
June 15, 2010 – Mum's the Word

Mum's the Word

There's an old adage about not seeing the forest for the trees. It means getting wrapped up in the details of a circumstance and losing appreciation for the big picture. Sometimes we need to step back and look at things from a different perspective. Consider the extraordinary situation that currently exists in the silver market. We have the unprecedented circumstance of great numbers of investors and observers openly complaining to market regulators about an active manipulation in silver. This has never happened before. There have been commodity manipulations but widespread knowledge of these manipulations only came to light after they ended, such as the Hunt Brothers in silver and Sumitomo in copper. What's unprecedented about the current silver manipulation is that the allegations are coming in advance of any resolution. This fact creates profound investment implications.

Even more unusual is the reaction from the regulators over the past couple of years. The primary regulator, the CFTC, has issued repeated denials of any wrongdoing in COMEX silver for more than 20 years. However, after their May 2008 public response, those denials ended. Based upon revelations I exposed in the CFTC's Bank Participation Report of August 2008, large numbers of silver investors complained again to the agency. That resulted in a new silver investigation which continues to this day. Since then, the CFTC has ceased asserting that all is well in silver. The agency hasn't said anything is wrong, because if they did they would have to move against the manipulation. The issues of concentration and position limits which I have raised for decades are the same issues the CFTC has been fixated on since Chairman Gensler began his job. The CFTC is investigating the matter again, having held a public hearing and soliciting public comments.

What is most remarkable is how little the CFTC has actually said about the level of concentration held on the short side by JPMorgan. The allegations are based upon data and correspondence directly from the CFTC that deal with commodity law. Yet a response is not forthcoming, just assurances that it is being looked into. How long does it take to answer this question? How can JPMorgan holding 30% of the silver market not be manipulative? That the answer is not forthcoming is something I ask you to think about.

Not only is the CFTC silent or evasive on this question, so is JPMorgan and the CME Group, owner of the COMEX. It reminds me of a game I used to play as a child, in which everyone goes suddenly silent and the first one to speak loses the game. ~~But playing Mum's the Word was harmless. The version being played by the CFTC,~~

JPM and the COMEX is deadly serious. By recognizing just how unusual is this joint silence you will come to appreciate the significance of the problem, as well the historic investment opportunity at hand. Not only are the public petitions to the CFTC about the silver manipulation unprecedented, the lack of a response is also unprecedented.

Most historic is the silence from JPMorgan and the CME Group. These entities are masters of the financial universe. Yet, in spite of direct allegations of serious wrongdoing, neither says a word. I send my articles about the silver manipulation and JPM to all the commissioners of the CFTC and to Jamie Dimon, CEO of JPMorgan. Lately, I have included the top regulatory officials of the CME Group. None of my emails are ever returned or are they answered. I never hear a peep from any of them; not even a denial, or a demand to cease or rescind my serious allegations.

I believe that if you openly say something negative or incorrect about a big institution, you will hear from them. They would force you to correct your statement, especially if you said it repeatedly. Even in our new Internet-dominated environment, corporations have been known to aggressively seek out and silence anonymous critics who say damaging things. The silver manipulation is an ongoing criminal enterprise and I'm certainly not anonymous. Plenty may be said behind the scenes, but as far as any kind of challenge or answer to my questions and allegations, mum is the word.

It is no accident that this unified silence began with the August 2008 Bank Participation Report. Correspondence from the CFTC to lawmakers explained that the reason for the massive increase in US bank short concentration was JPMorgan's takeover of Bear Stearns. For the very first time, I was finally able to identify JPMorgan as the big silver short. Until then, I had to point to a nameless group of the four or eight largest traders. Since then, it has become common knowledge that JPMorgan is the big silver short. This was the game changer. It lies at the heart of the broader perspective I ask you to envision.

Forget the supply/demand fundamentals, the very small amount of silver remaining in the world versus the very large amount of money capable of buying it, and the allegations of manipulation. Instead, focus on the silence. Focus on the legitimate questions being asked about concentration and the lack of a valid response for almost two years. Focus on the thousands of public comments sent to the CFTC about position limits in silver and the resulting silence. Focus on how JPMorgan and the COMEX go silent even while they are accused of the most serious of all market crimes – manipulation.

It is the silence itself that is most unprecedented. It is the avoidance of a legitimate response to the specific questions that promises to blow the roof off the silver market. There is a good reason why the CFTC is hiding behind the ongoing silver investigation, instead of addressing what's on the public's mind. There is a good reason why

Chairman Gary Gensler has never acknowledged the thousands of comments he's received on this issue. There is a good reason why even Commissioner Bart Chilton, who has an opinion on everything else, won't say what he thinks the specific level of position limits in silver should be. There is a good reason why Jamie Dimon dare not acknowledge that JPMorgan is short silver, no less why his bank is short such obscene quantities. There is a good reason why the cat has the COMEX's and everyone else's tongues.

The reason is simple Â? no one wants to be the one who sets off silver. They all know just how severe the silver manipulation problem has become. They think if they don't say anything at all, they won't be blamed for it. They are postponing dealing with a problem they know is going to reflect badly on them. Whoever speaks first loses. But the big concentrated short position in silver is not going away without price fireworks. If it could have been made to go away, it would have gone away by now. It would not have remained intact and grown more concentrated. If there was any other way, it would have happened, for no other reason than to silence the critics. It is this set-up that presents the investment opportunity of a lifetime.

The key here is that the silver manipulation is an active manipulation. That makes it different than any previous manipulation in history. Of course, those previous manipulations were active at one time, but no one, save the manipulators knew about it until the manipulations were terminated. What makes the silver manipulation different it that you are being informed of it while it is still active. You are being given the opportunity to take advantage of an unprecedented active manipulation. Because this silver manipulation is a very rare manipulation to the downside in price, the way to take advantage of it is as simple as chewing gum. All you have to do is to buy as much silver as you can before the manipulation is terminated and the price explodes.

Many have written to me recently, disgusted with the inaction on the part of the regulators in the face of the obvious silver manipulation. I understand and share your outrage. Given the silence and inaction on the part of those who should be addressing the silver manipulation, you might care to do what I do and continue to notify them that they are not fulfilling their regulatory and corporate responsibilities. Continue to let them know they are not doing their jobs. There's no good reason to keep your frustration to yourself. Feel free to send or excerpt anything I've written. I'll list their email addresses below. I promise you it won't hurt to keep reminding them.

Finally, there are still credible whispers of a pending major silver lawsuit. No one knows what market impact such a suit, if it is filed, may have. We have no experience with a lawsuit being filed in an active manipulation. Given the unprecedented circumstances of the active silver manipulation, my sense is that the market impact of a silver lawsuit could be greater than many would expect. There's no way of knowing exactly when or what will be the specific trigger that ends the manipulation and sets off the price of silver. Just know that the manipulation will be ended and the price will be set off.

For the Chairman and CFTC Commissioners Â?

Ggensler@cftc.gov

Mdunn@cftc.gov

Bchilton@cftc.gov

Jsommers@cftc.gov

Somalia@cftc.gov

For Jamie Dimon, CEO of JPMorgan, I use two addresses Â?

jamie.dimon@jpmchase.com

executive.office@chase.com

For the top regulatory officers at the CME Group, Inc. Â?

thomas.lasala@cmegroup.com

dean.payton@cmegroup.com

Ted Butler

June 15, 2010

Date Created

2010/06/15