It was another fascinating week for silver, as some stunning developments took place. My sense is that there will be more such developments in the near future. I'm going to abbreviate this week's usual market review to deal instead with the big developments which included a statement from Bart Chilton of the CFTC about the two-year old silver investigation, a civil law suit filed against JPMorgan and others alleging manipulation in COMEX silver contracts, and the introduction of a new silver ETF (exchange-traded fund) by the Sprott organization from Canada.

Price-wise, silver came roaring back following its first weekly loss in two months, climbing $1.40, greatly outpacing gold's comeback of $30. As a result, silver
had its highest weekly close in 30 years and closed at its best level compared to gold since August 2008. In simple terms, at this week's closing prices, anyone who switched from gold to silver at any time over the past two+ years has a better return on his or her investment as a result of any switch. This is a statement I expect to be making regularly as time progresses. It's not too late to switch from gold to silver.

In the physical markets, COMEX silver warehouse stock levels and movements still suggest tightness as do silver delivery notices, where ScotiaMocatta took some notable amount from JPMorgan (both in the customer and house categories). The big silver ETF, SLV, experienced a significant withdrawal on Thursday and Friday of some 2.7 million ounces, the first drawdown in two months. This withdrawal came at a time when the Trust was owed silver, due to short-selling of shares. My conviction is that the recent COMEX deliveries and the withdrawals from the SLV are directly related to the new Sprott silver ETF. The wholesale silver market has gotten so tight that there is a degree of cannibalization of silver inventories occurring. The old robbing from Peter to pay Paul routine. It's hard to imagine a more bullish physical circumstance.

The latest Commitment of Traders Report (COT) showed no increase in the total commercial net short position in silver, with a reduction in gold. Importantly, the big 4 and 8 commercial shorts in silver reduced their concentrated short position in the reporting week. The big 4 category (JPMorgan) now has the
lowest short position since August 24th, when the $7 rally commenced. Let me say this as simply as I can — when the big shorts increased their short positions, the price was capped. Recently, the big shorts didn't increase and actually decreased their short positions and the price of silver has soared. Any regulator that doesn't recognize that as proof of manipulation shouldn't be regulating.

In summary, everything looks good for higher silver prices with the only threat to the downside being potential manipulative behavior by the big commercial crooks. The stunning developments this week reduce the threat of a manipulative sell-off, but may not eliminate it. These big COMEX commercial shorts are so crooked as to never be underestimated.

The statement on silver by Commissioner Chilton and the filing of the civil lawsuit were very much related. I think I have a good idea of how they were related because it was something I had planned and worked on for more than 20 years, although I am not directly involved in the lawsuits. This is something that subscribers already might know about, but it's usually good to review events to see if they conform to one's investment outlook. It's no secret that I have been petitioning the CFTC and the COMEX for 25 years about the downward silver manipulation, due to excessive and non-economic concentrated short selling of COMEX silver contracts. Each and every time I wrote to the regulators, they flat-out rejected my allegations.
Despite the consistent denials by the regulators that anything was amiss in COMEX silver, I persisted with my allegations and included new evidence as it became available. I had no choice. Not only did I know that silver was manipulated in price, I also knew that convincing the CFTC was mandatory to ending the silver manipulation. Why? Because, until a physical silver shortage emerged, the exchange and the big shorts would hide behind the CFTC's rejections of a silver manipulation. The CFTC was protecting and enabling the silver manipulators. Let's face it — the big short commercial crooks had the ultimate defense against my allegations, namely, that if the primary regulator, the CFTC, said there was no manipulation, who could argue otherwise? Unfortunately, this was a rock-solid defense that shielded the silver manipulators for more than two decades. Then the crooks' protection began to erode.

Thanks to the Internet (and mass mailings by Investment Rarities) word of the silver manipulation and the incredible investment opportunity it represented began to circulate. Over time, many thousands began to write to the CFTC about the manipulation, in addition to many tens of thousands who began to invest in silver. The proof of the manipulation could be explained in the clear terms of market concentration, as well as the solution to the concentration, i.e., position limits with no phony exemptions. Fortunately, this was at the core of
commodity law and the allegations were so specific and compelling that the CFTC couldn't brush off the hundreds and thousands of complaints they received.

Instead, the CFTC publicly issued a series of increasingly lengthy rejections that did little to explain away the allegations of silver manipulation. After perhaps a dozen denials to me personally over the years, the agency began to issue public denials, as a result of the growing number of public complaints. Both in May of 2004 [http://www.cftc.gov/files/opa/press04/opasilverletter.pdf](http://www.cftc.gov/files/opa/press04/opasilverletter.pdf) and 2008 [http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/silverfuturesmarketreport0508.pdf](http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/silverfuturesmarketreport0508.pdf) the agency issued its most recent and extensive denials of a silver manipulation by the big shorts. Not once in 25 years did the CFTC ever agree with even one point I ever raised. Their approach was to discredit any and everything I claimed. (It was pretty humorous in a way, as even the dumbest guy says something correct once in a while).

