Did Bankers Deliberately Crash MF Global to Crash Gold and Silver Prices?

December 27th, 2011

Did bankers use the MF Global bankruptcy to suppress gold and silver prices and create the panicked appearance of collapsing precious metals to give themselves additional precious time to delay the crash of the Euro and the US Dollar? As crazy as this sounds, a closer investigation of some key data seems to imply this possibility. Though bankers claim that they created futures markets to provide a mechanism for commodity producers to hedge against volatile market prices, I have never bought the kool-aid the bankers were selling in this explanation for the rationale behind their creation of futures markets. Given that today, futures and spot prices for gold and silver in the short-term are entirely set by banker manipulation of the supply and demand for paper derivatives that often have no backing of any physical metal, I believe that bankers created futures markets for the explicit intent of allowing themselves to manipulate the prices of commodities and to enrich themselves, and themselves only, through the process of alternately and artificially inflating and deflating prices as would not be allowed in any type of free market. In other words, bankers invented futures markets to allow themselves to siphon off and steal money from other parties that wanted to invest in commodities with a mechanism, risk-free to them, that required deception and zero honest work and zero integrity.

The futures markets in commodities is such a deceptive market that it is hard to know even where to begin to unravel its many mechanisms of deceit in all their glory. Futures contracts traded on the world's largest commodity markets such as the COMEX in New York and the LBM in London allow bankers to commit reverse alchemy, turning real physical gold and real physical silver into nothing but false paper contracts and air. Secondly, through futures contracts traded in New York and London, bankers routinely defy the economic principles of supply and demand, and set short-term prices for gold and silver that literally have zero to do with the supply and demand dynamics of the physical gold and physical silver market. In the world of physics, such an illogical, comparable feat of deception would be the indefinite suspension of the law of gravity. Bankers invented paper derivative gold and silver markets to allow themselves to literally defy and suspend every single sound economic principle that exists.

This is important to understand because not only does understanding this concept make the bulk of what you learn in business school a lie and entirely useless, but also because bullion banks such as Deutsche Bank, Citibank, JP Morgan, Goldman Sachs et al that serve as the puppet conduits for more powerful families that control Central Banks, routinely used to lease physical gold into the open market as their primary mechanism to suppress the price of gold and silver. However, as their mechanism of fractional reserve banking began to threaten the viability and utility of the most widely used fiat currencies in the world, the USD and the Euro, bankers understood that they needed to utilize and/or create another mechanism to suppress gold and silver prices that could replace selling physical PMs into the open market as they no longer wished to give up a solid asset with no third party counter-risk for what they knew they were turning into essentially worthless pieces of paper. Thus bankers increasingly turned to the paper futures markets to manipulate and control the price of gold and silver and also served up additional bogus derivative products to the public like the GLD and SLV ETFs. Bankers knew that there was no way they could possibly control the price of gold and silver if the supply and demand determinants of physical gold and physical silver had anything to do with the price, so they conspired to fool the world into believing that the fake paper price they set was set by the supply and demand of the physical markets.

Collapsing OI of Gold/Silver Futures Markets Directly Related to MF Global Collapse?

And here's where MF Global enters the banking cartel gold and silver price suppression scheme. Today, short-term futures and spot prices of gold and silver have almost nothing to do with the physical supply and demand dynamics of gold and silver, as odd as that may sound. Bankers created the futures markets and paper derivatives in gold and silver to kill free markets and for the express purpose of suppressing gold and silver prices. Today we literally have no idea what the free market price of gold and silver should be or could be, besides the fact that both would be multiples higher than their current price, because of the fake paper market in gold and silver that the bankers created.

As well, bankers ensured that they armed a legion of worker bees in commercial investment firms all over the world that would represent these paper derivatives backed by very little physical gold and silver to their clients as the equivalent of investing in 99.999% pure physical gold and silver. In doing so, the worker bees thereby lured people all over the world into what will turn out to be the fatal mistake of not buying millions of troy ounces of physical gold and silver and instead buying their offering of fool's gold and fool's silver. When we receive a massive default of gold and silver futures contracts that stand for delivery on the COMEX or LBM, or if the SLV and GLD default, then, and only then, will the public start to see true price discovery of physical gold and physical silver in action. However, for clients of MF Global, unfortunately, they have already experienced the mistake of buying fool's gold and fool's silver from the bankers and have received air in exchange for gold and silver futures contracts they purchased that stood for delivery.

