

January 5, 2011 – Sell-Off Update

### Sell-Off Update

There are about a hundred silver related thoughts I want to write about, but I thought it appropriate to briefly comment on the price drop over the past 36 hours. The price of silver has been down more than \$2 from the price at the time of my piece from early yesterday morning. I did have a bad feeling in that piece, but the subsequent price smash has relieved much of that feeling. Two dollars is still a big move, although not as big percentagewise as when silver was much lower in price. We have been expecting volatility, after all, and that's what we just got. Normally for any item priced close to \$30, such a drop wouldn't generate the same emotional and intellectual intensity as silver's drop, at this time. That's because more are growing aware of silver's manipulation and correctly assume the price drop was related to the manipulation. The bad news is that the COMEX commercial crooks did succeed in their blatant attempt to rig prices lower and force as many leveraged and other nervous longs to sell out long positions so that the crooks could buy. The good news is exactly the same, namely, much liquidation has occurred. That's what this decades-long manipulation has been all about.

The key question is what's next? For the most part, that depends on how much more long liquidation the commercials can induce. My guess is not much more. Despite the increase in the last COT for the commercial short position, it was still a pretty low number overall. We have had high volume and, most likely, notable improvement in the market structure as a result of this intentional sell-off. My guess is that the COT and Bank Participation Reports on Friday will show a decent reduction in the commercial short position. For all intents and purposes, I think this sell-off is, effectively, over. I'm telling you this to give you a firm sense of what I think in clear terms.

It is not my intent to run a market-timing service. Short term speculation is particularly difficult. Therefore, I try to avoid dwelling on it. Instead, I try to highlight times when the risk appears low, mainly due to current COT and other considerations, and when it may be a good time to buy, but always with a long-term vision in mind. I did that back in July-August (silver at \$18) when I thought we might see a \$5 to \$10 pop coming, and again more recently on Nov 17, when silver was at \$25.25. Those were pretty good calls, but not all my calls fair as well short-term. I remember one that still causes me to cringe. It was back in the great silver wipe-out of 2008, when I pounded the table at \$15. That turned out to be a great long term call (which was the way I intended it), but it stunk the joint up pretty badly for a while as we slid to under \$9 in the fall of 2008. Judge for yourself <http://news.silverseek.com/TedButler/1218511144.php>

The point here is that this sell-off appears largely done to me, but in the short term, no one knows for sure. So what you do is to not get fixated on the short term (yes, that's from the Book of do as I say, not as I do) by not buying or holding anything on margin, in order to allow for timing miscalculations. If you just have to hold something on a leveraged basis (some of us are so compelled), throw some money away on call options. Just don't put yourself in a position of having to sell if silver prices move lower temporarily.

I still reflect on missing the bottom initially in 2008, although I increased my bullishness as we hit and scraped along the bottom. I ask myself if we can sell-off so sharply again, namely, by so many dollars. The only honest answer is we could, especially considering how crooked the big shorts can be. But conditions are much different today in a number of important ways. I hadn't quite figured out yet that JPMorgan was the big COMEX short at the time of my old article (I did so shortly thereafter). Now, that is common knowledge, and a further sharp sell-off should result in more public pressure on JPM. Similarly, there was no CFTC investigation in force then as that would come in a month or so. As crooked as the COMEX commercials are, a further silver sell-off would likely add to pressure on the Enforcement Division to do or say something about what I believe is now the longest running investigation in division history. Additionally, the issues of concentration and position limits were not uttered by the CFTC, as Gary Gensler wouldn't become chairman until the next year. The many civil lawsuits recently filed are related to what took place in 2008, so that is new as well.

Perhaps the greatest difference between then and now is the level of awareness by so many more people of the silver manipulation, especially including the commissioners and staff at the CFTC. This is a difficult problem for them to solve in a non-market disruptive manner. Perhaps I am hopelessly naïve, but I still believe they are capable of doing the right thing, although I do admit that I have grown weary of their failure to do so. I know many of you are beyond weary. But the advanced state of awareness of the silver manipulation today, compared to 2008 argues against the sell-off mirroring the one in 2008.

As I was preparing this piece, I received an email from a subscriber that I'd like to share with you. It was sent by him to the commissioners at the CFTC that he sent me a copy of. Once again, I confess to perhaps being hopelessly naïve, but this is the kind of message that must have some influence on an honest civil servant.

Honorable Chairman Gensler, Commissioner Chilton, Commissioner Sommers, Commissioner Dunn and Commissioner O'Malia:

The Silver sell-off of yesterday and today is just more crystal clear evidence of the crafty work of JP Morgan et al. You know what measures need to be implemented to fix the problem. YOU are the only ones who can fix this organized and blatant corruption. This continuing crime-in-progress is not only

unfair, but truly disheartening to taxpaying Americans, and it is YOUR duty to regulate and promote fair trade. Please step up and be part of the Solution. No action on your part fosters distrust in the CFTC, and draws the conclusion that you are intertwined in the corruption problem. This is your chance to be heroes for the American public. Please, as our custodians, do what is right for America and stop these arrogant Wall Street bullies. Thank you.

Respectfully,

Rick C

There are many silver issues that need to be discussed in the near future, including the resolution of position limits. I know I have fallen behind in answering all your emails and in answering questions, even those where I have promised a public answer. Please don't hesitate to remind me. I will not take any offense at you resending what hasn't been answered. Please mark any resent questions with "second request".

Ted Butler

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Silver – \$29.30

Gold – \$1375

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