

Weekly Review<?xml:namespace prefix = o ns =
"urn:schemas-microsoft-com:office:office" />

It was gold's turn to outperform this week, as it closed at another new all-time high, finishing up more than \$27 (1.7%). Silver lagged behind and finished slightly lower (20 cents), after hitting three month price highs earlier in the week. As a result of gold's outperformance relative to silver, the gold/silver ratio widened out a bit and ended at just under 41 to 1.

Silver's price action looked [funny] to me this week and I don't mean in a laughing way. I detected several occasions of intentional and deliberate High Frequency Trading attempts to jam the price lower, including an update from an alert subscriber on Thursday which indicated an automatic 10 second trading halt on the CME because the computerized trading system was suddenly overwhelmed with sell orders. It was a series of these automatic trading halts which caused the price of silver to plunge 12% in minutes on Sunday evening, May 1, setting off the unprecedented 30% weekly decline. There can be no doubt that these HFT silver smack downs are deliberate and intended to rig a large sell-off. The most salient connection between what occurred during the first week of May and this week's attempts to smash the price of silver is that there was no supply/demand news to justify either. That the CFTC and CME Group management are still allowing this manipulative activity to go unchallenged is shameful and the subject of discussion later in this report.

The signs of tightness in the wholesale silver market continue. The movement of metal into and out from the COMEX warehouses actually quickened this week, something I didn't think was possible. The SLV appears to have received all the silver I thought it was owed. The most recent short position in shares of SLV indicated a further reduction of 2 million shares to 31.3 million shares as of July 15. The short position in SLV is now down 6 million shares from the record 37+ million shares held short a month ago. I am somewhat encouraged by this reduction, as it may mean that BlackRock, the Trust's sponsor, may be working behind the scenes to get this fraudulent and manipulative short position reduced. I never expected BlackRock to openly admit any concern or responsibility (that's not something large financial institutions ever do) for the short position; but I was hopeful they would quietly work to get it reduced anyway. It's something I'll continue to monitor. Clearly, the current short position in SLV amounts to more than 9.5% of total shares outstanding, so it is still outrageously large and manipulative. (GLD's short position is more than 7% of total shares outstanding). There is no metal backing any shorted shares.

Period. <http://www.shortsqueeze.com/?symbol=slv&submit=Short+Quote%99>

US Mint sales for Silver Eagles remained strong for the month of July, especially compared to Gold Eagles. For the second month in a row, more money was paid for Silver Eagles than was spent on Gold Eagles. Considering that gold is 41 times more expensive than silver that is truly a remarkable achievement and

highlights the investment flow into silver. It is also completely at odds with overall price patterns on the COMEX, where the commercial crooks are working overtime to depress the price of silver.

http://www.usmint.gov/mint_programs/american_eagles/index.cfm?action=sales&year=2011

This week's Commitment of Traders Report (COT) also plays into what I plan to discuss today. The latest report, for positions as of Tuesday, July 26, indicate further deterioration, or an increase in the total commercial net short position for both gold and silver. In gold, the total commercial net short position grew by a further 19,200 contracts to 283,000 contracts (28.3 million ounces). This is the largest commercial net short position since last November. This week's increase was fairly divided among all three commercial categories. The big 4 added around 6,000, the 5 thru 8 added 5,000 and the raptors sold 8,000 contracts.

Since the "spectacularly bullish" COT report of July 5, the commercial total net short position has grown by 81,000 contracts (8.1 million oz) in COMEX gold futures as the price rose by \$140. The big 4 accounted for 20,000 contracts of that total, with the raptors selling almost 48,000 and the 5 thru 8 responsible for balance. (I will return to this commercial "divvying up" of tech fund gold buying in a moment). While there has been decent growth in ETF type gold buying for the month, the 8 million oz COMEX- equivalent gold speculator

buying/commercial selling was, by far, the largest documented gold activity to account for the price rally. In simple terms, COMEX activity was the dominant force driving gold prices higher.

In silver, the commercial total net short position grew by 3300 contracts to 42,800 contracts (214 million oz). The silver raptors (the smaller commercials away from the big 8 traders) accounted for 2300 contracts, with the big 4 (read JPMorgan) adding 300 and the 5 thru 8 adding 700 contracts short. Because the raptors are still long 3100 contracts, the largest 8 traders in COMEX silver are now net short almost 46,000 contracts, or 230 million oz. That's 31% of total annual world mine production and 23% of all the silver bullion thought to exist in the world. No other commodity has a short position so concentrated in terms of real world production and inventories.

