

Jan. 4, 2010 – More Q & A

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I've received a number of good questions from subscribers that I'd like to publicly address. I'm saving for a future article the issue of confiscation, which several readers have asked me about recently. Here are a couple of questions that touch on important topics. As I have done in the past, I am not editing the questions in any way.

Dear Mr. Butler

Thank you for sorting out my logging-on problem.

Prior to subscribing to your letter service I followed your thinking through other publications and have benefited handsomely from your thoughts.

The one thing that bugs me deeply is the question, what can Morgan & others be thinking? They must know what you know and probably have access where you don't. I spent my life in the financial world and I know what happens outside regular channels. The point is, the manipulators know all the facts you write and speak about, so I want to ask what do they know that we don't? Morgan is in the business of making profits and they appear to be doing something highly illogical. They must be back-stopped somehow. What do you think?

My second question is **WHY ARE THEY DOING THIS?** Silver has not been a major monetary metal since the 1960's. The size of its market is tiny compared to gold, let alone the FX. So, what are they trying to prove? Why not mess around with palladium or platinum as well?

I accept that gold is being manipulated because it is **THE** monetary metal and the USA's reserves are almost entirely gold. I shudder to think this but do you think the manipulators have access to Fort Knox?

I have gold & I have silver. I also have misgivings because I fear that the other side of my trades is the U.S. Government and their power, ultimately, comes out of the barrel of a gun!

What a mess, when you have to question the integrity of the Government!

Sincerely

Bron

Thanks for the questions, Bron. I'm going to confine my remarks to silver, as I would only be speculating in talking about gold and Fort Knox. One thing I will point out, however, is the level of official holdings of gold and silver by the US Government. The USG is reported to be the largest holder of gold in the world and was formerly the largest holder of silver in the world (some 60 years ago). Although there are many who doubt that the USG holds as much gold as it reports, I don't know of anyone who thinks the US Government is lying when it states that it owns no silver any longer. My point is simple - maybe it is possible for the government to release physical gold to help out the manipulators in a pinch, but it is impossible for them to release physical silver to depress the price. That's a real big advantage for silver.

Your first question is what JPMorgan may know that we don't know? There is no doubt that they certainly should know more, since they are the largest dealer on the COMEX. However, they and other large financial institutions should also have known a lot more about the real estate and mortgage debacle that nearly took down the system. Therefore, being large and supposedly in the know is no guarantee against making large blunders. If there is some special attraction to being short an absolutely massive amount silver in today's circumstances, that attraction has escaped me. I am convinced, as you suggest that there is some type of government backstop.

As I've tried to indicate in the past, JPMorgan didn't wake up one day and decide to become the largest silver short in the world. Their short silver and gold positions came as a result of the Bear Stearns takeover. That's why JPMorgan got short. Up until the takeover, JPMorgan was not a major participant in COMEX silver and gold, according to past Bank Participation Reports. After the takeover, they have been the giant and dominating short. I think the answer to your question has to do with reality. JPMorgan remains short because there is no graceful way out; they are trapped. It doesn't mean that they are not a danger to the market, because they certainly are, just like a cornered rat. But why they remain short is simple - there is no one who will sell them 200 million ounces of silver near current prices. Therefore, the stalemate continues, until broken by physical wholesale shortage or default on the COMEX.

Hi Ted,

First of all, Happy New Year to you and your family and hopefully 2010 will be a PROSPEROUS one!

Secondly, I have 2 quick questions that hopefully you can touch on in your future articles:

- 1) Why are you sticking your neck out and stating 2010 the manipulation will end? You must have more info correct?
- 2) Why the sudden loss of faith in Gensler? I read his biography at USA Today and the guy seems highly respectable.

I am a small investor who decided to buy silver after reading all your silver research. If I had never read your writings sponsored by Investment Rarities, I would never have bought silver. At first I bought 100 oz Engelhard extruded bars, but that was BIA (before Izzy's article) After that, I sold my bars and now have about 100 kilos ~~in US Silver Eagles (all year 2008) Since I am 35 years old, I am prepared to hold these for at least 15 years until~~

I am 50. I am waiting for these Eagles to equal the price of gold like Izzy states. If 2010 does bring the manipulation, that is wonderful, but I am holding these for the long term at much higher prices.

Thanks for all your in-depth research and I look forward to purchasing your book if you publish one in the future after the price explosion and bubble!

Sincerely,
Martin

Thanks, Martin. While I do study the market very closely, I basically rely on public data. As such, I am the ultimate outsider and have no access to inside information. The reason I am predicting the end of the manipulation in 2010 is because it has become too widely known and visible to continue indefinitely. It's hard to pull off a scam like this when many become aware of it.

Increasingly, the allegations I raise publicly have become very specific. I've identified the big short as JPMorgan. I've based my allegations on verifiable data from the government itself and couched those allegations in the proper regulatory framework, such as concentration and legitimate position limits. The CFTC, in response to these allegations, has tried to avoid the issue, hiding behind a never-ending investigation and a delay in proposing proper position limits in silver. I've even made formal complaints to the CFTC's Inspector General about clear public misrepresentation in their May 2008 report on silver. Many hundreds of readers have also written in on these issues and I feel this has exerted a powerful force on the regulators. Because the issues have become so specific and have been voiced by so many, it's hard for me to see how this could be swept under the rug for another year. As it has become so obvious, it can only be a matter of time before enough real investment demand comes in to call the shorts' paper bluff.

For the record, I have not suddenly lost faith in Chairman Gensler. As you know, I have been his biggest fan from day one and still feel strongly that he is smart, honest and a dedicated public servant. But day one was seven months ago and it is time for him to deal with the silver manipulation. Silver has become the dirtiest word in the regulator's language; it seems it must never be mentioned, even though more people have contacted the CFTC about silver than any other issue.

It bothers me that Chairman Gensler has yet to fulfill his responsibilities under the law and the mandate from the majority of those who have contacted him to address the specifics in silver. Why isn't there some open debate and transparency? My fear is that Chairman Gensler is being held captive to political pressures, including the Federal Reserve and the Treasury Dept, as a result of JPMorgan's takeover of Bear Stearns. He is too smart not to know the real issues in silver at this point and how wrong it is to let this crime in progress continue. In spite of the tremendous pressure I imagine he is under, he did take an oath of office to uphold the law.

Hopefully, I am just getting impatient with the slow pace of reform and Chairman Gensler's future actions in silver will match the clear words he has spoken about concentration, manipulation and position limits. You are correct to view silver on a long-term basis, regardless of whether my prediction of the manipulation's demise in 2010 comes to fruition.

Ted Butler

Jan. 4, 2010

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