

Market Update<?xml:namespace prefix = o ns =
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I thought I might comment on the market action since Saturday's review. After climbing strongly on Monday, the price of silver (and gold) swooned late Tuesday afternoon, falling \$2 in a very short time after the COMEX closed at 1:30 PM. I trust no one is terribly surprised with the sudden takedown. It is a regular pattern in COMEX silver and lays the foundation for why I claim the silver market is manipulated.

One must be careful about declaring every silver sell-off as a manipulation and every up move as normal and natural. Do that often enough and you get labeled as a conspiracy kook. The only problem is that it is largely true; if a market is artificially and intentionally depressed in price, then by definition every significant sell-off must be considered part of an overall manipulative pattern and every rally a move away from that pattern. Only those who would state that manipulation is impossible would argue otherwise.

Besides, there is ample compelling evidence behind every significant silver sell-off that points to market wrongdoing. Let's look at yesterday's. Like is often the case, the sell-off in silver occurred after the regular trading session had closed with silver near unchanged in price for the day. Then, in the less liquid trading

environment, silver plunged. This is similar to the dramatic price plunge that took place on Sunday evening May 1. I can't say that silver never surges in the less liquid trading times, but it does seem that the off-hours price declines outnumber the rallies by a factor of 5 or 10 to 1. Why is that? The answer lies in the market structure of silver.

The short side of silver is extremely concentrated and dominated by big banks and other large financial firms, most of which are also High Frequency Traders. These traders are the kingpins of the market. As such, most of the time they dictate price direction in silver. When prices suddenly swoon, especially when trading conditions are thin, you can be sure these traders are behind that price movement. Hundreds or thousands of smaller silver traders don't suddenly collude and conspire among themselves to suddenly drop the price. Because the big silver commercials are on the short side, it's logical that they would influence price sell-offs as that helps their short positions. The concentrated short position and the clear market dominance of these big traders (read JPMorgan) is why I allege that the silver market is manipulated. Please remember that manipulation is the most serious market crime possible.

More and more people are coming to the conclusion that silver is manipulated. This can be seen in the developing commentary on the Internet, where silver being manipulated has widely come to be accepted as fact, based upon the continuing evidence. But the entity whose opinion matters the most on whether

silver is manipulated, the CFTC, has been almost silent on this most important issue. The agency used to come out regularly and deny that the silver market was manipulated, but those denials ceased a few years ago, shortly before Gary Gensler took over as chairman. The agency hasn't affirmed that silver has been manipulated either, although Commissioner Bart Chilton has said so on a number of occasions, speaking for himself. I sense that the CFTC is starting to see the light, but it hasn't brought charges yet.

That the CFTC hasn't said definitively whether it considers silver to have been manipulated in years is a problem for everyone (except to the manipulators). That's because such an important issue remaining unresolved leaves the market in limbo. I understand the seriousness of the allegations I make that the silver market is manipulated. I also understand that the CFTC must be careful and deliberate any time it brings charges of manipulation. Such cases can take years to develop. Just yesterday, the agency announced a new case of attempted manipulation, which was simultaneously settled, involving the very small dry milk futures market. My point is that the case involved incidents that occurred four years ago.

<http://www.cftc.gov/PressRoom/PressReleases/pr6075-11.html>

Considering the scope of the silver manipulation and how long it has existed (decades), the CFTC must make sure that all the i's are dotted and the t's are crossed if it were to bring charges of manipulation. But the silver manipulation

is also a crime in progress and every day that the Commission allows it to continue means that the public is being harmed. It made little practical difference that the attempted manipulation case in milk took years for the agency to bring, as the incidents were non-recurring since 2007. The silver manipulation is a continuing pattern of crime that claims new innocent victims on every recurring intentional take down. Therefore, the agency is negligent and in violation of its most important mission of protecting the public by delaying action against the silver manipulators and the corrupt CME Group.

That there has been a strong snap back in prices today confirms the manipulative and phony nature of yesterday's take down. It also points to how on guard you must be to the treachery and dirty tricks of the commercial traders in silver. Maybe someday the CFTC will man up and do the right thing in silver and end this manipulation. But in the interim you must defend your silver position and financial well-being without assistance from the regulators. By all means, continue to prod them to do the right thing, just don't depend exclusively on the CFTC for help. What you can depend upon to break the silver manipulation are developments in the physical market. I am highly encouraged that my speculation in Saturday's review that the big ETF, SLV, was "flooded" as much as 10 million ounces of metal was met with more than 7.3 million ounces being deposited over the past two days. More on that in this week's coming review. I'll be posting a new article tomorrow or the next day on silver from a different perspective.

July 20, 2011 - Market Update

Ted Butler

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Silver - \$39.75

Gold - \$1598