



Silver Users Association

Washington Report

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Market Watch: Silver Price

2007 Comex Spot Settlement

Month	High	Low	Avg.
January	16.95	15.17	16.05
February	19.81	16.30	17.66
March	20.69	16.81	19.16
April	18.31	16.50	17.48
May	18.24	16.121	17.01
June	17.62	16.46	17.01
July			
August			
September			
October			
November			
December			
2007 Summary	15.50	11.47	13.38

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This Month's Newsletter Sponsored by:



Association News:

- Meeting Dates:

November 18-19, The Silver Users Association Fall Meeting

Army-Navy Club
Washington, DC

- Press Releases: Please send us your press releases and/or company announcements, so that we can include them in SUA's monthly newsletter.
- Web Site: Visit our web site at: <http://www.silverusersassociation.org>
- **SUA Board Votes to Cut Dues by \$1,700.** Contact Paul Miller for news on the new 2008 dues structure and how you can get involved. Paul can be reached at (703) 930-7790 or at pmiller@mwcapitol.com

Note:

- Please send us any updates to your company profile so that we can update our records and web site.
- If you are interested in sponsoring the newsletter, please e-mail Paul Miller today at pmiller@mwcapitol.com

Gannon & Scott Adds Depth to Sales Organization



Michael Flaherty has been appointed Sales and Marketing Manager at Gannon & Scott, refiners and assayers of precious metals. Mike will oversee worldwide Sales, Marketing, and Customer Service functions for Gannon & Scott.

Prior to joining Gannon & Scott Mike was Vice President of Sales & Marketing with Coca-Cola of Southeastern New England. In addition, Mr. Flaherty previously served his country as a United States Military Officer with Distinction.

Mike and his family are residents of Cranston, Rhode Island. Mike is a graduate of the University of No. Colorado.



Robert Bouchard has been appointed Business Development Manager at Gannon & Scott, refiners and assayers of precious metals.

Bob will be responsible for securing relationships with new vendors and customers and will manage large national accounts.

Mr. Bouchard joined Gannon & Scott in 2004 with over 30 years of precious metals industry experience.

A resident of Woonsocket, Rhode Island, he is a member of the New England Chapter of the International Precious Metals Institute and the Providence Jewelers Club. Bob is a graduate of Providence College.

About Gannon & Scott.

Headquartered in Cranston, Rhode Island, Gannon & Scott is a leading refiner and assayer of precious metals. The company provides precious metal refining and assaying services with the most sophisticated technologies, to leading companies across North America. With facilities located in both Cranston RI and Phoenix Arizona, Gannon & Scott is capable of processing and sampling precious metal bearing material on a large and small scale basis, while maintaining the highest standards of customer satisfaction. For more information on Gannon & Scott please visit the company's web site at www.gannon-scott.com

Lieberman Won't Pursue Limiting Some Investors in Commodities Futures

In the face of fierce lobbying by Wall Street and pension funds, a Senate committee chairman has scrapped the idea of moving legislation that would limit participation by some institutional investors in commodities futures markets.

Senate Homeland Security and Governmental Affairs Chairman Joseph I. Lieberman, I-Conn., decided, after hearing from experts, lobbyists, the public and colleagues, that restricting investments in food and energy futures by pension funds, hedge funds and financial firms could not pass the Senate, a Lieberman aide said.

Lieberman has been working with the panel's ranking Republican, Susan Collins of Maine, to draft legislation aimed at reining in speculation in energy and food futures. Some of the concepts they were exploring included barring large Wall Street banks, hedge funds and pension funds from investing in agriculture and energy futures or limiting their overall investments in such futures.

Critics blame speculation in commodities futures for distorting markets and driving up the cost of petroleum and agricultural products. There has been growing bipartisan momentum for legislative action.

But Wall Street and major pension funds have launched a lobbying counterattack, contending that tough new restrictions would hurt ordinary investors and pensioners as well as the economy. Among the groups lobbying on the legislation are the Financial Services Roundtable, the Committee on the Investments of Employee Benefit Assets and the California Public Employees' Retirement System (CalPERS), which is the nation's largest public pension plan.

"There's an enormous amount of persuasion being brought" to the debate, said Sen. Byron L. Dorgan, D-N.D., who has introduced a bill (S 3183) that would increase the margin, or deposit, requirements for investors and create an international group of regulators to protect petroleum markets from excessive speculation. "I hope their work has been in vain."

Lobbyists for pension plans and financial institutions have been canvassing Capitol Hill with letters and statistics, cold-calling member offices and meeting with aides to present their argument that market restrictions would limit the average American's ability to protect investments against inflation.

"As each individual member's body of knowledge about this process grows, they have a better basis to evaluate proposals," said Scott Talbott, a lobbyist for the Financial Services Roundtable.

Talbott said the argument that resonates most with lawmakers is that speculation actually has a positive effect on energy markets. By assuming financial risk with the hope of making a profit, investors provide liquidity to the market that allows consumers of physical commodities to enter and exit the market with little risk, the roundtable argues.

