

Taking Control<?xml:namespace prefix = o ns =  
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Sometimes the battle for investment success seems easy; other times it seems incredibly difficult. The past few weeks have been difficult for silver investors. It's much more enjoyable watching gains accrue, than seeing them melt away. The enjoyable days will come again and it's important that we be positioned for them when they come. So what to do in the meantime?

With all the price volatility and commentary swirling about in silver, it's appropriate to take stock and put things in perspective. There are things to do as well as things to avoid in coping with the volatility and conflicting commentary. The first order of business is to decide if you want to hold silver as a long term investment, or more correctly for the vast majority of you □ do you want to continue to hold it? To me, the case for silver on a long term basis looks better than ever. Quite simply, based upon demographics and global economic conditions, there will be a greater strain on available silver supplies in the future than there has been in the past. Two unique factors make that so; silver's incredible industrial versatility and its growing investment demand.

After a great correction in price like we've just witnessed, there always exists the feeling that the silver game may be over, or over for a long time. Especially

when a large number of commentators are echoing this sentiment. But feelings are different from facts and the facts argue against this line of thinking. Silver will be an important world commodity in demand long after any of us are around. The trick is to put it to proper use in our investment planning. I don't know of any better way than to simply buy it and put it away.

Whether we want to or not, most people must invest on a long term basis. The only choice we have is in what to invest. Even if one leaves money in the bank, or buys stocks or real estate, it's natural to buy and hold. Some can actively trade the market short term successfully, but those are few and far between. So the choice comes down to what to buy and hold. Over the past ten years and despite the recent takedown, silver has been the best investment compared to just about anything. This is also despite the fact that few had argued for silver ten years ago. Past price performance doesn't make silver the best investment for the next ten years, of course, but some simple facts in place today do point to that outcome. What simple facts?

The world has only 10 to 12 million silver ounces a month left over and available for investment demand after subtracting industrial and total fabrication demand from mine and recycling total supply. At current prices, that's \$350 to \$400 million worth of silver, compared to the \$6 billion world investment demand that gold requires monthly. Gold needs 15 times more investment demand than silver. As more world citizens learn that silver bullion

is rarer than gold, there will come months in which more than 10 or 12 million ounces of silver are demanded by the world's investors. When that occurs, there will be a disproportionate upward impact on the price of silver.

Even as the price of silver climbs, this investment money flow will still favor silver over gold. Let's say silver rises to \$100/oz. and gold remains at \$1500/oz. On a tripling of silver prices and a flat line in gold prices (not a prediction, just an extreme example), it would still take five to six times more of a money flow into gold than silver. My point is that considering how little world money it takes to buy all the available silver compared to gold, to say nothing about the money required to flow into stocks or bonds or real estate, it's just a matter of time before too much money tries to crowd into silver and makes a mess on the upside. And it doesn't matter what the reason for a big move towards silver; currency or financial fears, inflation, or signs of a shortage or a combination. The fact that silver is such a tiny asset class, markedly under-owned, undervalued and misunderstood, gives it a big edge to repeat as the investment of the decade.

That these unique silver conditions have been in place for the past decade largely explains silver's past performance, as well as its future prospects. Yet there are obstacles to the natural order of investment flows and price projections. The chief obstacle in silver has always been the fraudulent and manipulative dirty tricks by short sellers to prevent prices from climbing fully.

This criminal element hasn't been completely successful in preventing silver prices from rising, but they are omnipresent and must be considered at all times.

Recently, this manipulative element has resorted to short-selling tens of millions of shares of the big silver ETF, SLV, in addition to blatant disruptive trading techniques on the COMEX. The short selling in shares of SLV blunts the impact of investors buying silver, which is the intent of the short sellers. The disruptive trading practices on the COMEX are designed to scare holders out of positions and discourage new buying.

So what can you do and what can't you do about all this, if you've decided to hold silver for the long term. You can control whether you should be invested in silver long term, so I'll assume you've made that decision and will continue to monitor the facts as they develop. You certainly can't control the daily price movements which have taken center stage. All you can control or try to control is your reaction to them. (Of course, this is all from the Book of do as I say, not as I do). It's crazy to let your day be ruined by the crooked dealings of the silver short sellers and the High-Frequency computer cheaters. It's not that you are wrong to be upset by open criminality; it's just that you should instead put that negative feeling to some constructive use. I have a specific suggestion.

