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July 4, 2012 – On a Silver Platter

### On a Silver Platter

The price of silver has fallen nearly 50% from its peak of over a year ago. While at that peak silver had proven to be the best investment over the past 5 to 10 years. It was no fluke that silver did so well. Remarkably, all the reasons that propelled silver higher are still largely in place. However, there is no denying that the price of silver has fallen by half. This sharp decline in price has created another special opportunity in silver. It represents a second chance to purchase an asset that already has demonstrated its ability to outperform other investments.

A sharp price reduction reduces risk, arguably the most important component of any investment. Not losing is more important than winning. A 50% decline could be a precursor of a complete wipeout in a stock, but that is impossible in an age-old element like silver. Silver can't go bankrupt or disappear. The price of silver had fallen as much as 40% to 50%, several times over the past ten years and each time came roaring back. This time should be no different.

For most things that we purchase, a decline in price is most welcome. We would jump at the chance to buy a house or car or pay for a child's education at a 40% to 50% discount. But in the investment world, the reaction is different; big price declines make most people wary, while rising prices encourage more investment buying. That's normal crowd behavior. The trick is to buck the crowd and that is now the case with silver.

Silver should be purchased now because the facts argue that the discounted price makes it an opportunity of a lifetime. They are the same facts that caused the price to move from \$4 to nearly \$50 over the past decade. This twelve-fold price increase was merely a warm up of what's to come and that's what makes the recent sharp sell-off such a special opportunity.

What caused silver's spectacular run up over the past decade was its dual role as a vital industrial material and as a prime investment asset. Those forces are still in place. Silver is still the best conductor of electricity and heat, the best reflector of light and the best all-around killer of viruses known to man. The list of silver's unique properties is longer than for any other metal and insures that it will remain a vital ingredient in industry for as far as we can see.

It is because of world industrial demand that the stockpile of world silver inventories have declined over the past 50 years to the lowest level in centuries. So severe has been the depletion of world silver stockpiles that the unthinkable has occurred – there

is now less silver bullion in existence than gold bullion. I know it is hard to conceive given the price of each, but silver is rarer than gold. The opportunity for profit exists because this fact is not widely recognized.

If the voracious industrial appetite for silver has decimated world inventories, it is its dual role as an investment asset that promises to set off a mad scramble for the metal that will make the previous twelve-fold price increase look like child's play. For the 50+ years that industrial consumption was gobbling up most of the world's silver, investment demand was non-existent. This allowed the depletion of the world's silver inventories to occur unnoticed with no increase in price. It has been only during the past six years that the world began to invest in silver again.

It is no coincidence that the emergence of world silver investment demand, after an absence that dated back more than half a century, is the catalyst behind the spectacular price rise which began some six years ago. More importantly, it is investment demand that promises to cause silver to soar in price in the future. Silver industrial demand will continue to consume almost all the silver produced in the future. It is only the amount of material left over that will be available to the world's investors. This sets up a coming fight for the world's remaining silver that we were given only a taste of in last year's price run to near \$50.

The world was on the cusp last year of a genuine physical silver shortage for the first time in history. There just wasn't enough physical silver to satisfy both industrial consumers and investors. The silver market was on the verge of panic by the big paper short sellers, mainly JPMorgan. Only the most blatant price manipulation, starting on Sunday evening May 1, 2011, caused prices to start to fall artificially and avert a full-fledged silver shortage visible to all. Had that corrupt price takedown not occurred, both the industrial consumers and investors of the world would have continued to rush to buy silver pushing the price to unimaginable heights and thus bring ruin to the short sellers.

The real lesson here is that the manipulative takedown in price, while successful, was only a temporary fix; it did nothing to solve the underlying problem of there not being enough silver for industrial users and the world's investors. That clash still remains ahead. The big price takedown, starting a year ago and continuing through the present, merely postpones the day of reckoning. Because of the temporary nature of the manipulative fix and the fact that artificially lower prices will not diminish demand in the long run, the stage has been set for an even bigger run up in price.

All previous sharp sell-offs in silver have proven to be opportunities. This price decline could and should be the best opportunity of all. The opportunity on a silver platter is silver itself.

### Incoming Mortar?

The news on the regulatory front continues to amaze, with the latest scandal involving the settlement with Barclays over manipulation of interest rates drawing striking similarities to the allegations of silver manipulation by JPMorgan. All the important elements are present in both; a long-term market manipulation (the most serious market crime possible), big powerful banks working (too) closely with regulators and a formal investigation in each that started in 2008. It seems that what I have been alleging in the silver market has apparently not been confined to silver.

Lately, I've had this feeling that matters in the silver manipulation may be drawing to a head. I've had this image of incoming mortar shelling, where the shells are dropping closer and closer to the target as calibrations are adjusted and refined. The good news is that the target of the mortar fire is not you or me, but JPMorgan and the others involved in the silver manipulation. Too many related scandals, like the Barclays matter and JPMorgan's credit derivatives mess (and new probe of energy manipulation by FERC), seem to be cropping up. All point to banks too big for their own good and involved in questionable activities. Certainly, I've never witnessed so many developments with so close an apparent connection to the silver manipulation.

I still don't have faith that the CFTC will do the right thing in regards to the silver manipulation. I know that Commissioner Bart Chilton keeps writing to many that the silver investigation will be concluded in a couple of months, but I think that investigation will prove to be a whitewash. After all, if they did see wrongdoing in silver, they would move to end it immediately and not delay. I also know that the agency just announced a new meeting to finalize the definition of a swap, which supposedly clears the way for position limits. But if the CFTC did intend to crack down on JPMorgan's concentrated and manipulative short position in COMEX silver, they already have sufficient legal authority to end it and the Commission has failed to do so.

All that said I hope I am wrong and the Commission does step up to do the right thing. It's just that the agency has had ample opportunity to terminate the silver crime in progress and has squandered any chance to do so for decades. I still envision the silver mortar fire drawing a bead on JPMorgan and the CME, just that the CFTC is not directing the shelling. Instead, I think the growing awareness that the silver market is artificially depressed in price by a concentrated short position may be approaching the critical level. This has been a key premise of mine for a long time. As more become

aware of the real issues in silver, there will be a continuing rush by investors to accumulate physical metal. At some point, the backs of the silver manipulators will be broken and the price will be unshackled.

Perhaps as evidence of that growing awareness of a silver manipulation has been the circulation of a clip from Friday's segment on CNBC of a very frank discussion which included a specific reference to silver being manipulated. The reference comes at around the 9 minute mark (you can fast forward to that point)

<http://video.cnbc.com/gallery/?video=3000099933&play=1>

Having alleged that a silver manipulation has existed for more than 25 years, I have to tell you that it seems somewhat other-worldly for me to see it discussed in such a matter-of-fact manner on financial TV. On the one hand it's long overdue, but on the other it's about time. I'm not suggesting that the average viewer could decipher the meaning of silver being manipulated, but the clip indicates an awareness of the issue that I didn't think existed yet. Please remember that the key is in getting enough new observers to feel compelled to investigate the unique circumstances in silver. Since the actual circumstances point so strongly to a silver manipulation, even if the smallest percentage of new observers analyze the situation objectively, it can and will make a difference. It's merely a function of time.

Ted Butler

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Silver – \$28.15

Gold – \$1615

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