Pension funds, endowments and other long-term institutional investors have increasingly been allocating some of their assets among commodities to diversify holdings and minimize volatility.

Financial services companies oppose any proposed restrictions on trades, including capping the total share of commodity investments held by all commercial institutions and limiting positions — or the number of open futures contracts an investor can hold — in foreign exchanges linked to U.S. commodities.

Tom Lussier, a lobbyist for CalPERS, contends that pension funds are long-term investors that buy and hold commodities, not day-trading "speculators." "You have members of Congress who throw the word around like it's anyone invested in commodity futures markets" other than the buyers of the physical commodities, Lussier said. CalPERS began discussions with aides to Lieberman and Collins shortly after the idea of banning pension funds from the markets was raised at a May hearing. "We decided that this issue was likely to mushroom very shortly after the senators' first hearing," Lussier said. Fund representatives argue that energy costs are a function of supply and demand, probably exacerbated by the weakness of the U.S. dollar.

At a June 24 hearing before Lieberman's committee, private pension plans, represented by the Committee on the Investments of Employee Benefit Assets, testified that regulating pension investments in commodity futures would put the retirement funds of workers at risk. "Until we testified, I don't think anyone was really focusing" on the potential repercussions of government intervention, said Judy Schub, the committee's managing director.

Senate leaders plan to take up legislation addressing futures speculation before the August recess. The House Agriculture Committee, which oversees commodity futures, will begin hearings Wednesday on different approaches to

amending commodity exchange law with the aim of developing legislation. The extent to which institutional investors should be restricted is a major point of contention.

Senate Majority Whip Richard J. Durbin, D-Ill., has offered legislation (S3130) that would boost funding for regulators, increase market transparency and apply U.S. reporting standards to traders dealing in U.S. commodities on foreign exchanges. But Durbin also has advocated a go-slow approach before moving from more disclosure to tougher restrictions without knowing the degree that speculation is contributing to the run-up in energy prices.

Sen. Carl Levin, D-Mich., who has proposed a bill (S 3129) that would require U.S. regulators to obtain trading data from foreign-based exchanges that operate in the United States, has taken no position on margin requirements or position limits, an aide said. "It's not a foregone conclusion that everyone would line up behind the most stringent proposal," the aide said. "On the other hand, I don't think Wall Street's lobbying is going to be able to stop everything."

Reid May Allow Amendments on Bill Intended to Rein In Futures Speculation

Senate Majority Leader Harry Reid said he may allow amendments to be offered on legislation addressing energy futures speculation that the chamber will turn to as early as Wednesday.

Senate Republicans have suggested they may block action on the speculation bill unless Reid, D-Nev., allows them to offer an amendment that would open new areas off U.S. coastlines to energy exploration.

"It is the belief of my conference that the bill ought to be freely amendable and that we should have a wide-ranging series of debates and votes on issues that make a difference," said Minority Leader Mitch McConnell, R-Ky. McConnell said the "threshold of credibility" would be to allow debate on an amendment to open new areas of the outer continental shelf to oil and gas drilling.

However, McConnell did not explicitly threaten to filibuster the bill without the opportunity to offer a drilling amendment. Reid, in turn, did not commit to allowing a drilling amendment. "If we get on the speculation bill, we'll take a look at ways to amend that," Reid said. Senate leaders plan to take up legislation designed to strengthen regulation of energy futures trading once they complete debate on the global AIDS bill (S 2731).

The speculation legislation is expected to combine at least some elements of several bills that have been drafted. Leaders have not said which bill they will bring to the floor as the vehicle for debate. There is bipartisan support for addressing speculation in energy futures trading, something critics say is driving up fuel prices, although there is disagreement about how to go about it. Republicans say strengthening regulation of futures markets is just one part of the solution.

"Blaming speculators alone is not a serious proposal for lowering the price of gas," McConnell said. "We do need more cops on the beat at the [Commodity Futures Trading Commission]. But if Democrats think that the answer to \$4-plus-a-gallon gasoline is curbing speculation alone, then they're obviously asking the wrong question." Although some experts have said excessive speculation in futures trading has bumped energy prices up as much as 30 percent, others say the effect is exaggerated and that high fuel prices have been driven by supply and demand.

"If financial speculation were pushing oil prices above the levels consistent with the fundamentals of supply and demand, we would expect inventories of crude oil and petroleum products to increase as supply rose and demand fell," Federal Reserve Chairman Ben S. Bernanke told the Senate Banking Committee on Tuesday. "But in fact," Bernanke continued, "available data on oil inventories show notable declines over the past year. This is not to say that useful steps could not be taken to improve the transparency and functioning of futures markets, only that such steps are unlikely to substantially affect the prices of oil or other commodities in the longer term."

