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The sharp drop in silver prices Monday and today, Wednesday, has greatly improved the market structure, which had deteriorated on the move up to \$15 last week. Also good news is that the clean out came fast and furious, rather than in a drawn out, drip-by-drip water torture manner. It's always better to rip the bandage off quickly. Silver has been much weaker than gold on this sell-off, but in the somewhat perverse nature of what constitutes the market structure, this just means that the silver structure is improving more.

It is important to put this silver sell-off into perspective. The \$1.50 /oz decline didn't take place because of any changes in the real world of supply and demand. It didn't take place by accident or happenstance. It didn't take place because investors in real silver were selling and there were no buyers for that silver. It took place for one reason only, namely, to enable commercial dealers to buy as many contracts as possible by forcing technical funds to sell on the COMEX. The dealers accomplish this through a combination of pulling bids and selling a small number of contracts at times when they know the market is thin, like in the overnight markets. This gets the price rolling downwards, like a snowball down a hill, picking up momentum as technical funds sell on predetermined stops. The dealers are masters at this game.

This is not meant solely as a complaint, but as an explanation for what these selloffs are all about. Is it illegal? Heck yeah. That's because the futures markets are supposed to discover, or follow, prices that are determined in the real world of production and consumption. It should be clear to everyone that what caused the price of silver to collapse this week was COMEX maneuvering by the dealers, not developments in silver itself. One would think that everyone would include the CFTC, which is rumored to maintain a market surveillance section designed to detect corrupt market practices. I suppose we should be happy that section is not in charge of terrorism deterrence.

I'm further encouraged by the fast pace of liquidation on this price drop, based upon daily volume and open interest changes. There seems to be a sense of urgency to get the liquidation complete. I can't help but think that the fast pace may be related to upcoming CFTC initiatives on position limits. This liquidation appears very advanced contract-wise, even though it has occurred over only a few days. Can we get more liquidation and lower prices? Yes. In fact, it will take prices trading below the lows established today (\$13.495 basis the Sept COMEX contract) in order for there to be more liquidation. Will we go lower, or are the lows in? We'll know soon. What we do know is why we went down (to liquidate tech fund longs) and that much risk has been removed.

The current market structure is quite good as a result of this sell-off. We will certainly trade higher than today's prices in time, but could still go lower in the very near term. You want to be aggressive on the buy side, here and lower. Do not buy anything silver related if there is any chance you will have to sell, if prices do move lower. Do what the dealers are doing Â? buy with no intention of selling lower. You may kick yourself a bit if you buy and prices do move lower temporarily, but you won't be kicking yourself for long, in my opinion.

Tomorrow, I will be posting an interview just completed with Jim Cook. Please check back.

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