

On April 14, I wrote about the nice set up for a silver and gold price rally.

<http://www.investmentrarities.com/04-14-09.html> This was based upon a number of factors, principally the market structure on the COMEX, as defined by the Commitment of Traders Report (COT). In the days immediately following that article, prices continued to decline before embarking on a notable rally of close to \$3 in silver and \$90 in gold from the lows.

I was hopeful, in the original and a subsequent article, that the big short sellers in silver and gold, thought to be led by JPMorgan, would break from past practice and refrain from selling additional contracts short on the expected price rally. And maybe even buy. This would lift the yoke of manipulation and the price of silver and gold would really climb. Unfortunately, the data revealed in the most recent COT reports indicate that the big shorts are adding to their already large and concentrated short positions.

From almost the day of the recent price lows in gold and silver, as measured from the COT as of April 21 to the close of business May 19, the commercials have increased their total net short position in silver by more than 16,000 contracts (80 million ounces) and in gold by more than 33,000 contracts (3.3 million ounces). The reciprocal of this is that the non-commercials and non-reportable traders have increased their net long positions by those same amounts. In a moment, I'll introduce some new data intended to show why this is manipulation. Further, since the cut-off in the most recent COT, there appears to have been an orgy of additional speculative buying and dealer selling, especially in gold, maybe in excess of another 30,000 contracts.

We are now at COT levels in silver and gold more negative than anytime since last summer. (Including the amount thought added in gold since the cut-off Tuesday).

Please don't interpret this as a suggestion to sell long-term positions. That is not my intent, nor the purpose of this article. There are many positive factors, just not the COTs any longer. Silver is going much higher in the long run, for sure, regardless of what happens in the short term. The COTs are short term in nature and have nothing to do with the long term. Besides, the manipulative silver shorts could always get overrun and that would add incredible fuel to an upside move.

So, if it's not my intent to predict the short term, then why bring up the COTs at all, especially when they are negative? For two reasons. One, I think the COTs are an important analytical tool. Since I point to them when I think they indicate a rally, I must also point to them when they deteriorate. It's simply a matter of analytical and personal integrity. Two, the COTs do have everything to do with manipulation.

I have read comments that question why I bring up the issue of manipulation only when prices are declining, not when prices are rising. That's nonsense. I'm bringing up the issue now as prices have risen. Manipulation either exists or it doesn't exist. The factors that determine whether a market is manipulated apply whether the price is rising or falling. In fact, the recent COT data paints a compelling new portrait of that manipulation.

This is somewhat detailed, but please remember that the intended recipient is the CFTC and their Division of Enforcement. It is now more than nine months since the latest investigation into a silver manipulation has been underway. Like the two previous silver investigations, in 2004 and 2008, the CFTC has not seen fit to hear me out in this matter. They only hear out the shorts, presumably so they all can get their stories in synch. This, despite the fact that I was the reason they investigated in the first place. That makes as much sense as an active murder investigation, open for

years, in which the police refuse to speak with the sole eye-witness who tipped them off originally. It makes you question their motives. Perhaps the new Chairman of the CFTC, Gary Gensler, recently confirmed by the US Senate, will look into this. (I'm going to send him this article and suggest you do the same. His address is at the end of this article).

A manipulation cannot occur when many unrelated and diverse entities buy or sell. The free market thrives on many unrelated participants buying and selling. You can have mass hysteria and a price bubble on extreme group behavior, but not a manipulation. A manipulation can only occur due to the buying or selling by one or a few entities, where such buying or selling influences price. With that in mind, let's take a detailed look at the recent data in the COTs for silver and gold.

As I indicated above, COT data shows more than 16,000 silver contracts and 33,000 gold contracts were sold by the commercials and bought by all other traders on the price rally, with more since the cut-off. As expected, most of the commercial selling was by the raptors, the smaller commercials who were net long. But roughly 40% of the commercial silver and gold contracts sold were by the four largest traders, commercials who already held a large concentrated short position. In fact, the 4 big shorts accounted for all the new short selling in silver and nearly all the new short selling in gold, and that includes all the other traders in every category - commercial, non-commercial, and non-reporting. Both before the recent rally commenced and since, there would be no commercial short position, at all, in silver and a tiny total commercial short position in gold, were it not for the four large traders. A very few big traders exist on one side of the market - the classic hallmark of manipulation. Nothing new here.

What is new is this. On the rally, in which the 4 big traders accounted for almost all the short selling, what was the concentration on the long side? You don't hear me talking often about the 4 big long traders in COMEX silver and gold futures. There's a good reason for that. The concentrated long position is tiny compared to the concentrated short position. In gold, the largest four short traders hold a position almost double the position held by the largest four long traders. In silver, the big 4 shorts hold a position more than four times the size of the big 4 longs. As lopsided as that is, the data on the recent rally is even more extreme.

Whereas the four big shorts in silver and gold accounted for nearly all of the short selling on the recent rally, guess how much buying the big four longs accounted for? The answer is zero. In fact, less than zero, in that the four big gold longs sold 9,000 contracts net, while the four big silver longs sold 2300 contracts net. Let me repeat that - while the 4 big gold and silver shorts added significantly to their already large short position, the 4 big longs in gold and silver reduced their long positions. No buying by the big longs, massive short selling by the big shorts. What does this mean? It means lots of smaller entities bought, while just a few giant traders sold a lot. Many bought, few sold.

Remember, you can't have a manipulation if many diverse entities are buying or selling. You can only have a manipulation when a few entities act in concert to influence price. This is exactly what just occurred in COMEX gold and silver. It couldn't be clearer and it comes from government data. Alarms and whistles should be blaring at the CFTC, at least enough to wake them from their deep slumber. And to those who might say prices did actually rise in spite of this additional and concentrated short selling, so what? If these big four shorts in silver and gold hadn't added to their already concentrated short positions, wouldn't prices have rallied

much more than they did? That's why rising prices alone don't negate the possibility of short side manipulation.

I can see it now. Another round up of CFTC investigators, market surveillance staff and their economists to come up with some legitimate-sounding excuse as to why their new data isn't another smoking gun proving manipulation. Anything to make it appear different than what it actually is, namely, more manipulative behavior by JPMorgan and their sidekicks. I have this image in my mind of countless CFTC meetings where the sole purpose is how to deflect the latest evidence of silver manipulation and do everything possible to avoid upholding the law.

And to those who persist in suggesting that the concentrated and manipulative short selling by the big shorts is somehow a legitimate hedge, let me ask this. How is it possible that the short concentration in gold and silver futures can run to record levels when all reports of hedging by the miners is shown to be at a decade low? What are they hedging?

Here are the addresses for the CFTC commissioners and staff, including the new chairman, Gary Gensler. Please write to him, but be polite, as he has only been on the job for a few days, unlike the others.

Ggensler@cftc.gov

Mdunn@cftc.gov

Wlukken@cftc.gov

Bchilton@cftc.gov

Jsommers@cftc.gov

Another Smoking Gun

Sobie@cftc.gov

Alavik@cftc.gov

Jamie.dimon@jpmchase.com

Dean.Payton@cmegroup.com