Among the proposals that have been introduced is legislation (S 3130) by Majority Whip Richard J. Durbin, D-Ill., that would boost funding for regulators, require more market transparency and apply U.S. reporting standards to traders dealing in U.S. commodities on overseas markets. A bill (S 3248) by Joseph I. Lieberman, I-Conn., chairman of the Homeland Security and Government Affairs Committee, and ranking Republican Susan Collins of Maine, would apply Commodity Futures Trading Commission (CFTC) rules to traders dealing in over-the-counter markets or on foreign markets linked to U.S. commodity futures.

It would require the CFTC to set limits on traders' aggregate positions, or total open contracts held across exchanges, and boost the regulatory agency's staffing. Collins said a speculation bill should not be held hostage to a vote on offshore drilling. "The speculation bill is certainly only one part of the puzzle," she said. "I would hope that we could try to get that part of a comprehensive approach enacted as soon as possible." Separately, a group of 10 Republicans and Democrats has been trying to devise a bipartisan bill to reduce gasoline prices.

Kent Conrad, D-N.D., who joined Republican Saxby Chambliss of Georgia in assembling the coalition, has suggested upping the margin, which is the collateral a trader must deposit, to 25 percent of the value of each contract. The current typical requirement is 2 percent to 10 percent. Conrad argues this could squeeze out speculators, moderate volatility and ease upward pressure on prices, a Conrad aide said. Conrad also favors adding staff to CFTC and authorizing the agency to get more detailed reporting on trades by large investors. The coalition has not decided on specific provisions for its package.

McConnell has proposed an energy strategy designed to increase domestic production, promote conservation and require more transparency on futures markets. Meanwhile, some experts view the whole debate about speculation as a distraction. Economist Peter Morici, a professor at the University of Maryland, said speculators are not the reason gasoline prices are rising.

"They are becoming a scapegoat," he said, arguing that if Congress were serious about energy prices it would address the trade deficit with China, boost domestic drilling and promote fuel-efficient cars and wind power. "If they do something about speculators, they can say they did something, when they really don't want to face the tough choices," Morici said.

Lawmakers Ease Up on Housing Package

Lawmakers in both chambers tapped the brakes on legislation aimed at Fannie Mae and Freddie Mac and signaled that they are considering significant changes to the administration's plan to bolster the mortgage giants. House lawmakers Tuesday backed off earlier plans to move the proposal this week, saying consideration of a major housing package (HR 3221), which is expected to be the vehicle for the administration plan, will now probably occur early next week.

"There are other things that have been suggested by [Treasury Secretary Henry M. Paulson Jr.] over the weekend, and we want to get those right and include that in the legislation," said House Majority Leader Steny H. Hoyer, D-Md. Democratic leaders did, however, reiterate that they want to clear the housing legislation soon. The Bush administration has stressed a need for Congress to act quickly after markets abruptly lost confidence in Fannie and Freddie amid a housing slump and new concerns about the companies' finances, which sent their share prices plummeting.

On Tuesday, key Senate lawmakers from both parties said they had significant questions about major portions of the Treasury-led plan that was announced over the weekend. "We've got to think this through," said Banking Chairman Christopher J. Dodd, D-Conn., at a hearing with Paulson, Federal Reserve Chairman Ben S. Bernanke and Securities and Exchange Commission Chairman Christopher Cox. Dodd said he wanted to make sure "we're not going to do something we regret."

Richard C. Shelby of Alabama, the top Republican on the Banking panel and a key to moving the proposal, echoed some of Dodd's concerns, saying, "We need to try and get this right from a legislative perspective . . . [and] not just accept anything that comes." Late on July 13, the Bush administration offered an ambitious plan to shore up the troubled mortgage financiers. Under the plan — parts of which require congressional approval — the Treasury Department will increase an already-existing government line of credit to Fannie and Freddie and is asking Congress for the authority to buy an equity stake in the companies to keep them financially sound.

The plan also calls for including the Federal Reserve in a supervisory role over Fannie and Freddie, known as government-sponsored enterprises (GSEs). The broader housing package also would create a strong new regulator for the two GSEs, with the authority to set capital standards and limits on the companies' portfolios. While Paulson and President Bush both called for Congress to move quickly, top House Republicans pushed back, urging more time be taken to examine the plan.

"It would be irresponsible for Congress to provide the proposed new authority without doing due diligence on the mechanics of the Treasury proposal and its potential implications for taxpayers," said House Minority Leader John A. Boehner, R-Ohio, and Minority Whip Roy Blunt, R-Mo., in a statement. They called for hearings "to give taxpayers the answers and assurances they deserve," and said the changes sought by Paulson "should be linked to a commitment to meaningful reform of the GSEs, and should not be coupled with a multi-billion dollar taxpayer-funded bailout bill that includes no reform or a multi-billion dollar permanent new government spending program."

Lawmakers from both sides of the aisle remain generally supportive of moving the proposal quickly, though some GOP lawmakers have concerns about intervening so dramatically. Sen. Jim Bunning, R-Ky., was the most vocal opponent. "I will use every power in my arsenal as a senator to stop any new powers going to the Fed," said Bunning, a frequent critic of the Fed.

