

June 1, 2010 – Bad Men At Work

### Bad Men At Work

As I stated in this week's King World News interview, there was a notable improvement in the COT structure. I'd like to comment further on what has transpired over the past couple of weeks. It's hard for me to see anything but a blatant case of price manipulation in COMEX silver over the past two reporting weeks. And all proved by data in the COTs.

The period in question covers the weeks ended May 18 and May 25. In the first COT, prices continued a rally in the reporting week to a high of over \$19.75, up more than \$2.50 from the low of a week or so earlier. A pretty big move. The rally was caused by strong technical fund buying, which was met with commercial selling, as prices moved from below key moving averages to above all moving averages. It's this price movement below and above the various moving averages that motivates the tech funds into selling and buying on a mechanical (technical) basis. These technical funds use these price movements as their sole signals to buy or sell. They buy as prices climb and sell as prices fall.

Everyone knows how these tech funds operate and almost when they will buy and sell, especially the commercials, who do the opposite because they are the tech funds' counter parties. The only difference between everyone knowing what the tech funds will do and the commercials knowing is that the commercials are big and collusive enough to dictate when the tech funds will do it. In other words, the commercials, as a group, can rig the price so that the tech funds will buy and sell on command. The commercials know when to lay back and let the tech funds pay up on tech fund buying; and when to remove bids when the tech funds are selling. It is the commercials' illegal cohesion and collusion that permits them to skin the tech funds. This is to the commercials' gain and to the detriment of the tech funds. I don't care much if the tech funds lose, but this commercial price rigging damages innocent bystanders and greatly undermines market integrity and the rule of law. Prices are supposed to reflect real supply and demand, not some manipulative game on the COMEX.

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Focusing primarily on the technical funds, by way of the managed money category of the disaggregated report, on the price rally into the week ended May 18, a net total of 5,551 contracts were bought by technical funds, or the equivalent of 27,775,000 ounces. These tech funds added to a large existing long position. Even though this was strictly COMEX paper silver, I can assure you it was the largest amount of any type of silver traded in the world during this time. As such, it is what set the price of silver everywhere. The sellers were mostly the smaller commercials, the ones I refer to as the "raptors," other than the largest 8 commercial short traders.

It is important to note that these smaller commercial raptors have held a net long silver futures position for several years. The last time the raptors were net short as a group was back in February 2007. This is in contrast to the 8 largest commercials that have been net short the silver market for many years, if not forever. But just because the raptors have been net long for several years, it doesn't mean they are good guys, as they game the silver market as viciously as the big commercial shorts. The only difference is that the raptors sell out long positions on price rallies and then look to buy them back on the sell-offs they self-create. Some might say they are just good traders, buying low and selling high, but it is a lot more than that because the raptors use collusion and a variety of dirty market tricks to rig prices as much as the big shorts. In fact, it was the raptors, acting collusively, that manipulated the price of silver over the past two weeks. The biggest short commercial crooks, led by JPMorgan, were largely inactive during this time. Don't misunderstand me "JPMorgan and the other big commercial shorts are as crooked as a June day is long; it's just they appeared to take the past two weeks off from overt criminal activity in the silver market.

The just-released COT for the reporting week ended May 25 was a mirror image of the first week. During this week, the price of silver fell \$2, also a big move, to below most key moving averages. This sharp price movement down, collusively engineered by the raptors to force the tech funds to sell had its desired impact. The tech funds responded to the raptors price rigging by selling a whopping net 10,407 contracts, or more than 52 million ounces of silver. There should be no question that the sudden induced sale of 52 million ounces of paper silver was what caused the price to drop. No other event in the world of real silver supply and demand came close to explaining the sudden price drop. The raptors, the architects and masterminds behind this price smash bought over 6,700 contracts of what the tech funds sold. My guess is that the 4 or 5 raptors at the heart of this collusive sell-off pocketed over \$35 million for barely two weeks' worth of manipulation. I've intentionally used the word "collusion" repeatedly in this article, because I fail to see how events could have played out without it. I have to laugh when I recall the CFTC writing that they could find no motivation for silver to have been manipulated. Maybe the crooked commercials are kicking back something to whoever said such a deceitful thing.

There is good news and bad news here. Let's do the bad first. This is a blatant instance of manipulation that only someone intentionally averting their eyes could fail to see. Obviously, this includes the Enforcement Division of the CFTC which is allegedly investigating whether silver is manipulated. This Division, supposedly the "tough guys" at the agency, has been investigating silver for more than 20 months. During these 20 months, there have been numerous instances of silver being overtly manipulated, with what has transpired over the past two weeks not that unusual. This latest silver takedown during a formal investigation is like the FBI staking out a bank for an anticipated robbery attempt, only to have the robbers pull-off numerous successful heists while the feds watch. In that case, and in the case of the Enforcement Division of the CFTC, it is time to get new blood on the crooks' trail. The investigators are not earning their keep. There are plenty of qualified candidates in the current economy ready to take their place.

After all this time, the Enforcement Division still has not contacted me in the current investigation, even though I was the one most responsible for them initiating the investigation in the first place. This despite repeated assurances from the agency that they would be contacting me "soon." I'm not trying to put myself at the head of the hit parade, but not speaking with me is just plain dumb or worse. The information I would refer them to is their own damn publicly-released data. I've come to the conclusion that no one at the CFTC understands the data they are publishing. Their incompetence or corruption is allowing the silver manipulation to continue. I've also been told that Andrew Maguire had also provided them with additional detailed information over the past two weeks. Increasingly, it is looking like the CFTC is the most hopeless or corrupt federal agency of all, in spite of great hopes by me for the change Gary Gensler might bring. I guess we should be thankful that the CFTC is not in charge of the Gulf oil catastrophe.

While the ongoing manipulation and the failure of the CFTC to uphold its mission is bad news, there is good news here as well. The price takedown did clean out a significant number of tech fund longs, removing much risk from the market. JPMorgan still appears to be in retreat on its giant concentrated short position. Most importantly, the physical wholesale silver market still appears to be as tight as a drum, at the same time investment demand appears poised to expand on a long-term basis. The only ingredient needed to be added to the bullish mix is the passage of time. The CFTC had a great opportunity to serve the interests of the American people and advance market integrity and the rule of law. They appear to have dropped the ball. Now, market forces apart from legitimate regulation will take over. The correct approach still appears to be hold on tight, as silver is embarking on a wild and profitable ride. Don't let the bad men shake you out.

Ted Butler

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