

May 24, 2010 – If You Don't Look, You Won't See

If You Don't Look, You Won't See

As I mentioned in this week's King World News interview, the \$1.60 drop in price was directly related to the sharp increase in the total commercial short position in COMEX silver futures. Large commercial entities pulled the rug out from leveraged longs by engineering prices through key moving averages, forcing paper longs to sell. The dealers are highly-skilled at causing prices to move at critical moments, especially when trading is thin. Future Commitment of Traders Reports (COT) will confirm the strong net selling by speculative longs and net buying by commercials during the price plunge. Same as it ever was. That the commercials have always been net buyers on ever big price break in COMEX history might strike some as the dealers being shrewd and canny. I would submit that if you look objectively at market mechanics, including collective dealer behavior and the concentration on the short side, a different picture will emerge. Manipulation, not the dealers' incredible luck or skill, comes clearly into focus as the cause.

It should be obvious that the silver manipulation endures, as evidenced by this week's COT. However, I was somewhat relieved in that the large reduction in the net short position of JPMorgan, reported in the previous COT, appeared to remain intact, although there was an increase. Rather than offer a too-detailed analysis of this week's report, let me just summarize the situation. (Subscribers wanting more detail are encouraged to email me with any specific questions.) I still think JPMorgan is committed to reducing its enormous concentrated short position, although it still continues to collude with other commercial interests in flushing out leveraged longs. This is a powerfully bullish force going forward, although the commercials can still rig sharp sell-offs at any time, as we've all just seen again.

We should be able to confirm if JPMorgan is in the process of reducing its silver short position in analyzing future COTs, as well as in the Bank Participation Report due out on Friday, June 4. Even though there is more than a full week remaining in the reporting month, my expectation of the report is for a sharp drop in the silver short position of the US banks. It will surprise me if JPMorgan is not actively reducing its silver short position, especially given the publicity the position is attracting and the current financial reform environment. It's hard to come up with a better approach than remaining fully-invested in silver. My sense is that we are so close to the resolution of the silver manipulation that I am less concerned about avoiding the deliberate COT sell-offs, than I am in not missing the lift-off. Yes, we must be prepared for sell-offs, but when this silver manipulation unfolds, the price is certain to react explosively to the upside. Only those holding silver before the price explosion are assured maximum profit participation.

Last week, I got a call from a subscriber and long-time reader. Barry is a successful businessman who happens to own a heck of a lot of silver, more than a million ounces. He started buying many years ago and has continued to buy. You'd be hard-pressed to come up with someone more convinced about silver than Barry, and not just because the value of his silver has grown so much. Barry knows the real silver story cold. I've talked with him often over the years, so I knew what he was going to say before he said it.

I knew what Barry was going to say, not only because he's said it before, but also because I get some variation of his message from others almost every day. So I thought I might share our recent conversation. Like most people, Barry is concerned for his family and friends. As such, for a long time he has tried hard to convince them of the merits of investing in silver, but with little success. So he calls me often to suggest what I may write to help convince them to buy silver. Invariably, he asks me to re-write something I have already discussed about the rarity of silver and how little money it would take to push prices sharply higher. Barry always makes constructive suggestions and I appreciate his input.

I should also add that Barry has some very wealthy friends. So wealthy that he considers himself an average-Joe when he talks about them. Everything is relative, I suppose, including net worth. Some of his friends are said to have liquid investment assets, the equivalent of cash, of over a billion dollars. I should add that Barry is no dummy. He knows full well that if he can convince his friends to buy silver, not only will he be doing them a favor, he will also help break the back of the manipulation and help send the price higher. This is called a win-win.

However, despite his relentless crusade to get his friends to buy silver, Barry has not succeeded. None of his wealthy friends have bought even the smallest amount of silver, even though he has been trying to convince them for years. Keep in mind that one is reportedly holding more than a \$1.5 billion in short term treasury securities. Rather than just listen to him suggest what I should re-write, as I usually do, this time I asked him why he thought his friends hadn't bought any silver yet. I asked him what they gave him as the reason they hadn't bought. After all, silver has been one of the very best investments one could have made over the past few years. Barry started to say that one friend said something about the Hunt Brothers in 1980, when I cut him off. Instantly, I knew what the problem was and it made me quite annoyed. I conveyed this to Barry.

It was clear that his friends hadn't really listened to or read anything that Barry said or passed along to them about silver. It all went in one ear and out the other. Obviously, they weren't interested in learning anything about silver. Their minds were closed. This annoyed me because it showed a lack of respect by them to Barry. I told him, in no uncertain terms what I felt about his friends' reaction. I was annoyed because Barry was trying to do a good deed and his friends didn't even have the decency to take the time to consider his argument. I'm not saying they should just drop everything and do what he (or anyone) says; but at least come up with a valid objection, not something that happened 30 years ago that has no bearing on conditions today. I told Barry he should stop wasting his time trying to convince his friends on the merits of silver as they weren't interested.

This leads me to the questions I receive almost every day concerning why hasn't someone big come along and bought a large amount of silver. Or why the real silver story doesn't appear in the mainstream media. Or why doesn't everyone see the true situation in silver. The answer is right in front of us. Very few see because very few are looking.

If you don't look, you won't see that silver is much rarer than gold in investment terms and that the current price relationship is absurd. You won't see how little silver is available for the world to invest in. You can't know what a vital and indispensable material silver has become in the modern world. You'll have no idea how serious the concentrated short position is in regulatory and price terms. You can't imagine the staggering profit potential dead ahead.

Understanding the real silver story is not about understanding some incredibly complicated mathematical formula that requires years of detailed study to comprehend difficult concepts. This is about throwing off the blinders and preconceived notions and looking at a simple topic with open eyes. It is about asking simple questions and seeking credible answers. It is about seeking verifiable facts and using common sense. It is about not thinking that you already know all there is to know about silver.

Most of the world's investors will never buy silver because they will never take the time to look at the merits objectively. Those who do study the facts with clear eyes will most likely end up buying. Therefore, it is a waste of time to try to convince those who refuse to weigh all the facts. Spend your time more productively by learning the facts and passing it along to those willing to see.

Ted Butler

May 24, 2010

Date Created
2010/05/24