Under the White House proposal, the authority to extend credit and buy stock in the company would expire at the end of 2009. But the plan places no cap on how large a stake could be purchased, or how sizable a line of credit could be offered. Shelby indicated he had concerns about that language, worrying that it could put taxpayers at risk. Shelby said he couldn't remember another instance where Congress "put an open ended blank check for somebody to fill in, including the administration."

Paulson, principal author of the plan, maintained it was unlikely the Treasury would have to exercise its new powers, should Congress grant them. Instead, their existence could help calm shaken investors. He also said leaving the credit line open-ended was key to calming market fears about Fannie and Freddie. If markets understand the government can wield an unlimited financial lever to help Fannie and Freddie, they will be less worried about the companies' future, Paulson argued.

"By having something that is unspecified it will increase confidence and by increasing confidence it will greatly reduce the likelihood it will ever be used," Paulson said. Meanwhile, Dodd expressed concerns about installing the Fed in a "consultative" role with the new regulator for Fannie and Freddie. Dodd said he could understand sharing information, but "statutorily requiring it takes us to another level." Paulson has championed overhauling the nation's financial regulation with a strong Fed as a kind of super-regulator. Lawmakers expressed concerns that inserting the Fed into GSE oversight so directly was a step in that direction with adequate consideration of Paulson's overall plan.

Barney Frank, D-Mass., chairman of the House Financial Services Committee, said he planned on placing some restrictions on the White House plan. For example, if the government ended up purchasing stock in Fannie and Freddie, it would be "very preferred stock," to ensure the government gets paid before other shareholders. Although the White House proposal has taken the spotlight, the underlying housing measure includes other landmark provisions, including an overhaul of the Federal Housing Administration, an FHA-led program to help borrowers avoid foreclosure and a \$14.5 billion package of tax breaks.

On Tuesday, Frank said a \$3.9 billion package of grants for states to buy and rehabilitate foreclosed properties is back in play. Given a strongly worded White House veto threat over the provision, the House had been expected to drop the language. Frank said it would be a tough political sell to include help for Fannie and Freddie in the package, while saying, "Oh, but we can't afford to send \$4 billion to the cities to buy foreclosed property." Moderate Democrats had objected to the grant money being unpaid for, but Frank said House tax writers had come up with an offset. A House Democratic aide said the offset would likely be a further delay in rules that give multinational corporations more flexibility in allocating their interest expenses.

Frank said he was willing to accept a \$625,000 cap on Fannie's and Freddie's conforming loan limits in high-cost areas, which govern the sizes of mortgage the companies can buy. But Frank said he would tweak the formula so more homes could qualify for Fannie's and Freddie's programs. Frank also said he would accept the Senate's language that would prohibit risk-based pricing strategies for FHA loan products. In addition, Frank said the bill would not mandate the FHA to allow seller-assisted down payments, which the agency has long resisted.

White House Threatens to Veto House Intelligence Bill

Foiling House Democrats' ambition to produce an intelligence authorization bill that President Bush would sign, the White House issued a veto threat Wednesday against the measure headed for floor action. The statement of administration policy targeted various accountability and reporting provisions that the White House said represented overzealous congressional interference in the workings of the intelligence community.

The House was likely to pass the fiscal 2009 measure (HR 5959) later Wednesday, despite the threat. The administration criticized portions of the bill that would demand additional information from the administration, create a statutory inspector general for the intelligence community and restrict the Central Intelligence Agency from using contractors to conduct interrogations — even though the administration could waive the latter provision.

The policy statement said the administration opposed provisions "that conflict with the effective conduct of intelligence activities, the recommendations of the 9/11 Commission, and arrangements that for decades have balanced congressional oversight responsibility with the need to restrict access to intelligence information to safeguard sources and methods used to acquire that information."

The White House said the bill's requirement for a Senate-confirmed inspector general contradicted recommendations of the independent Sept. 11 commission that intelligence officials assume their posts without delay. The veto threat did not appear to threaten, in the short term, the bipartisan support for the bill, which was approved by the House Intelligence Committee May 1 by voice vote. Despite the statement, Rep. Doc Hastings, R-Wash., said the bill "generally has bipartisan support in this House."

Intelligence Chairman Silvestre Reyes, D-Texas, had hoped to avoid a veto of the bill. No intelligence authorization bill has been signed into law since 2004. Although exact funding levels are classified, aides and lawmakers said the bill would authorize more funding for the base intelligence budget than ever before. It also would authorize a small amount of fiscal 2009 supplemental funding. Actual funding is provided primarily through the annual Defense appropriations bill. The National Intelligence Program, which includes most of the intelligence agencies but excludes the military's intelligence operations, had a budget of \$43.5 billion in fiscal 2007, the last year for which the administration provided declassified figures.

The intelligence authorization bill includes funding for both the National and Military Intelligence Programs. The bill calls for increased funding for human spying, combatting terrorism and preventing the spread of weapons of mass destruction. The House bill would order a number of reports, including a National Intelligence Estimate on Syria's capabilities for producing weapons of mass destruction.

