



October 28, 2010

## Silver Short Position Could Cost JP Morgan Billions in Losses

It was just announced late Wednesday that two lawsuits have been filed in Manhattan federal court against JP Morgan and HSBC Holdings Inc. accusing them of manipulating the price of silver by "amassing enormous short positions". The suits were filed by Brian Beatty and Peter Laskaris, who each claim they lost money trading COMEX silver futures and options contracts as a result of JP Morgan's alleged manipulation.

In NIA's latest documentary 'Meltup' that was released on May 13th, 2010, and has now been viewed by over 855,000 people, NIA's President Gerard Adams exposed the manipulation of silver that has been taking place by JP Morgan. Mr. Adams discussed in detail in 'Meltup' how on March 14th, 2008, the very day Bear Stearns failed was the same day silver reached a multidecade high of about \$21 per ounce. According to Mr. Adams, Bear Stearns was on the verge of being forced to cover their naked short position in silver, which could have quickly sent silver as high as \$50 per ounce. This would have caused a loss of confidence in the U.S. dollar and a possible currency crisis. Instead of allowing this to happen, the Federal Reserve orchestrated a bailout of Bear Stearns and JP Morgan acquired their assets with the backing of the Fed. Shortly after taking over Bear Stearn's silver short position, JP Morgan was able to manipulate the price of silver down to below \$9 per ounce.

NIA exposed in 'Meltup' that JP Morgan was short 30,000 silver contracts representing 150 million ounces of silver. This is one of the largest concentrated short positions in the history of all commodities, representing 31% of all open COMEX silver contracts. NIA found it shocking for this type of a concentrated naked short position to exist in the very metal that the U.S. constitution defined as real money. What NIA found especially frightening is how almost everybody in the mainstream media has ignored and continues to ignore this issue. Not one article in any major financial publication has even questioned why JP Morgan is allowed to hold such a large short position in our nation's single most important commodity.

On February 5th of 2010, when the price of silver was manipulated by JP Morgan down to below \$15 per ounce, NIA said, "this is a once in a lifetime entry point for those wishing to go long silver at a bargain basement price". On that day, NIA's President Mr. Adams purchased 1,300 January 2011 \$20 call options in the silver ETF at \$0.89 per contract and on February 8th, NIA announced his purchase and said to NIA members, "NIA is betting big that this past week's short-term decline in the paper price of silver was just a temporary wash out, before a huge surge in silver prices later in 2010."

On July 28th with the price of silver at \$17.63 per ounce, NIA released an article entitled "Gold and Silver Capitulation is Near" in which it said, "The sentiment on gold and silver has abruptly changed to the negative like nothing we have ever seen before and to us this means the big move to the upside is right around the corner." Since NIA's July 28th article predicting silver's big move to the upside was right around the corner, silver has rallied as much as 41% to a high on October 14th of \$24.92 per ounce. On October 14th, the very day silver reached its high, Mr. Adams sold his silver ETF call options at \$4.25 per contract making a gross profit of \$436,800.

Silver, at its current price of \$23.69 per ounce, is trading for only 1.78% the price of gold. We have a gold/silver ratio of 56, despite the fact that only ten times more silver has been produced in world history than gold. On December 11th, 2009, NIA declared silver the best investment for the next decade. On December 21st, 2009, in NIA's top 10 predictions

for 2010, NIA predicted a sharp decline in the gold/silver ratio, which was 64 at the time. NIA was right, the gold/silver ratio has declined by 12.5% so far this year.

Silver possesses all of the same monetary qualities as gold, but silver is also used for countless industrial applications. 95% of all silver produced in world history has been consumed. World silver inventories have declined from 10 billion ounces in 1940 down to only 1 billion ounces today. Meanwhile, almost all of the gold mined in world history remains in the form of bullion bars stored in vaults. The world has approximately 2 billion ounces of gold inventories today. The total value of the world's gold inventories is currently \$2.656 trillion compared to the total value of the world's silver inventories of \$23.68 billion. This means the value of the world's gold inventories today is worth an unbelievable 112 times more than its silver inventories.

China has been rapidly diversifying their foreign exchange reserves into gold in an attempt to position the yuan to be the world's next reserve currency. Despite China increasing its gold reserves by 76% in recent years to 1,054 metric tons, the value of China's gold reserves still only account for about 1.5% of its total foreign exchange reserves compared to the average nation of 10%. China needs to rapidly increase its gold reserves this decade, which NIA believes will send gold not just to new nominal highs, but also to new all time highs adjusted to the CPI and the real rate of inflation.

No central banks in the world currently own silver. Imagine if just one central bank of any major country announces a large silver purchase. The world is only producing 709.6 million ounces of silver per year worth a measly \$16.8 billion. Total annual silver demand for industrial applications alone is 352.2 million ounces. Once you include photography, jewelry, silverware, and coins & medals, total annual silver demand is already 729.8 million ounces, which is greater than silver production. If a central bank decides to purchase silver, the market is so tight that silver prices could literally rise to \$50 per ounce overnight. NIA estimates that \$50 per ounce silver would mean approximately \$4 billion in losses to JP Morgan.

NIA applauds CFTC Commissioner Bart Chilton for taking the time to publicly comment on Tuesday about the precious metals markets and in particular the silver markets and acknowledging that the public deserves some answers to their concerns that silver markets are being, and have been, manipulated. Mr. Chilton said in a statement, "I believe that there have been repeated attempts to influence prices in the silver markets. There have been fraudulent efforts to persuade and deviously control that price. Based on what I have been told by members of the public, and reviewed in publicly available documents, I believe violations to the Commodity Exchange Act (CEA) have taken place in silver markets and that any such violation of the law in this regard should be prosecuted."

On September 9th, after JP Morgan announced that they would be winding down their proprietary trading operations and laying off their 20 proprietary commodities traders, who NIA believes could be responsible for the current manipulation in silver, NIA released an article entitled, "Is JP Morgan's Silver Manipulation Over?". NIA said in this article that it was "hopeful but skeptical that the manipulation is coming to an end" and "We remain cautiously optimistic at this time." Since this article, it appears as though silver has been trading based on free market forces for the first time in many years. There have been no noticeable attempts to drive down the price of silver through manipulation.

NIA's most recent silver stock suggestion from September 20th gained 111% in just 17 trading days and its previous silver stock suggestion from July 28th gained 111% in 47 trading days. We are very happy that investors who have for years been suffering due to JP Morgan's manipulation, are now finally seeing the value of their silver investments rise to where the free market wants them to be. The efforts of all NIA members to expose JP Morgan's illegal activities are now paying off big for all Americans.

NIA members should be proud of themselves, but the fight is not over yet. Although most NIA members have been prospering and are now positioned to not only survive but thrive during U.S. hyperinflation, we still need to work together to prevent a complete societal collapse so that our country is still worth living in after the U.S. dollar becomes worthless. We hope to release our new documentary 'End of Liberty' this Sunday on Halloween. After you watch 'End of Liberty', it is important for you to not only spread the word to your family members and friends, but we strongly urge you to contact all relevant web sites, blogs, newspapers, magazines, and television and radio shows, telling them about the movie. 'End of Liberty' is quite simply the most important film ever produced in world history.

If you would like your family members and friends to be the first to see 'End of Liberty', please tell them to become a member of NIA for free.

Please enter your e-mail address to receive the free NIA newsletter! You will receive our stock suggestions and articles in advance before they are posted on Inflation.us!

Subscribe Now For Free!

© 2009 National Inflation Association. All Rights Reserved  
Questions/Comments: [editor@inflation.us](mailto:editor@inflation.us) - [Legal Disclaimer](#)