Since the COT report of June 28, the total net short position in COMEX silver has grown by 13,500 contracts, or the equivalent of 67.5 million oz. The silver raptors accounted for 9300 contracts, or 69% of the total, with the big 4 accounting for 3000 contracts. The technical fund and other speculative buying of the 13,500 contracts was the primary reason for the almost \$7 price rally from July 1 to the highs this week. There was physical silver investment buying over the past month, including ETF purchases, but that buying didn't come close to the 67.5 million ounces bought on the COMEX (and sold by commercials). Clearly, no one should argue that COMEX trading activity was not the primary

price influence responsible for the gold and silver rally this month.

The potential problem is in what comes next. We've seen this movie often enough to know the potential outcomes. At some point, the commercials will try to pull the plug on the technical funds and rig prices lower to force the tech funds to sell. Or the commercials will fail and get overrun to the upside. (I used to add that the commercials never have gotten overrun, but they came real close at the end of April in silver). Let me be clear here □ I don't know which way it will turn out. I am an analyst, not a prophet. As an analyst, let me highlight why this situation is dangerous on many levels, away from the obvious risk of a sharp sell-off at some point.

First and foremost, I am deeply disappointed in the CFTC, including Chairman Gensler and Commissioner Chilton (both of whom I consider □good guys□), for allowing this dangerous situation to develop again in gold, and particularly in silver. Trading activity on the COMEX is still clearly setting the price in gold and silver, as I demonstrated above using Commission COT data. This is contrary to the spirit of commodity law which holds that futures trading should discover prices, not set them. That the CFTC, one full year after the enactment of Dodd-Frank, has not addressed this is inexcusable. The danger is not just of another crooked sell-off engineered by the commercials; the real danger is to our markets and to how they are regulated.

I am disappointed that the Commission can't or won't see the obvious collusion on the part of the COMEX commercials. These commercials always act in unison; there's never any real competition between them. It's always the commercials, as a collusive wolf pack, against everyone else; it's never commercial versus commercial in COMEX gold and silver. It is this collusive commercial activity and the Commission's failure to recognize it that's the cause of the concentrated silver short position. In a truly free and competitive trading arena there could be no concentrated position. Instead, where collusion thrives, a free market can't exist. The Commission and especially Gensler and Chilton know this. Yet they are silent.

Many thousands of you have communicated and complained to the agency over the years, as I have, about silver. In years past, the Commission would periodically respond that they saw nothing wrong in the silver market. As infuriating as those responses may have been, at least you knew where the agency stood □ they weren't about to do a damn thing about the silver manipulation. In many ways, the □new□ Commission is worse. Now we get speeches and platitudes about concentration and position limits and promises of cracking down on improper trading, but based upon recent COT data, nothing has changed. We no longer receive public responses from the Commission denying wrongdoing in silver, but the wrongdoing persists.

July 30, 2011 - Weekly Review

Please put this in the proper perspective. I am aware of no widespread public concern about the workings of any regulated futures market away from silver (and gold). I have neither seen nor heard any public rumblings about the grain, or livestock, or any other market away from silver. In silver, the situation is completely different. There is a growing public awareness that something is wrong in the silver market. I am amazed at the number of Internet blogs and websites that focus on the silver manipulation and the COMEX. I find it remarkable that so many see not only the manipulation, but also the tremendous investment opportunity in silver that the manipulation has created. This is truly a situation specific and unique to silver.

While I did not originate the term CRIMEX, I suppose I was somewhat responsible for its creation. Fittingly, the term captures the essence of the corruption in the silver market. Truth be told, I find no joy in having to refer to the CME Group or JPMorgan as criminal enterprises when it comes to silver. Aside from the obvious personal fear of retaliation, doing so represents something alien to my pre-silver existence. My personality is not geared to seeking attention or in picking fights, particularly with those more powerful. I'd much prefer dealing in markets anonymously, free from concerns of concentration and manipulation. I especially dislike having to dwell on the negative side, which the manipulation represents. Don't get me wrong, I appreciate the wonderful opportunity that the manipulation has created and I have wasted little time in extolling the merits of that opportunity. But I am

somewhat sad that such corruption has existed for so long and so few have stepped forward to rectify it. In many ways, the decades-old silver manipulation mirrors a general decline also witnessed in society overall. We are not better off that many of our important financial and regulatory institutions have come to be regarded so poorly.

