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COMMENT
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From: martin <martinsec@xplornet.ca>
Sent: Thursday, January 28, 2010 8:38 PM
To: secretary <secretary@CFTC.gov>
Subject: Federal Speculative Position Limits for Referenced Energy Contracts and Associated Regulations

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Buyers are not the problem. If government or whoever, with enough funds, believes the price is too high, they can just sell into the rising price until it collapses. If it doesn't collapse then bully for the producers for a change. But it will always collapse. The up and down routine is standard practice. Troughs in price usually last for some time but peaks in price are short lasting. Producers jump at the chance to sell into the peaks.
In commodities shorts limit price moves up and limit moves down, but not in equities. In equities they limit moves up and the limit down is zero, broke, kaput, out of business. If you have a CDS on a company then shorting is the way to go. Right until they default on a payment and the stock goes to zero. The short makes money all the way down, on any call options he sold or put options he bought and then he collects on his CDS (credit default swap).
In commodities a long stimulates the price upwardly. The limit is whatever he is willing to pay. If he is a long not willing to take delivery then he must sell again. If he bought in huge volumes then he will be lucky if he can sell his position without a loss because now he is driving the price down. So that will limit a longs position without controls or regulations because if he is not wise to the market he will go broke. Just think of anyone who tried to corner a market. Hunts and silver pop up in my mind.
Who is the real deterrent to production and economic stimulus here? I don't think it is the buyer, but that is what position limits will control.