The Bully Pulpit<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

Yesterday's Commitment of Traders Report (COT) indicated a reversal of the recent pattern, as speculators bought COMEX futures and commercials sold, both in gold and silver. In silver, the commercial net short position increased by 3,800 contracts and by around 8,000 contracts in gold. The big 4 increased their silver net short position by 1800 contracts and by 1000 or so in gold. Despite the increases, the commercial net short position in each is still near the lower range of the past year or so, with the big 4 in silver holding their second lowest short position in years.

Still, the increase in the concentrated short position, particularly in silver, is troublesome as it indicates that the big shorts (read JPMorgan) may be back to their old manipulative game of trying to cap and eventually drive the price lower. This time, however, there may be another explanation as to why the big shorts increased their net short position, namely, desperation. According to daily changes in open interest, price action and volume, it is clear that the big increase in the reporting week's COT came on Tuesday, December 28, the cut-off date for the report. That was the day silver jumped by more than a dollar to close at its highest daily level in 30 years (gold jumped by $20 that day, closing over $1400 for the first time in weeks). Reported open interest for that day showed an increase of more than 4,000 contracts of silver and around 10,000 in gold, making it easy to pinpoint what day the speculators bought and the commercials sold in the reporting week.

It is clear that the big commercial selling in silver that day, especially in the big 4 category, prevented prices from closely much higher than the dollar gain that silver achieved. The big 4 were the sellers of last resort. Therefore, it is also clear that the concentrated commercial short selling was designed to cap the price; there is no other reasonable conclusion. In other words, had the concentrated commercial short selling not taken place that day, silver prices would surely have surged much higher. The big silver shorts added to their short position, for the first time in months, because they needed to contain the silver price then and there. This is price manipulation, pure and simple. The only thing remaining is to see how they dispose of this increase in their short position and the remaining large short position they were protecting with the additional short sales. Will they succeed in temporarily driving silver (and gold) prices lower, inducing the speculative longs to sell in the sudden fear created by a sharp, phony downdraft? I don't know if they will succeed, but considering yesterday's sudden sell-off after the regular COMEX close, I am convinced they are trying.

What I do know is that I am sick and tired of this continued silver manipulation, even though silver seems to be in the process of shaking off the long term price suppression. There's no question silver is going higher, but the short crooks may be planning another self-created sell-off first. The crooked commercial shorts appear to be staging a strategic retreat, but I remind you and the regulators that this is still very much a crime in progress. Silver is a great buy, with or without a phony sell-off, but it is infuriating that these commercial crooks are still at it after so many years.

One of the greatest and most popular presidents in US history was Theodore Roosevelt, famous for his "Square Deal" domestic agenda in which he promised the average citizen a fair share. Roosevelt's accomplishments ran from completing the Panama Canal, to being nominated for a Medal of Honor, and to being the first American to win a Nobel Prize. He was an outdoorsman, conservationist and a trust buster. He was an activist who felt those in a high public positions should exert influence to effect positive change via the "Bully Pulpit." (The word bully meant superb or wonderful back 100 years ago, not as a schoolyard bully). Roosevelt coined the term, referring to the White House as a bully pulpit, by which he meant a terrific platform from which to advocate an agenda, not given to normal debate.

I am convinced that we could use a Teddy Roosevelt to bust this silver manipulation. It doesn't have to be the President of the United States; anyone on the Commodity Futures Trading Commission could do it. The most logical candidates appear to be Commissioner Bart Chilton or Chairman Gary Gensler, although I would encourage any and all of the commissioners to speak up. I believe the bully pulpit is required because the big commercial shorts and the COMEX (owned by the CME Group) are doing everything in their power to obstruct the establishment of legitimate position limits that will end the silver manipulation. Anyone who subverts the law is a criminal. Because the CME Group has done nothing but obstruct the law pertaining to position limits, that makes them a criminal enterprise in my eyes.

Congress and the President of the United States signed into law a provision mandating position limits in silver by January 17, 2011. I doubt very much that law will be in place, as required, because the CME Group has made sure that it won't be. The issue of position limits is not a Republican or Democratic matter; it is a matter of what is right or wrong. The CME has caused the CFTC to backpedal on the law and the Commission has allowed it. That's deplorable. Instead of enforcing the law, the CFTC has delayed and stalled, offering some namby-pamby limit in silver more than 3 times the 1500 contract limit thousands of citizens took the time to write in about. The public turns out in force, seeking reasonable redress from the monopolistic stranglehold that the CME and JPM hold on the silver market, and the Commission can't even agree on a watered down position limit proposal acceptable to the big silver shorts. Teddy Roosevelt must be spinning in his grave.

Roosevelt knew the dangers of monopolies and the need to bust anti-competitive trusts for the good of the country. He would know in an instant that the concentration on the short side of COMEX silver was a monopoly that needed to be broken up. He wouldn't debate and stall while a clear crime in progress was obvious to all who took the time to view it with objectivity. He wouldn't sit by while a formal investigation lingered for years. He wouldn't be intimidated from doing the right thing and accommodative to the criminal element. He wouldn't be afraid to speak out against obvious wrongdoing. He wouldn't ignore the wishes of the public, particularly when the public was correct.

I can only hope someone on the Commodity Commission will take a lesson from this truly great American and use the bully pulpit to end this short-side silver monopoly. The silver manipulation will surely be terminated by the emerging physical shortage, but unless someone from the Commission speaks up before that occurs, the regulator may be as damaged as the actual criminals will be, for not acting sooner. I know there is reluctance on the part of the Commission to do anything that might be disruptive to the price of silver, as ending the silver manipulation might entail. But there is a more compelling need for them to do the right thing and enforce the law for the good of the country and our markets. In the words of Theodore Roosevelt, In a moment of decision, the best thing you can do is the right thing. The worst thing you can do is nothing.

Ted Butler

January 4, 2011

Silver – $30.75

Gold – $1415