

## April 11, 2010 – IRI Interview

Here's a sneak preview of an interview I did last week with Jim Cook of Investment Rarities, that's currently being mailed to IRI clients and should be published on the Internet next week. This interview was concluded before the release of this month's Bank Participation Report on Friday, which indicated that JPMorgan did not add to its gold and silver COMEX short positions (through Tuesday, at least.) I will write about this in the next day or two, but I thought I should send this interview in the interim.

### **INTERVIEW WITH TED BUTLER**

**Mid April 2010**

Years ago, Jimmy Stewart played the lead in a movie titled, Mr. Smith Goes to Washington. In this case, it was Mr. Butler goes to Washington. Who did you meet with?

A: I met with the senior staff responsible for regulatory matters for about an hour and a half.

Q: Was the Chairman of the CFTC, Gary Gensler there?

A: He stopped by to introduce himself and chat briefly.

Q: What, in a nutshell was discussed?

A: Basically my long-held premise of a manipulation in COMEX silver via the documented concentrated short position. They asked an awful lot of on-the-money questions, to which I replied directly.

Q: Did you have reason to believe they agreed with your arguments?

A: Since they didn't offer any challenges to what I said, and their follow up questions didn't seem argumentative in the least, I sensed they were in basic agreement.

Q: What stands out about the meeting?

A: The seriousness with which they approached the issue.

Q: The following day, the public hearing took place. What did you think of that?

A: I thought it was great. Here we had a public meeting that revolved around the very issues I have petitioned the CFTC on for 20 years. Much to the Commission's credit, the fact that they had rejected my contentions in the past didn't deter them from addressing the issues openly.

Q: What issues were raised?

A: Whether we should have position limits in silver and gold.

Q: What else?

A: Why there is such a big concentrated short position in silver.

Q: What about whether the price is manipulated?

A: Yes, all of that.

Q: Who was on the other side?

A: The big banks, the exchange and all others from the silver "establishment" were opposed to hard position limits.

Q: What was their argument?

A: That it would drive liquidity and business from the COMEX to markets overseas.

Q: What were they angling for?

A: To preserve the status quo of allowing the biggest traders to continue to control the market. The big banks and the exchange are certainly not interested in having a level playing field.

Q: What about their argument that position limits would reduce liquidity?

A: It clearly was a bogus case, because causing a few large short traders to reduce their positions would actually increase liquidity, not decrease it. Legitimate hard position limits in silver, for example, even if those limits were reduced to the 1500 contract level I recommend would only affect less than 1% of all traders on the COMEX.

Q: Did that point come out?

A: Not at the meeting. But I will be sure to make that point in the future, in the public comment period.

Q: What exactly is the public comment period?

A: The time when the Commission seeks written input from the public on specific issues that goes on the official record.

Q: Should people comment?

A: Absolutely. The hundreds of public comments last year on silver and gold are what led to this recent CFTC hearing. It's very important to email or write to the Commission on this issue. All comments must be received by April 26, 2010.

Q: Was JPMorgan at the hearing?

A: No.

Q: Why wouldn't they attend?

A: My guess is that they didn't want to answer specific questions and incriminate themselves.

Q: The whole thing sounds like a review of all the issues you have raised. Do you agree?

A: Absolutely. That's what made it so great.

Q: Would it be safe to say that this meeting wouldn't have taken place if it were not for you?

A: All modesty aside, I don't see how.

Q: What happens next?

A: There has been tremendous attention placed upon the meeting and the important issues are being openly discussed and considered.

Q: I'm more interested in what happens next to the price.

A: The price of silver is going a lot higher.

Q: I've already had some complaints that nothing happened after the hearing. What do we tell these people?

A: Tell them the same thing you told them at \$4, \$5, \$7, and every other price over the past ten years. Look, silver's the best investment to come along in most people's lifetimes. Have some patience. Besides, the price did go higher in the days following the meeting.

Q: Do you think position limits will be changed downward?

A: Yes, in silver. At a minimum, the position limits in COMEX silver will be adjusted downward relative to gold.

Q: When might this happen?

A: My feeling is after the price has moved up a lot. And I think that will be soon.

Q: What about exemptions to position limits?

A: Everyone knows that is the key. If they don't crack down on JPMorgan and the other big shorts, the CFTC will be discredited.

