

## December 10, 2010 – Marching Towards Resolution

### Marching Towards Resolution

Here's a quick update on what has come to be my central theme over the past year or so; the inexorable march towards the resolution of the silver manipulation. My premise has been that one way or another, the 25-year downward manipulation of the price of silver, via excessive and concentrated commercial short-selling on the COMEX, would be terminated in the relative near future. There have been many mileposts indicating the end is near for the manipulation, not the least of which has been price behavior, as silver has moved to a series of new 30-year highs.

The two leading contenders for causing the end of the silver manipulation have been a silver physical shortage which will bring a certain end to the scam, and potential regulatory actions which would end it sooner by enforcing the spirit of commodity law. Based upon recent developments it is starting to appear that it has turned into a real horse race as to which contender passes the finish line first. A few words on the regulatory possibilities are in order after what transpired over the past few days.

At yesterday's public CFTC hearing, it was announced that the issue of position limits in physical commodities will be on the agenda for the coming public hearing on Thursday, Dec. 16. It is anticipated that the level of position limits will be proposed by staff and voted on by the Commission. As you know, I consider this to be a silver specific matter and this meeting promises to be a seminal event. Thousands of you have written to the Commission on this issue, on multiple occasions, proposing that the limits in COMEX silver be no more than 1500 contracts and that phony exemptions to that limit be disallowed. Now we will all observe if the agency has considered our collective voice.

For myself, I remain optimistic that the Commission will do the right thing and reach a decision based upon the merits of the issue. But I am even more excited that the issue is about to be addressed in a public forum. From one perspective, I don't care what level of position limits are proposed for silver, any level will be a constructive development. Even in the very worst case (that CFTC staff proposes a limit much larger than 1500 contracts), it will serve as a springboard to the start of the serious debate. This is a debate we should all welcome.

But there were other developments that indicate the Commission will get this issue correct at this time. The most remarkable were public comments from Commissioner Bart Chilton, both in his verbal opening statement at yesterday's public hearing and in a speech he gave the day before that. <http://www.cftc.gov/PressRoom/SpeechesTestimony/opachilton-35.html>

What made Commissioner Chilton's statements so remarkable were his reference in both to a 40% concentrated position in silver earlier this year. This, in my opinion, is a very significant development. Readers may remember that back at the January 14 public CFTC hearing on energy position limits, Chilton took a pot shot at me for suggesting that JPM held a 40% share of the silver market on the short side, and insisted that it was closer to 23% (still too large according to him). I wrote about this in great detail (in the archives, "The Power of the People," on Jan 17). It takes a very big person to radically revise a former public statement, and my opinion of Chilton has been elevated accordingly. The reason this is so significant is not because Commissioner Chilton now agrees with me, but because what a 40% concentration represents. Simply put, a 40% concentration can be nothing but proof of a manipulation under any possible circumstance.

This has a lot to do with my optimism for next Thursday's hearing. The fact that Commissioner Chilton made multiple statements about a 40% silver concentration this week sets the stage for the Commission doing the right thing at this week's hearing. I can't help but feel that the CFTC is fed up with JPMorgan's manipulation of the silver market and the CME Group's failure to lift a finger to end it, as would be expected by a legitimate self regulatory organization. The best news of all is by this time next week we will know a lot more about where everyone at the Commission stands on these matters. Much uncertainty will be lifted and we will all have a clearer understanding of this issue. After 25 years of pressing the issue of legitimate position limits in silver, I can't express my anticipation in the proper words. I'm less concerned about the outcome as I am to see this issue debated on a very public stage. To me, it's like getting to compete for a national championship.

I suppose, given the potentially momentous regulatory events dead ahead, that we should not be surprised about the price volatility we are experiencing. As always, it's especially important to keep things in proper perspective at times like these. The simple fact is that silver never looked better positioned for a significant upside price leg in the immediate future. I'll have more in tomorrow's weekly review, but I'd like to leave you with a nice write-up on silver by a couple of guys who I believe "get it," Eric Sprott and David Franklin. (In the interests of full disclosure, Sprott is a subscriber).

<http://www.industrymailout.com/Industry/View.aspx?id=245442&q=264546678&qz=3f9465>

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Gold – \$1378

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