Intelligence agencies also would be required to report on the use of intelligence contractors and on intelligence resources in Iraq and Afghanistan to determine “whether there is a proper allocation of resources between the war in Iraq and the war on terror,” an aide said. The House was set to debate amendments that would order spy agencies to give more information to Congress about Iran’s nuclear program and decades-old human rights violations in Argentina.

Republicans took issue with the rule for floor debate that waived pay-as-you-go budget rules. Democrats said it was necessary because classified sections of the bill could not be discussed on the floor. “When it comes to pay-go, not only was the rule written poorly to apply to classified parts of the bill, but it’s a rule that Democrat leaders have decided to ignore for politically expedient reasons,” Hastings said.

Administration Moves to Bolster Mortgage Companies

The Bush administration took landmark steps over the weekend to bolster confidence in beleaguered mortgage giants Fannie Mae and Freddie Mac, though key elements of the plan would require congressional approval. In separate announcements released before markets open on Monday, the Treasury Department and Federal Reserve said they had a plan to explicitly backstop the two companies if they run into financial trouble. The two companies have seen their share prices plummet in recent weeks, as nervous investors fretted that Fannie and Freddie could be significantly damaged by the ongoing housing slump.

As government-sponsored enterprises, or GSEs, markets have long considered Fannie and Freddie to have an implied government guarantee. According to an outline released Sunday night, Treasury will ask Congress for the authority to increase an already existing government line of credit to Fannie and Freddie, as well as the temporary authority to buy equity in either company to ensure the financiers have access to sufficient capital.

At the same time, the Bush administration wants to include the Federal Reserve in a “consultative role” as part of a new regulator that Congress is considering establishing. A landmark housing package now moving through Congress (HR 3221) would establish a strong new federal regulator for Fannie and Freddie with broad authority to set capital requirements and limits on the companies’ mortgage portfolios. The housing package also includes a \$300 billion expansion of the Federal Housing Administration’s insurance programs aimed at helping borrowers avoid foreclosure, among several other major provisions.

Under the Treasury plan, the Fed would consult with the to-be-established regulator on setting capital requirements “and other prudential standards” for the two companies. The Bush administration’s plans could significantly complicate the housing package’s progress. Democrats and Republicans have battled over Fannie and Freddie for years, with Republicans generally favoring a strong regulator that could restrain their growth.

The current housing package, which the Senate bounced back to the House on Friday, represents a carefully crafted compromise hammered out by Senate Banking Chairman Christopher J. Dodd, D-Conn., and ranking Republican Richard C. Shelby of Alabama. Reopening the bill to place the Fed in an unprecedented supervisory role could prove difficult. Dodd said the first stop in any rescue plan should be clearing the housing package. “First and foremost, we must enact the bipartisan housing bill that the Senate passed on Friday evening, and that the House of Representatives should pass in a timely manner,” he said in a statement.

Dodd said he would like to know more about the administration’s plans and expected federal regulators to come before the Banking Committee over the next few details to elaborate. “I expect these agencies to fully cooperate with the Committee and Congress so that we may work together to deliver solutions that are in the best interest of the American taxpayer and the U.S. economy,” Dodd said. Still, early reaction was positive. “The Treasury’s plan is surgical and carefully thought out and will maximize confidence in Fannie and Freddie while minimizing potential costs to U.S. taxpayers,” Sen. Charles E. Schumer, D-N.Y., chairman of the Joint Economic Committee, said in a Sunday statement.

On Sunday, Treasury Secretary Henry M. Paulson Jr. stressed the need for quick action. "The president has asked me to work with Congress to act on this plan immediately," he said in a statement. "We stand ready to work with Secretary Paulson and congressional Democrats to take appropriate steps to ensure the soundness of our mortgage markets," House Republican Leader John A. Boehner of Ohio, and GOP Whip Roy Blunt of Missouri said in a statement.

Reaction beyond the Hill was also positive. "The bold action taken by Secretary Paulson should have a very positive impact on the mortgage and broader markets. This was an important step toward strengthening investor confidence," Securities Industry and Financial Markets Association President and CEO Tim Ryan said in a statement.

The Mortgage Bankers Association also applauded the actions outlined. "This action will ensure that consumers are able to access mortgage credit and it will reassure the capital markets that Freddie and Fannie will continue to play their vital roles providing Americans the opportunity for homeownership and affordable renting housing," MBA Chairman Kieran P. Quinn said in a statement.

Mortgage industry consultant Howard Glaser said if the complete plan were put in place it would amount to a dramatic reversal of course for the Bush administration, which has long tried to dispel the conventional wisdom that the government would bail out Fannie and Freddie if they ran into trouble. "If all the authority were fully implemented, the federal government would directly fund, own and lend to Fannie Mae and Freddie Mac for the first time since the companies were created," Glaser said in a note.

Glaser said he expected Congress to move forward quickly, though some Republicans could balk at the notion of further solidifying the link between the government and Fannie and Freddie. Still, "we expect close cooperation between Democratic leaders and the administration to move the proposed provisions as rapidly as possible," Glaser said.