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Once you have invested in silver for the long pull, not much additional time is required to maintain that investment. The next time you find yourself upset by what's going on, don't bottle it up and keep it to yourself. Share it with someone who should be able to do something about it. This is not just as I say to do, but this is something I've been doing for a quarter of a century. The only regret is that I didn't write more often. In fact, you will be helping those in charge by letting them know what concerns you as a citizen or market participant. Additionally, the ease and immediate delivery of email communication is truly a modern marvel that allows us to contact public officials like never before.

Recently, I have received a number of copies of emails to the regulators that I found were right on the mark. I've also received comments from many of you about arranging lawsuits to seek redress against those responsible for the intentional 30% price smash. I have no doubt that we will see many lawsuits as a result of the recent rig job to the downside. But I'd like to share something that I haven't mentioned before about suing the silver crooks, and this includes the previous lawsuits against JPMorgan and others for what took place in 2008.

I think the key to any successful lawsuit against the silver crooks and ultimately forcing them to stop manipulating the market is government involvement. Without a move by the regulators against the silver market criminals, any private civil lawsuit is unlikely to prevail, in my opinion. Invariably, without any government participation, the silver criminals can hide behind the regulators

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with the defense that the regulators have found nothing wrong. Therefore, it is imperative that the regulators find something wrong; otherwise the silver manipulation will continue (up until the physical shortage). And to find something wrong, the regulators just have to open their eyes.

It is this conviction of mine that the government must move first for anyone else to successfully sue the silver crooks and end the manipulation that explains why I continue to petition the CFTC after 25 years. I believe this is the key. The large financial organizations that I continuously name as being complicit in the silver manipulation (JPMorgan, CME group and now BlackRock) have little to fear from most litigants, as they all have a vast army of lawyers that makes them almost untouchable. The only possible adversary of equal stature is the government itself, either in the form of the CFTC or the Department of Justice. Therefore, the key is to get the regulators and the DOJ on the case. The next time and every time you feel like screaming at the blatant manipulation in silver, put it to constructive use ☐ write to the regulators. Make it professional and to the point, use any of my stuff if you want and know that you are adding your name in a worthwhile effort.

What prompted this article were the comments that many of you have sent to me recently. I think they make and will make a difference. Here's one I found particularly succinct ☐

From: Kevin

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To: ggensler <[ggensler@cftc.gov](mailto:ggensler@cftc.gov)>  
Cc: bchilton <[bchilton@cftc.gov](mailto:bchilton@cftc.gov)>  
Sent: Sun, May 15, 2011 8:50 am  
Subject: Silver Manipulation.

Chairman Gensler,

As everyone is aware, the price of silver has dropped by about 1/3 in the last two weeks. As I'm invested in the silver market I have done a lot of reading as to the possible causes for this sharp decline in such a small period of time. I can only come up with one conclusion and that is that there is a large amount of illegal trading activity causing all of this. For a quick explanation of this, I would point to Ted Butler's weekly review that was published on May 14. I am aware that he sends all of his writings to you and so I would ask that if you haven't read it, please take a few minutes and do so.

As the chairman of the CFTC, I have several questions for you. I understand that it is your responsibility to protect me and my investments from the criminal activity that is currently occurring. Why don't I see any evidence of that? Are there people on your staff that are investigating this? Why hasn't there been some kind of intervention from your office to stop this? How much longer are you going to let this go on before you take some action to protect the small investors?

In the CFTC mission statement it says in part that it is your responsibility, "protecting market participants against fraud, manipulation, and abusive trading practices", I would have to believe that there are very few small investors in the gold and silver markets today who believe that you are at all successful in that endeavor. It also occurs to me that the large commercial banks that are, in my opinion, manipulating the silver and gold markets are pleased with the lack of regulatory action by your office. To be blunt, I'm losing faith quickly.

Best regards,

Kevin

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I always try to put myself in the other guy's shoes, in this case the regulators'. I know that they must move deliberately in serious cases involving market manipulation and this necessarily involves delay. However, in the case of an obvious crime in progress, like exists in silver, the regulators also have an obligation to terminate the crime immediately and then sort out the details later. That the CFTC has not done that is shameful.

Also shameful is that there has not been one public word from the Commission on the extraordinary events of the past two weeks in silver. This is not in keeping with their prime mission of protecting the public from fraud, abuse and manipulation. The Commission may have its hands full with implementing the Dodd- Frank Act, but that does not excuse them from protecting the public. There has been no protection offered to the public in silver lately.

I've fallen behind in my mail again, so don't hesitate to write me again if you were expecting a response. I do plan to publish some reader questions and answers in the next day or so, hopefully before the weekly review.

Ted Butler

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Silver - \$34.50

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Gold - \$1496