

August 6 – Interim Comments

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Thank you to all new subscribers. I appreciate your support and welcome your suggestions. I have every intention of making this the best service possible. I plan to publish a report weekly on the current market structure, probably on Sundays, after I've had a chance to digest the Friday COT Report and a more general commentary mid-week. I plan to regularly feature subscriber questions, as much can be learned from them. If there is anything noteworthy, I'll include that at any time.

Today, I would like to direct your attention to the recently concluded CFTC hearings on position limits. If you were unable to view them live and don't have the time to retrieve them from the CFTC web site (www.cftc.gov), do yourself a favor and take a few minutes to read Chairman Gensler's opening statement for the third day of hearings.

<http://cftc.gov/stellent/groups/public/@newsroom/documents/speechandtestimony/genslerstatement080509.pdf>

Long-time readers know that I have repeatedly distilled the argument of manipulation in silver to one of concentration. I have been frustrated that the pre-Gensler Commission tried to sidestep the issue, even to the point of avoiding using the word. I just couldn't get them to openly engage on the issue of concentration. After reading Chairman Gensler's opening statement, I come away amazed at the transformation. In the space of three paragraphs in this short statement, I count the words concentration or concentrated eight times. That's eight times more than I recall in any official CFTC statement in the past year or two.

Clearly, Chairman Gensler gets it. He is expertly steering the entire debate to a purposeful end. It is impressive to observe his level of professionalism in this process. To my mind, this is the key to ending the silver manipulation. Admittedly, the debate is now confined to position limits and concentration on the long side only, in most people's opinion. That's OK for now. Once the issues of position limits and hedging exemptions are settled (and they will be settled), it will be nearly impossible to discriminate against concentration on the short side of silver, in my opinion. Commodity law is clear that there be no such discrimination. That's why I can't help but be excited that we are reaching the terminal phase in the manipulation. Please remember, if I am close to being correct, it is reasonable to assume the big shorts have this figured out as well. If so, they should react to these developments long before final rules are enacted. Stay tuned.

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