It was unclear Sunday night whether the plan would move as a stand-alone measure in Congress or if the housing bill's managers would incorporate Treasury's request into the existing package. Lawmakers had hoped to move the current bill to the president's desk by mid-July, but procedural fighting over any major additions, such as the Treasury plan, could push that date past the coming August recess.

The Treasury said the sweeping plans were necessary to help allay investor fears about Fannie's and Freddie's health. "GSE debt is held by financial institutions around the world," Paulson said in his statement. "Its continued strength is important to maintaining confidence and stability in our financial system and our financial markets. "Therefore we must take steps to address the current situation as we move to a stronger regulatory structure," Paulson added.

Separately, the Fed said it would allow the New York Fed to lend directly to Fannie and Freddie if that step becomes necessary. "This authorization is intended to supplement the Treasury's existing lending authority and to help ensure the ability of Fannie Mae and Freddie Mac to promote the availability of home mortgage credit during a period of stress in financial markets," the Fed said in a statement. All told, the new plans put the federal government squarely behind the two companies, which own or guarantee more than \$5 trillion in mortgages. The Bush administration has long maintained that the companies' massive holdings present a systemic risk to the economy.

Bush Moves to Lift Offshore Drilling Ban; Democrats Have Other Priorities

President Bush turned up the heat on congressional Democrats on Monday by lifting an executive order barring offshore oil and gas drilling off almost 90 percent of U.S. coastlines. But Democrats remain focused on other energy issues such as unused oil leases and financial speculation.

The Bush announcement — ending the moratorium that the president's father expanded to most coastal waters 18 years ago — puts new political pressure on Congress, which would have to lift a statutory ban before waters on the

outer continental shelf could be opened to energy exploration. "Now the ball is squarely in Congress' court," Bush said. "Today I've taken every step in my power to allow offshore oil exploration. ... All that remains is for Democratic leaders in Congress to allow a vote."

With gasoline prices continuing a steady rise, Republicans have intensified their calls for more offshore drilling in the face of polls that show growing public support. Republicans claim Democratic leaders are trying to hold off votes on drilling out of fears that some members are shifting positions. House and Senate Democratic leaders plan to bring energy legislation to the floor this week, using procedural tactics designed to block Republicans from offering amendments that would lift the drilling ban.

In the Senate, Democrats hope to take up as early as Wednesday a still-undrafted bill that would tighten regulation of speculation in energy futures, which some lawmakers contend adds as much as 30 percent to the price of crude oil. Majority Leader Harry Reid, D-Nev., said he would block any effort to propose amendments to the bill that did not deal directly with the speculation issue.

Reid acknowledged he did not know whether he would have the votes to block a Republican drilling amendment. "What I want to do is do a straight up-or-down attack on speculation," Reid said. "There'll be lots of opportunities to do other things." Republicans complained that Reid is trying to duck the issue. "Does it seem to you, like it does to me, that Harry Reid is scared, chicken, to have a vote?" said Pete V. Domenici of New Mexico, ranking Republican on the Energy and Natural Resources Committee.

Meanwhile, House leaders plan to bring to the floor this week a package of energy legislation centered on their proposal to force energy companies holding oil and gas leases to surrender any they are not using. A so-called use-it-or-lose-it bill (HR 6251) failed on June 26, 223-195, under a procedure that requires a two-thirds vote. Democratic leaders plan to bring up their retooled bill under the same procedure, known as suspension of the rules, because it limits debate and precludes amendments. That would frustrate GOP efforts to add an amendment lifting the drilling ban. House Democrats also have effectively frozen movement on appropriations bills, including the Interior-Environment spending bill that has been the vehicle for extending the statutory moratorium on drilling off most of the Atlantic and Pacific coasts. Republicans claim the Democrats are trying to avoid a debate over rolling back the moratorium.

While expanding offshore drilling has long been a tenet of Republican energy, even GOP-controlled Congresses could not succeed in lifting the statutory moratorium. Since Bush's father was president, there have been parallel executive moratoriums on opening most areas off the U.S. shores to energy exploration. Democrats have generally opposed expanding offshore oil and gas drilling, citing environmental concerns. They also say that it would take years for new offshore production to come online and that it would do nothing to ease gasoline prices today.

But Republican leaders think the high energy prices and shifting poll numbers can sway more than the handful of oil-patch Democrats who have previously backed an expansion of offshore drilling. "There's any number of Democrats who support expanded production," said Michael Steel, a spokesman for House Minority Leader John A. Boehner, Ra?`Ohio. "I certainly expect that there are some. But it's difficult to say without getting votes." Jack Gerard, president of the American Chemistry Council, said he has seen "movement" by Democrats. The industry group backs expanded offshore drilling. "For those of us who've been in the trenches for years on this, we're seeing the ground beginning to shift and quake," he said.

