

From: Joachim Troilius <joachim.troilius@gmail.com>
Sent: Tuesday, November 23, 2010 7:15 AM
To: PosLimits <PosLimits@CFTC.gov>
Subject: Re: Comex Silver Market and Position Limits

PS: I wish it to be noted that I'm for the position limits, proposed by Mr. Ted Butler, of a reasonable level of contracts, in the COMEX silver market, per market participant, to be set at ca 1,500 contracts, or, alternatively, a formula level to be used, as a general rule, at the COMEX, of no more than 1% of world production, in that commodity, per market participant.

Exemptions from above proposed position limits should only be extended to legitimate hedgers, such as producers as users.

Best regards,

Joachim Troilius

Sweden

2010/11/22 Joachim Troilius <joachim.troilius@gmail.com>

After the re-editing a letter sent a few days ago, to the CFTC, it is now sent again, re-edited, for clarity:

Dear Sirs and Madame,

In the latest weeks, there has been a great volatility in the COMEX silver market ("paper" silver market). The swings, in the price of silver, have been marked, to say the least.

One might think it is just the underlying market of physical silver, exhibiting great price volatility, but nothing could be further from the truth; the parameters, of the physical silver market, that are supposed to be the price-setting mechanism, for silver, supply and demand, have been, consistently, very stable, with an unalteredly strong demand for physical silver, and a constricted supply of the same.

As the consistency, of these two factors, have been very unchanged, for the last couple of weeks, the reason for the wild swings, in the price of silver, can thus not be justifiably sought in the physical silver market. The only other market, where a price of silver then could be established, is the COMEX Futures market, i.e. the "paper" silver market.

This is a market, where derivatives were originally intended as a hedging instrument, for the commodities participants, such as the producers and the users, against market volatility, in the price of the underlying commodity. This was the original intention, of the commodity futures.

And it still works, in that way, for most commodities. However, it does not work like this, in the silver COMEX market. Here, the amount of speculative positions has taken on such a proportion, in relation to the underlying commodity, of physical silver, that the price-setting mechanism, in the COMEX silver market, has been skewed very strongly, from the supply/demand price-setting mechanism of the actual physical metal, to a price-setting mechanism determined by the transactions, and even the implied, but not carried out, transactions, of the futures market.

That is to say: Due to the absence of position limits, in the COMEX Futures market, the price of silver is no longer commanded by the availability of the physical metal itself, and the demand of it, but by different actions in the futures market.

We actually have a situation arisen here, in the COMEX silver market, and, because of this, in the world silver market, of "the tail wagging the dog", as concerns the silver price-setting mechanism.

And this is all to the benefit of the big "paper" silver market manipulators, foremost, I dare to say, JPMorgan, as they do not have, and will not be able to deliver, the silver they have sold short for a number of years.

And this absence of position limits is to the detriment of the honest silver market participants, such as the producers and the users, the ones that these instruments, the futures, were once intended to protect.

I'd like to ask You, members of the Commission, to please follow me through, as I take a look at the underlying commodity, physical silver, to show You, just how perversely the absence of position limits has deteriorated the integrity of the COMEX silver market:

In the physical silver market, the fundamentals are wildly bullish: Not only is there increased investment demand, as investors seek a hedge against what they perceive as economically uncertain times, but there is also increased industrial demand, both as a function of an increasing world population and increasing standards of living, in emerging market economies (rising the demand for products where silver is an intrinsic part, as in electronics) and also of the increased width of technical and medical applications, for the metal, within the silver consuming industry, a width that is continually increasing, due to continually new found technical and medical applications.

All this makes for an over-all stronger market demand, for the physical metal.

More: The industrial demand for silver is to a great part inelastic, as many of the technical and medical applications, calling for silver to be used, due to its unique physical properties, can not easily let silver be substituted by another metal.

On the supply-side of silver, there is also a very high degree of inelasticity, due to that there are few pure silver mines in the world, and the ones that are, are usually tiny: The main part, of silver produced, is derived from the mining of other metals, such as zinc, copper and/or lead, where silver is extracted only as a by-product, in the extraction of the base metals. This makes for, that in order to increase silver production, the production of base metals would have to be increased. This would hardly be economical, at current silver prices.

So the market out-look for silver, the physical metal, is very bullish, indeed. Yet we have these gyrations, in the COMEX market, with big and drastic sell-offs, that has no correspondence in any altered market fundamentals, for the physical metal, as the market fundamentals, for the physical metal stays, unalteredly, very bullish.

As my friend, silver analyst Ted Butler says; there is no reason at all, for these market sell-offs, in the paper silver market, except for the presence of the big silver shorts. They are the reason.

And they can do it, because of the non-presence of legitimate position limits, in the silver market.

Legitimate position limits is the answer. In the presence of position limits, the schemes of the big silver shorts would not be possible.

In the past decade, the greed of, earlier, Bear Sterns, now, JPMorgan, in making a buck (actually millions or billions) from selling silver short, has left JPMorgan (who took over Bear Sterns position) with a huge mountain of unfulfilled silver short contract obligations, corresponding to more than 150,000,000 ounces of silver, as they apparently got carried away, in their shorting activities of silver, up until recent days.

This mountain of unfulfilled silver contracts is an enormous problem, to JPMorgan, as there is not that much silver to be had, in the world, at current silver prices, or any prices near, what we see today: For them to be able to honor their obligations, and deliver the silver they have sold short, they would have to scour the world market, for silver, and the price of the physical metal would have to rise to levels hitherto unseen (the price of silver, as it would have been, without the short-selling by, first, Bear Sterns, and then, JPMorgan).