In a month or so, we'll hit the three year anniversary of the investigation into silver by the CFTC's Enforcement Division. This investigation, now the longest in history, follows several previous silver investigations and inquiries by different agency divisions. It was initiated due to new allegations of manipulation raised in my analysis of the Bank Participation Report of August 2008

<http://news.silverseek.com/TedButler/1219417468.php> That report indicated an unprecedented concentration on the short side in silver by one or two US banks, equal to 25% of world annual mine production. Subsequent correspondence from the CFTC revealed conclusively that JPMorgan was the big COMEX silver short. Somewhat ironically, no one asked the Commission to initiate a new formal silver investigation in 2008, they did so on their own. All I asked was how it was possible for a short position equal to 25% of world production not to be manipulative to the price? I am still waiting for an answer.

In 2009, Commissioner Bart Chilton issued a public statement reporting on the silver investigation's progress and its cost and effort.

<http://www.cftc.gov/PressRoom/SpeechesTestimony/chiltonstatement092109.ht>

ml In 2010, Commissioner Chilton made public reference to silver manipulation [http://www.cftc.gov/PressRoom/SpeechesTestimony/chiltonstatement102610.ht](http://www.cftc.gov/PressRoom/SpeechesTestimony/chiltonstatement102610.html)

ml Other than that, little has been said about the silver investigation. Three years is long enough. If the agency has found no wrongdoing in the silver market, it should report those findings now. If wrongdoing has been found, it is imperative the agency act immediately. Those of you who write to Commissioner Chilton should ask him about the status of the silver investigation. Or maybe just an answer to my question □ how can a concentrated short position equal to 25% of the world production of any commodity not be manipulative?

The CFTC's mission is to protect the public from fraud, abuse and manipulation. These are precisely what thousands of you have petitioned the Commission about in silver. Yet, the Commission has not responded. Something is wrong here, very wrong. In response to Wednesday's piece, several subscribers wrote to me to remind me that JPMorgan and the CME Group were just the front men in the manipulation and it was the US Government itself behind it (mainly to protect the value of the dollar). I know this is widely believed to be true, although I have never advanced this thought, as I've been an agnostic on this issue. But I will tell you that the CFTC's outward indifference to the blatant criminality in COMEX silver is starting to convince me that something is preventing the agency from fulfilling its mission and upholding the rule of law in silver.

When much is expected of you and you fall short of those expectations, there is disappointment. That sums up my current disappointment in the agency and in Chairman Gensler. Based upon his own words and actions and background, my expectations were high for him, perhaps too high. He has promised to root out fraud, abuse and manipulation, yet they still exist in COMEX silver, two full years into his term. He has sworn an oath to protect the public, yet the public has not been protected in silver. This, despite the public having continuously pleaded for that protection. As an analyst, you must strive to see things objectively. When I do this with Chairman Gensler and the current state of the silver manipulation, I have trouble concluding he has measured up to the mission at hand, at least as regards silver. I suspect he may be on the right track for general regulatory overall, but he gets only failing grades in silver at this point. For the collective good, I hope his silver grades improve drastically.

After the silver takedown of early May, the most manipulated event in market history, I am particularly sensitive to the most recent changes in the COT market structure. It appears that nothing has changed, namely, the collusive commercial positioning exists as before. From an investment perspective, there is much greater risk of a sell-off in gold and silver. This doesn't mean we get a sell-off for sure, just that the odds of one have increased. In practical terms, it means being prepared, financially and emotionally, for a crooked takedown at some point. You do that by eliminating any margin. This also doesn't mean that

July 30, 2011 - Weekly Review

we must go down, as the bullish factors that previously existed in silver are still intact, as I'll write about soon. It does mean that this is a time to gird for volatility. The increase in technical fund buying/commercial selling on the COMEX has created a situation conducive for great price volatility both up and down.

In the meantime, while you are girding for price volatility and hoping for a time when the biggest short term challenge isn't the intent of the collusive commercial COMEX crooks, it may be constructive to stay after the regulators. If they are not going to protect the public, we will have to work to replace them with regulators who will.

Ted Butler

July 30, 2011

Silver □ \$39.90

Gold - \$1628