Drew Hammill, a spokesman for House Speaker Nancy Pelosi, D-Calif., said the White House move makes no difference. "It's symbolic," he said. "If the president wanted to take a real action, he could release a small amount of oil from the Strategic Petroleum Reserve, which would have an effect in a matter of days, instead of years."

Cantwell To Block CFTC Nominations

Washington Democrat Maria Cantwell said Friday she is blocking nominations to the Commodity Futures Trading Commission to protest the agency's allegedly lax oversight of energy futures markets. "To date, the CFTC hasn't used their authority to police the oil and gas markets from possible manipulation. Until they do so, I will keep these holds in place," Cantwell said.

On July 9, the Senate Agriculture Committee approved the nominations of Walter Lukken, Bartholomew H. Chilton and Scott O'Malia by voice vote. Lukken currently is acting chairman. Chilton would serve as a commissioner until April 2013 and O'Malia would serve until 2012.

Many lawmakers are blaming increased speculation on commodity futures for high food and gasoline prices. Committee Chairman Tom Harkin, D-Iowa, said confirmation of the nominees is crucial to restore full membership, while Congress weighs how best to help CFTC carry out its regulatory duties. Administration officials said Cantwell's maneuver seems counterproductive.

"The strategy of this obstruction is completely illogical. If Senator Cantwell wants the Commodity Futures Trading Commission to take action, why is she preventing the Commission from being fully-staffed and able to address important issues? We continue to encourage her to provide these highly qualified nominees with fair up or down votes," White House spokeswoman Emily A. Lawrimore said.

Cantwell has introduced several bills aimed at curbing excessive speculation in energy futures markets. A bill (S 3122) co-sponsored by Olympia J. Snowe, R-Maine, would require that CFTC regulate foreign exchanges offering U.S. commodity futures. A larger Cantwell package (S 3185) would also limit the number of open futures contracts — or positions — an investor can hold, require public reporting on index funds that trade in energy futures, and add energy futures to the list of items that cannot be traded off markets.

Cantwell also joined Homeland Security and Governmental Affairs Committee Chairman Joseph I. Lieberman, I-Conn., on Friday in introducing legislation (S 3248) that would apply CFTC rules to over-the-counter markets and foreign markets linked to U.S. commodity futures, order the CFTC to set position limits and boost CFTC staffing.

Senate Gas Price Gang Hunts for an Energy Plan

In the Senate, gas price politics have put the search for a winning bill onto two tracks. There's the official committee track, and then there's the unofficial track, where a bipartisan, ad hoc clique has set out to separately negotiate a consensus plan. What the clique's five Democrats and five Republicans have in common is an intense local economic interest. For some that interest is ethanol; for others, it's oil shale, offshore drilling, wind power or the pressures of a low-income constituency.

The group intends to meet as often as it can — and every Senate session day if it must — to come up with a plan to lower energy costs and get it passed before the August recess. Temporary coalitions are nothing new in the Senate, where a "Gang of 14" thwarted then-Majority Leader Bill Frist (1995-2007) when he wanted a new Senate precedent on the handling of judicial nominations. The gas price gang was assembled by two senators who learned just in the past year that they like working together.

Kent Conrad, D-N.D., and Saxby Chambliss, R-Ga., said they went from acquaintances to friends during discussions about how to rewrite federal farm law (PL110-246). As chairman of the Budget Committee and ranking Republican on the Agriculture Committee, respectively, they spent a lot of time together during the rewrite, and their collegial conversations continued after their work was done. "We knew that there was a lot we agreed on in the farm bill,"

Chambliss said. “When we sat in his office to talk, it was pretty clear that we have a lot of things on energy in common, too.”

Their starting point on energy will be a determination to lower prices without sacrificing any senator’s local economy. The same principle guided the decision to preserve crop supports, so Conrad and Chambliss think it’s possible to do the same again. The group that Conrad and Chambliss assembled includes Democrats Mark Pryor and Blanche Lincoln of Arkansas, Mary L. Landrieu of Louisiana, and Ben Nelson of Nebraska, as well as Republicans John Thune of South Dakota, Lindsey Graham of South Carolina, Johnny Isakson of Georgia, and Bob Corker of Tennessee. Of those, only Landrieu and Lincoln serve on the Energy and Natural Resources Committee, where Lincoln has been a low-key member and Landrieu has often bucked her party on questions involving the oil industry.

Offshore drilling will almost certainly be part of the Senate group’s debate. Most Republicans support the idea, and a growing number of Democrats have agreed that they could get behind it so long as there are restrictions. Part of the plan could involve lifting the moratorium on offshore drilling in some areas, including in parts of the Gulf of Mexico currently banned from production — an approach that coalition member Landrieu advocates. In 2006, she was instrumental in opening up so-called Lease Area 181, an underwater, oil-rich area off the Louisiana coast, and in making sure that surrounding states, including her own, reaped some of the revenue.

Landrieu has an additional motivation to help build a quick, effective bill that enhances her state’s drilling economy. She’s the only Senate Democrat up for re-election this year in a contest rated as competitive by CQPolitics.com, with her seat designated “leans Democrat.” Meanwhile, Democrats and Republicans representing treeless expanses of farm country in the upper Midwest will be talking alternative energy.

