

June 24, 2010 – A Timely Question

A Timely Question

Here's question I received yesterday from a long-time reader that I thought would benefit everyone Â?

Ted,

With the markets conditions as they are, the uncertainty that exists, the ongoing investigations with zero development at this point, to me it seems as if there is going to be a different event that sets off the upward price explosion. With your in depth knowledge of the market, in your view what event that is not on the horizon could set off the explosion. It appears more and more obvious with each passing day that something from beyond the obvious will be the catalyst versus action by the governing authorities. Do you have any thoughts on this and what from the wild blue yonder could be the event that supersedes the ongoing investigations etc.

Thanks Jim

Jim,

That's a good question for a day like today. So good that I may answer it publicly. It does not matter if the regulators ever do their job to end this blatant silver manipulation, as far as the investment prospects are concerned. The manipulation will be terminated regardless. All commodity manipulations must and will end, and the end must come suddenly and violently. I know that may sound hollow as the manipulation continues, but the iron-clad law of supply and demand guarantees the silver manipulation will end and the price will soar.

The one certain end to the manipulation will be the developing wholesale silver shortage. The COMEX silver inventory turnover, delays in delivering silver to investment trusts (like SLV and CEF), and the recent lack of growth in visible silver inventories are clear signs of the developing silver shortage. When this shortage hits with sufficient intensity, the manipulation is over. Selling short paper contracts to keep the price capped will only enflame a physical shortage once it is obvious that there is not enough silver to go around. Fact number one is that a physical shortage will snap the manipulation like a toothpick. And all we need for that to happen is the passage of time. As time goes by, more will be motivated to buy silver as the facts become clearer. This, in turn, will intensify the shortage.

Now you may ask the reasonable follow-up question, “Ted, if that’s so, then why apply any pressure at all on the regulators to do the right thing?” The answer is simple, because it is their job and it’s the right thing for us to do. I suppose we could silently sit by and just keep accumulating silver at artificially depressed prices and wait it out. There is nothing wrong with that for those who choose to do so. But, pressuring the regulators to uphold the spirit of commodity law is not mutually exclusive from a shortage ending the manipulation. Both can happen. Both will happen. We just don’t know the sequence of events.

Just because the shortage will occur, doesn’t preclude us from petitioning the regulators. They took an oath to uphold the law and are being paid by taxpayers. Why just sit around waiting for the shortage to hit when there’s something constructive and righteous for us to do. It’s called multi-tasking, only real simple multi-tasking. Sort of like walking, chewing gum and listening to music at the same time. We buy and hold silver, and while we wait it out, we rattle the cages of the regulators and the commercial crooks. That’s better than snapping at a spouse or a pet on a down day for silver. We should snap at the regulators instead. Besides, you have to admit, they sure appear to be having trouble coming up with good answers and explanations to the questions about concentration and position limits in silver. We are asking highly pertinent questions that go the heart of commodity regulation and they are responding with silence and delay.

In addition, there are other factors that could set silver off, like a lawsuit or a big investor coming into the market. In fact, it's hard for me to believe that either hasn't occurred already. But either can occur in a New York minute. You have to be a prophet to predict when a specific event will occur. No one can know what the trigger will be that will set silver off. But I think we can be certain that, given all the facts and how obvious the manipulation is becoming daily, silver will get set off by some event. It may seem like a surprise at the time, but when we look back on it afterwards, it will be clear that it had to occur. That it was only a matter of time.

As we all know, we face great challenges in our country and in the world. I suppose this is always the case. Unfortunately, there is little we can do about many of these problems, except to live our personal lives to the highest standards possible. For instance, I honestly don't know how to improve things like unemployment and political and ethnic disharmony. But sometimes we are presented with an opportunity to do a greater good. I think we have been presented with just that opportunity in silver. Not only have people made great returns in silver to date and will make much greater returns in the future, we have also been presented with the opportunity to help right a very serious wrong, the silver manipulation. Therefore on days when the COMEX commercial crooks are pressing the price, aside from buying and holding, we must press the regulators to do their job.

Ted Butler
June 24, 2010
Date Created
2010/06/24