A finding that the silver market was manipulated, along the lines of what I have been writing for decades, would necessitate the Commission moving against the manipulators. After all, this is a formal Enforcement Division investigation, not an academic debate. Any finding that the silver market was manipulated would result in charges or, perhaps, a finding of such and a simultaneous settlement.

If the agency does the right thing and finds that the silver market had been manipulated, the silver world would change overnight. Suddenly, the world would come to realize that silver had been a crooked market from no less of a source than the US Government itself. No more vague suspicions or arguments about far out conspiracy theories about people (me) who didn't know what they were talking about. No more anything of that sort. The matter would be settled for all time. Yes, I will derive immense personal satisfaction from such an outcome, but there is a lot more to it than that.

This is where I think I have fallen down a bit in my analysis of the silver manipulation in putting this in the proper perspective for you. I don't write much or at all about Greece, Europe, Iran, QE3, the dollar, inflation or who will be the next president. But that's not because those things may not impact silver at some point, as they may. I don't write about them because, compared to the silver manipulation, all those things are secondary. If JPMorgan and the CME are going to be allowed to continue to manipulate the price of silver, who cares who is the president, at least as far as the price of silver is concerned? But break the silver manipulation and we're talking about a whole new ball game.

In the event that the CFTC does what is correct and what is required of them to do by the rule of law, then you better own some silver. A sudden announcement that a US Government agency found silver to have been manipulated to the downside would likely trigger off reactions from world silver producers, consumers and investors that are impossible to fully comprehend. Miners would be angry for having been cheated by artificially low prices. Industrial users and investors would rush to buy before others did so. This event alone could quickly spiral into the silver bubble I wrote about recently. The legal repercussions are also hard to fathom for a manipulation that lasted for many years. But the bottom line is that it would likely set off a buying wave never seen before. Please remember this is a highly unique situation specific only to silver; there is no gold, or corn, or crude oil investigation underway. Therefore, any price impact should be primarily confined to silver. This outcome is not the only reason to buy and hold silver, but it would be enough if it were the only one.

Because the price stakes are so potentially explosive in the event the CFTC moves against the silver manipulators, I think that may go a long way to explaining the agency's foot-dragging to this point and why they need to be pressured to do their job. I know that many, perhaps most, of you believe that the silver manipulation is run by the government (thru JPM) to protect the dollar or maintain some semblance of normalcy in the financial markets. Given all the facts, that's certainly a plausible explanation. My take is different – I think the agency knows full well that a crime is in progress but is afraid to set off what would likely be a major silver market reaction. But it is time for the Commission to man (and woman) up and uphold their most important responsibility of all concerning manipulation.

Perhaps one of the reasons I haven't emphasized the price reaction that a finding of manipulation by the CFTC would likely bring is because I didn't want to inadvertently scare the Commission more about the price prospects than they may be already. But the flip side is not speaking fully to you and I don't want to do that either. The matter has been raised to the highest level possible and it is time for the Commission to recognize that the buck stops with them.

Ted Butler

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Silver – \$34.40

Gold – \$1780

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