Thune, for example, is one of the Senate’s top proponents of wind energy. He says his state may be the windiest in the country and the capacity for production there is substantial. Conrad is an advocate for biofuels that can be made from the crops grown in his home state, which also has oil shale reserves and has produced about 29.6 million short tons of coal in 2007, according to the Department of Energy. Pryor said his local interest is consumers.

His state’s median income and its percentage of white-collar workers are both below the national average, making basic pocketbook issues an essential part of his portfolio. “The people of Arkansas expect me to put partisanship aside and do what’s right for the country,” he said. “I tell you, energy prices are strangling my people in Arkansas right now.” But no matter what the bipartisan group comes up with, since it is working outside normal channels, there is no guarantee that its bill would come to the floor or get the majority leadership’s seal of approval — without which it would be nearly impossible to get a floor vote.

Majority Leader Harry Reid, D-Nev., has remained relatively quiet about the coalition, saying only that “they can talk about whatever they want,” though in recent weeks he has been emphasizing Democrats’ willingness to drill offshore. Minority Leader Mitch McConnell, R-Ky., has been touting the party’s Gas Price Reduction Act as an effort to “find more and use less” oil, though Republicans in the group say that bill is just a starting point and the final deal will need to appeal to a wider array of lawmakers.

Members of the group say they are not out to defy their leadership but are frustrated at Congress’s inability to step in and help consumers. “We’re not bucking anyone,” Isakson said. “But you can go out to the public for so long and make excuses as to why Congress hasn’t done anything and after a while you get a 9 percent approval rating.”

Energy experts tend to agree that Congress will not be able to significantly lower gasoline prices in the near term. The Senate Energy chairman, Jeff Bingaman, D-N.M., is among those who say that only a broad, comprehensive policy would seriously affect prices, and that even so, the impact wouldn’t be felt for five to 10 years. But that’s not what outraged voters want to hear in an election year, and there is a tremendous interest on Capitol Hill in showing responsiveness to the gas pump pain. In fact, just as the Senate’s gasoline gang started to talk about its work, two

longtime drilling advocates in the House, Neil Abercrombie, D-Hawaii, and John E. Peterson, R-Pa., announced their own bipartisan effort. All that said, it's still up to leadership in both chambers to bring the bill to the floor. "And getting the president to sign it? That's another story," Pryor said.



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Silver Market Update

Market Update - The precious metals complex operated within a very bearish strategy during the week of the 21st July. Sweeping moves lower in crude acted as the catalyst for a change in direction in the gold market and therefore follow through deep selling in silver. The trampoline price action in the precious metals significantly tested the resolve of analysts who believe in the long term potential for these markets.

	Average Q3	Average Q3	Average 2008	Average 2008
Mean	17.53	17.86	17.71	16.47
Highest	20.00	22.00	21.00	25.00
Lowest	14.60	12.59	15.66	12.30

Mitsui				
Average	19.00	18.65	18.7	18.75

Source: Reuters

In a recent Reuter's precious metal's poll of 36 analysts and traders, \$17.50 emerged as the average price for 2008. Given the disparages between the highest (\$20.00) and lowest (\$14.60) average prices put forward, the table above is a clear indication of the uncertainty that exists in the market regarding silver's future price path. Indeed, for the current quarter, a near \$10 range exists for the average silver price. Despite this, analysts (including this author) broadly agree that gold will continue to dictate silver's direction. Indeed, those polled put forward an average price of \$936.36 for the yellow metal in 2008. Thus, silver should be well supported if this bullish price holds. However, the broad spread of average Q3 and Q4 silver prices is a reminder of the erratic moves that continue to characterise 2008 trading. It is unwise to forget silver's inherent ability on occasion to tumble in a spectacular fashion. To highlight this point, over the last two months of trading (from 26th May to 25th July), silver has posted four weeks of negative price movements. These weekly price declines were not inconsequential at 10.4%, 8.1%, 7.3% and 8.6%.

On the occasion of depressed price activity in the precious group, in many cases silver has a double exposure to negative market movements. As gold loses its allure, silver tends to follow the yellow metal south. Also working against a higher silver price is the sharp possibility of further declines in global economic growth and industrial demand. In turn, silver's bearish projection can intensify.

We remain positive for the continuation of the bull run in the gold price, therefore by default we are supportive of an upward trending silver price. For silver, it is important that \$17.05 holds, as should this level break the charts extend back to the \$16.47 low from the 25th June. The immediate short term direction will be dictated by investors and speculators. Therefore, it is very positive that investors remain attracted to

ETF products—the iShares contract grew by nearly 1.5 million ounces in the week to the 25th July. We expect that the recent trench of liquidation has ceased for now and markets will look to stabilise before their next move. Nonetheless, despite our contained optimism, the silver investor must be prepared for further volatility as economic conditions, crude prices and the dollar dictate the direction of the precious group.