Q: Do you think the big short sellers expect these changes?

A: I think JPMorgan does. I think the others may be missing what's coming.

Q: They must be taking actions to protect themselves, don't you think?

A: I think JPMorgan is taking action, not the others.

Q: What can they do?

A: Close out their shorts by buying them back or delivering against them, and most importantly, not selling short on the next price rally.

Q: Do you see any signs of this?

A: Yes, as regards JPMorgan. And they are the key.

Q: What happens if JPMorgan does sell short on the next rally?

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A: I think there will be a public outcry and both JPMorgan and the CFTC will come under severe criticism. I know I won't hold back.

Q: You have been very complimentary and supportive of the new Chairman of the CFTC, Gary Gensler, in spite of much disagreement. Why so?

A: Look, I judge people by what they say or do, not on some preconceived notions. He's said and done the right things.

Q: I see many are jumping on the bandwagon about position limits. How does that make you feel?

A: Good. After 20 years, it's about time.

Q: You are the sole person who raised the issue of position limits on silver. Do you think the CFTC is finally on board?

A: I think the leadership is.

Q: Exactly what impact do you see these rule changes having in silver?

A: The silver manipulation will be terminated.

Q: What will that do to the price?

A: It should go much higher.

Q: You've expressed to me privately and to our broker staff why you think people should buy silver now. Would you state the case here?

A: A number of factors have converged, in addition to the regulatory matters. The most important of these factors involve strong signs of an emerging wholesale shortage of silver.

Q: What signs?

A: Over the past 5 or 6 weeks, there have been unusual movements in COMEX warehouse silver stocks and deliveries by JPMorgan, as well as the withdrawal of a significant amount of silver from the big silver ETF, SLV.

Taken together, these unusual movements suggest the big dealers are scraping the bottom of the barrel to come up with the timely delivery of silver to their wholesale customers. It appears to me that the big dealers are borrowing silver from Peter in order to pay Paul. This is a juggling act in which one misstep will unravel the whole silver scam.

Q: How much silver has been taken out of the SLV?

A: 9.5 million ounces in five weeks. Frankly, it's beginning to look like there isn't enough silver to go around.

Q: I know you think silver is better than gold. Why?

A: I don't sense the same juggling act taking place in gold. The critical difference between gold and silver is that gold is not consumed industrially, while silver is. As a result of this critical difference, there is less silver bullion in the world than gold. Silver's industrial consumption sets up the likelihood of a shortage, a condition not present in gold. Silver has investment demand on top of industrial demand. Gold has mostly investment demand.

Q: What does this mean to buyers of silver?

A: You can make a lot more money with silver than you can with gold. Silver can rise much more percentage wise.

Q: Can you be more specific?

A: I can see gold rising in price 20% or so, under the right circumstances, say up to \$1,300. I can see silver easily rising 100% to 200%, to \$35 or \$70. In almost any scenario, I can see silver outperforming gold by five or ten times. With silver you are going to get the biggest bang for your investment dollar.

Q: But gold and silver performance has been roughly equivalent over the past ten years, haven't they?

A: I realize that, and both have performed better than stocks or bonds or real estate. But I am convinced that the facts point to silver vastly outperforming gold. May I speak in blunt terms?

Q: I think my ears could handle it.

A: I think that gold investors who don't hold a significant silver exposure have been lucky to date that gold has kept pace with silver. And I think these gold investors are being given a tremendous opportunity now to convert some or all of their gold holdings to silver.

Q: That's not likely to happen in a big way, is it?

A: If all the gold investors were to make the switch there is not enough silver. But some can. I hope they do because silver is going to beat the stuffing out of gold price-wise, and there are going to be a lot of gold-only investors who will regret not making the switch.

Q: What can happen with investor demand if prices rise?

A: Initially, it will increase. It's human nature for investment demand to grow as prices increase. Later on, at much higher prices, investors may begin to sell. When we get to those much higher prices, we'll monitor investor behavior.

Q: Are the industrial users still oblivious to the events unfolding in silver?

A: Absolutely. The example I like to use is that they are like a giant herd of wildebeests on an African plain, feeding but sniffing the air for the scent of lions. When they do get the scent, they are all off and running. When the users get the first silver shipment delay notices, they will all panic and rush to build silver inventories. I don't see what can stop it.

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