# An explanation for the current silver manipulation.

The 'net short' silver position in the COMEX began many years ago, when the Silver Users of America (the only known 'users cartel' – since cartels usually consists of producers), wanted to buy silver for their various industries as cheaply as possible.  Using their influence with Senators from silver producing states they persuaded the government in the 1960's to sell off the strategic silver supply, consisting of billions of ounces of silver, most of it at 1.29 an ounce. When this supply was gone, and whenever the price would rise, they carefully watched for a rally and in tandem began to sell contracts for future delivery, ay the COMEX exchange.  When they were satisfied that the price would not go any lower, they slowly covered as many of their short positions as possible. As time went on, most of the 'open' short positions ended up with Lehman Brothers. In 2008 when Lehman Bros went bankrupt JPMorgan took over this short position consisting of several hundred million ounces. These contracts are rolled over when they mature and because of JPM's influence and large volume the rollover fee is relatively small. The game went on and JPM along with HSBC and to a lesser extent several other bullion banks, would first allow silver to rise, then in concert they would begin to sell contracts. Their method of operating is quite obvious. They sometimes dump 20,000 contracts in 5 or 10 minutes. No sane trader would do this. People who sell usually want the best price they can get. Normally this is done by slowly selling into rallies instead of the blatant dumping of huge numbers of contracts. It is obvious that the US government and the officials in charge of trading at the COMEX are not doing anything to stop this illegal activity.

The people who bought the contracts were hedge funds and large speculators. Sometimes these contracts were then quickly resold as price continued to drop. Margin calls caused more selling. At some point when a strong support level was reached, the bullion banks would start to buy back, and cover as many contracts as possible, to load up for the next time. After a while the hedge funds would load up again as the price rose, and they then became a target for the bullion banks to attack whenever these vampires decide the time is ripe. JPM and HSBC are simply delaying the inevitable, as silver is becoming scarcer by the day. The number of applications for silver keeps on increasing. The only commodity with more uses in industry is oil.

The collective short position in silver shared by JPM and HSBC would require 6 months of worldwide silver production to offset their short position. Obviously that is not possible. Meanwhile the banks that are short silver keep playing their games. They win some battles, but they cannot win the war. The short position is simply too large to be covered except at price levels double or triple current levels.

Hedge funds for the most part use computer programs that follow short-term trends. A sharp decline would cause a sell-off as they all race for the exit. The bullion banks pick up the silver contracts and the game goes on. The bullion banks have deep pockets and are very likely operating with the permission of the US government since they help in keeping the price of gold down. This is desired by the US government as it helps to prevent the public from realizing that paper money is dropping in value. (Gold up = paper money down).

The people in charge at the bullion banks do not realize, (or do not care) that physical silver is disappearing. There are times (f.e. when silver rose to nearly $50 in 2011), that the bullion banks are carrying losses in the billions of dollars).  This motivates them to try to hammer the price down again, and since they are using money that does not come out of their own pockets, they feel they have nothing to lose.

One presumes that the thinking is that if silver disappears, they will use their huge bank rolls to play games in another commodity while defaulting in the silver pit. A default occurred in Palladium a few years ago, and life goes on.
The bullish aspect for investors with access to 'real silver' is that because of manipulation, the price of 'real silver' is far below where it should be. This encourages silver usage where it would otherwise be too expensive. It also prevents alternative sources for silver use to be developed. The result will be a silver price in the future that will amaze everyone. A ratio of 1:1 with gold is a possibility!

Remember that despite the suppression of the silver price by these bullion banks, the price of silver nevertheless rises year after year! It sure beats money in the bank.

There are three ways to defeat the cartel:
#1 Buy physical silver and take it off the market,
#2 Don't use margin, and
#3 Buy shares in a silver trust such as Sprott Silver Trust, or Central Fund of Canada, (ask your financial adviser). Then buy the dips and ride the waves.

Peter Degraaf.

➔Here is more information on this manipulation courtesy www.butlerresearch.com

"The exact methodology being deployed that enables the dominant commercial traders to pull this scam off repetitively, aside from outright collusion, is High Frequency Trading (HFT). HFT is the collusive bundling of advanced computer hardware and software that is so advanced and powerful that it has achieved the power to move prices sharply with little actual trading required in setting prices. The way HFT works is that the collusive trading programs suddenly flash great numbers of contracts for sale. But before much actual selling occurs, all the other traders in the market see the great volumes of contracts apparently offered for sale and these other traders withdraw buy orders and start entering their own sell orders to get ahead of the great wave of HFT sell orders offered. Then a not so funny thing happens. Most of the time, very few of the HFT orders originally offered for sale get filled or executed. Instead, they are quickly cancelled. There's even an operative term for this practice that's perfect – spoofing.

Most of the HFT orders are never filled, nor are they ever intended to be filled. These spoof orders are intended to scare others into selling so that the dominant commercial traders can buy gold and silver contracts. And make no mistake, this phony HFT activity has been successful, to the great shame of the regulators at the CFTC, who know that this manipulative trading is against commodity law. The proof that it is manipulative trading lies in the data published by the CFTC. That data shows the big dominant commercial traders are always the big net buyers on the big down days. It is not possible for that to be coincidence; it as close to cause and effect as is possible."

Ted Butler, Butler Research