That's what makes the statement by Commissioner Bart Chilton so significant (to say nothing about the approach of the Gensler-led CFTC move to position limits). The statement was a complete about-face for the agency. Even to suggest there may be something amiss in silver was a drastic change from their usual "move along, there's nothing to see here." There should be no doubt that the filing of the lawsuit the next day was as a direct result of Chilton's statement. If Commissioner Chilton had not made his statement, there would
have been no lawsuit filed this week. This goes directly to my decades' long plan – the CFTC was the key to cracking the manipulation. It has taken far longer than I would have ever imagined, but what the heck? So far so good, at least recently.

And please let me be clear – I'm not the least worried about whether this particular lawsuit succeeds or not, as just the fact that it was filed makes a good enough point about the credibility of my allegations. Think about this – how many lawsuits would be filed if and when the CFTC gets serious about its responsibilities and actually cracks down on the silver manipulators?

I believe it is important for silver investors to put Chilton's statement and the lawsuit into proper perspective. To do that, we must visualize just what led up to this week's silver stunners. It all started with my article, "The Smoking Gun" in 2008 http://news.silverseek.com/TedButler/1219417468.php. This article and the ones that followed resulted in hundreds of new public complaints to the CFTC about concentration on the short side of COMEX silver (and gold) by one or two US banks. In the weeks and months following the publication of this article, I established that JPMorgan was the big COMEX silver short. Commissioner Chilton quickly requested and a formal silver investigation by the Enforcement Division was begun, despite the agency having issued its 2008 denial just a few months previously. This is the silver investigation that Chilton spoke about this week.
The amazing thing is that neither I nor any of the many hundreds who wrote to the Commission in the fall of 2008 were asking for a new investigation. All we were asking for was a simple answer to a simple question. The simple question was how could it be possible for one or two US banks to hold 25% of world annual silver mine production short not to be manipulative? There is no possible answer, other than that it would be a manipulation. In the more than two years since I asked that simple question, no one has been able to answer otherwise. Being unable to answer, the CFTC instead chose to kick the can down the road and investigate again. They can investigate until the 12th of Never, but no other answer will emerge. That's why I asked the question in the first place.

It seems to me that we are hurtling towards the resolution of all the silver issues that must be resolved, although mostly it seems to be taking longer than I would have expected. It's kind of like an accident in slow-motion, only it may be my perception that makes it seem slow, since it has been expected to occur for so long by me. At least the recent price and unusual developments temper the delayed expected timeline. The important thing is that the timeline no longer matters. Who really cares if we explode next week or month (other than option holders)? This silver resolution is taking on an air of certainty in which the importance of the timeline recedes. Just stay alive long enough to witness it.
What has never ceased to amaze me about this silver journey is the continued resistance by many to the idea that silver could possibly be manipulated. I do understand that my allegations are shocking at first to almost all who hear them for the first time, as we all have held free market beliefs and my allegations clash with those beliefs. Here I come along and claim that silver has been involved in a decades-long price manipulation due to short selling on the COMEX. I admit that is hard to accept at first. But I have tried to explain it in clear and factual terms. I'd be lying if I told you I was upset by the skepticism to my allegations, especially by those in the metals industry. I welcome the doubt and disbelief. Nothing could be better to make a widely-disputed call and be proven correct.

One of the things an analyst (or investor) should be doing constantly is questioning his major premise. You learn much more from those who disagree with you, than from those who agree. But it shouldn't be personal. I want to hear the reasons why someone disagrees, not who are disagreeing. I have to tell you — the reasons I see of those disagreeing are weak. But that is something for you to decide, after studying both sides of the issues. Here's a sample of some who disagree with the manipulation argument sent to me by a number of readers [link](http://www.kitco.com/reports/KitcoNews20101029.html). It does seem obvious to me that those who have believed that silver has been manipulated and acted accordingly (buying and holding as much silver as possible) have done considerably better than those skeptical that silver was vastly and
artificially undervalued. I think that will be a continuing story.

My sense is that the still-widespread skepticism of a silver manipulation is about to clash with developments in the physical market, regulatory changes, legal challenges, and price action. Let's face it — silver sure has been acting like it might be throwing off the manipulative yoke it has shouldered for 25 years. I get the strong feeling that developments this week are pushing us to the point of recognition; the point at which it becomes obvious of the real story in silver by a sufficient number of observers. At that point, the short sellers will be overwhelmed and the manipulation will be terminated. I have the feeling that the price at that time will astound all.

I would be remiss if I didn't thank all who have written and congratulated me on the recent developments in silver. Your sentiments are greatly appreciated. While we still have a long way to go and much to accomplish, the recent price action has made the journey a lot more fun than at times in the past. I think we are positioned for a lot more fun, although there will be disappointments along the way.

In an administrative note, the audio feature is not yet working. The truth is that it is technically functioning, but I am not yet personally comfortable with doing audios. I think writing is more in keeping with the high-quality content goal I
have for this service. I'm still wrestling with it and may decide to include audio or not. In the meantime, don't bother clicking on the audio icon, until I indicate that there is something to hear.

It's repetitive, but the advice to silver investors remains the same. Even though the price has risen sharply and may face set-backs, the odds for a price explosion have actually increased. As such, hold tight to all fully-paid for positions. Try not to count your profits on the up days and losses on sell-offs, while you are sitting at the poker table. It can make you crazy (another reading from the Book of Do as I Say, Not as I Do). Options holders should continue to hold with an eye for capital withdrawal and repositioning as and if prices continue to increase.

Ted Butler

October 30, 2010

Silver - $24.75

Gold - $1360