And JPMorgan realises this: This is the reason why they have continued, in their silver market actions, to depress the price of silver, in the paper market: They know they would be unable to buy the silver required, to fulfill their short-sell silver contracts, so they, instead, as a desperate "solution", have decided to "kick the can down the road", by simply trying to "maintain" the silver price at current levels, to prevent their big silver short position from going totally unmanagable.

And they can only do this by way of persuing different forms of silver market manipulation schemes, the constituent parts of which are in violations of the American commodities trading act, which you will see, at a further look at the Comex silver market actions of the big silver shorts, foremost JPMorgan.

If silver was allowed to be priced only according to the price-setting mechanism of demand and supply, of the physical metal itself, in the market, the price of silver would be considerably higher, than it is today. How high? I do not know, but as a hint, I can say that there is less silver available, in the world today, to the market, than there is gold: There is actually more gold, in the world market today, than there is silver. The fundamentals speak for themselves.

And the bad thing, about the above described situation, is not only that market market participants have, in collusion, severely distorted the price of silver, downwards, to their own benefit, in violation of commodities trading laws, as that is only the market participant's viewpoint (and, of course, the regulator's), but there is also a more serious significance, and consequence, of this silver market suppression manipulation scam:

These manipulators are actually putting the future industrial and financial security of the United States, and the Western world, on the line. Please let me explain:

Silver is a unique metal, with physical properties unique to silver, properties that can not be matched by any other metal, not even by gold. Among those properties is a uniquely high electrical conductivity, making it unmatched in high-tech electronical applications, and a uniquely high reflectivity coefficient, making it an unmatched material to use, in all applications of reflectivity, such as solar applications. It also has unique medical properties, where no other metal can substitute it.

In short, silver has many high-tech applications, where the physical metal of silver is indispensable; no

silver, no technical application.

Silver has an importance, in today's high-tech society, that is so vital to today's society, that we can safely say that the physical metal of silver is actually underpinning today's civilization. Without silver, much of today's high-tech would be out-the-window, thus meaning a detrimentation of today's society and standards of living.

Due to its actual scarcity (which is a real circumstance, the present perception of silver, as being more abundant than gold, actually only being a false perception, caused by the big silver short scammers, through their suppression of the price), and its vital importance, to any society that wishes to base its prosperity on, not only technology, but on high-tech technology, silver is so indispensable, that it should actually be, more accurately, labelled "a strategic metal".

What the big silver scammers are doing, is that they are causing the US to sell out its assets of what is, probably, not only an important strategic metal, but what is perhaps *the most* important strategic metal, in its inventory, to under-prices. Not only to under-prices, but to severe under-prices.

According to the latest survey, by the USGS, in its inventory of planetary resources, as I've read it, remaining known resources of silver amounts to ca 10 billion ounces (9 billion, as I write this).

World consumption of silver is ca 1 billion ounces per year. This means, that at present levels of consumption, world wide, the planetary inventory of silver, in the ground, could, theoretically, be depleted within 10 years. But the yearly consumption of silver, world wide, is not *decreasing*: It is *increasing*, for the reasons above given.

So silver is not only a strategic metal, in the national resource inventory, of the US: It is a *vital* strategic metal, enabling the American Way of Life; without it, people will have to forget many things, that they are used to (as an example: Silver, as a catalyst, is very important to the petro-chemical industry, in its production of plastics.)

And it is growing scarce, planetary.

In this setting, the big COMEX silver market manipulators are causing the US to sell out this resource, from its under-ground inventories, at "supersale" prices. Please contemplate:

Gold, which is more frequent, in the market, the inventory of which, above-ground, is increasing and which is mainly a monetary metal, goes for \$1,350/ounce, today.

Silver, which is, actually, much more scarce, in the market today, the inventory of which, above-ground, is decreasing (alarmingly fast), which is also a monetary metal, but, as well, an indispensable, vital, high-tech, strategic industrial metal, is going, today, at the market price of \$27/ounce.

What will happen, further up the line, concerning silver, its availability, and its industrial applications?

Please consider what the Chinese did, regarding their assets of REEs. Once they find out the actual rarity of silver, they will likely stop exporting their own silver assets (unless they, or someone else, finds a really big ore resource).

Thus, silver is an extremely important, extremely undervaluated precious strategic industrial metal, in extremely short supply, and also object to the biggest commodity fraud in known world history.

The big bullion banks are putting the safety, security, prosperity and stability of the US and Western nations on the line, in the issue of silver, and they do it, first, because it helped them line their own pockets and fattening their own bonuses, and, after that, because they did not want to admit they had committed crimes, and or take the consequences, for their actions.

Here, the CFTC is crucial, in helping securing the stability and future of America. And the Western world, as we know it.

It will be achieved, through the implementation of position limits.

Only through such a limitation, for the big paper silver shorts, will we be able to see silver regain its ability to be soundly priced again, based on the relation between supply and demand, of the physical metal silver, in the silver market.

I thank the members of the CFTC, and, especially the honorable Commissioner CFTC, Mr. Bart Chilton, and the honorable Chairman CFTC, Mr. Gary Gensler, for Your tireless work to make the COMEX market more transparent and, through this way, to make it work with more integrity, to the benefit of the American people, the world, and the market itself.

I also would like to thank Mr. Ted Butler, in his tireless work, both to inform and educate the public, in the silver issues, and in his service to the CFTC, in its ongoing inquiries, into the COMEX silver issue.

In my view, the CFTC, as well as Mr. Ted Butler, are acting in accordance with the best of the American spirit, in the present silver issue.

Best regards,
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