Bankers invented fake paper gold and silver contracts, because they knew that if they could not fulfill contractual obligations to deliver physical gold and physical silver because the contracts were a binding lie to begin with), that they could always renege on these contractual obligations and give the people the nothingness they truly owned in return. And thus, we have the story of MF Global.

Ratings agencies downgraded MF Global on Oct 25 and MF Global declared bankruptcy on Oct 31. If one scours the data that the Chicago Mercantile Exchange (CME) releases via its aggregated Commitment of Trader (COT) reports during this time period, one may not notice any data that immediately stands. However, investigation of the disaggregated reports reveals far more interesting patterns that almost undoubtedly can be traced back to the collapse of MF Global. In a period just preceding the MF Global collapse, from late August to mid October, the open interest (OI) in longs in gold and silver futures within the Managed Money category collapsed by 33.75% in gold (202,430 to 136,103) and 44.74% in silver (29,849 to 16,494). During this exact same time period, shorts in the gold and silver futures in the Managed Money category increased by 19.3% and 83.82% respectively (see the chart below). Within the Managed Money category, between Sept 13th and 27th, in just a two-week period, the drop in OI in the longs in gold and silver futures was even more pronounced, with a 25.41% plunge and 34.3% plunge in silver. I imagine if someone could trace the connection of this plunge in OI in the Managed Money category in the gold and silver futures markets, one would discover that a good deal of the plunge was somehow directly tied to the impending MF Global bankruptcy and its freezing and/or liquidation of gold and silver futures accounts in its possession.

Open Interest, Gold Futures, Disaggregated Data

	Gold	Producer		Managed Money		
	Total OI	Long	Short	Long	Short	Spreading
23-Aug	528520	88843	275923	202430	10108	7880
13-Sep	512068	93436	278050	182461	6192	7273
27-Sep	465414	101853	264266	136103	13628	8131
11-Oct	483090	92505	263237	134111	12090	3333
15-Nov	470949	87774	275813	159850	8940	6756
22-Nov	457070	98776	263309	146180	8498	8212
29-Nov	423176	88104	256033	141009	7215	7882
Phase I increase/decrease in OI				-25.41%	120.09%	
Phase II increase/decrease in OI				-11.79%	-19.30%	

Open Interest, Silver Futures, Disaggregated Data

	Silver	Producer		Managed Money		
	Total OI	Long	Short	Long	Short	Spreading
23-Aug	122543	7653	57764	29849	3394	3836
13-Sep	112726	6419	53763	27463	2742	3840
27-Sep	102014	9806	43369	18043	3689	4170
11-Oct	99698	8416	41991	16494	6239	4249
15-Nov	110513	10896	50032	18758	4903	6161
22-Nov	108548	11373	47039	17279	5874	7816
29-Nov	98959	11681	46642	17354	6065	2998
Phase I increase/decrease in OI				-34.30%	34.54%	
Phase II increase/decrease in OI				-7.48%	23.70%	

After Phase I of the collapse in OI in the gold and silver futures markets, Phase II followed. When the story about MF Global's legalized client theft hit the presses, an enormous public distrust of the entire futures markets started to build. If clients lost millions of dollars in gold and silver futures accounts due to forced liquidation or freezing of contracts that they were holding for delivery, anyone that had considered using the futures markets to take delivery of real gold and real silver following the MF Global debacle obviously reconsidered their options. Thus, due to the massive fraud of the futures markets that was revealed by the MF Global collapse, another huge drop in the OI of gold and silver longs in the Managed Money category occurred during Phase II (as labeled in the above chart) that respectively amounted to an additional respective 11.79% and 7.48% plunge. In essence, it appears that the MF Global collapse served up the exact same price suppression effect as a CME issued initial or maintenance margin hike in gold and silver futures, which forces a tidal wave of unwanted and involuntary liquidation of gold and silver longs that consequently violate technical support lines and trigger technical sells.

Of course, we also have to factor in the temporary OI-increasing effect of the risk-on CME event when they lowered initial margins to a 1:1 ratio with maintenance margins at the onset of November. Still, given the figures presented in the chart above, it seems that bankers used the MF Global collapse to force liquidation of gold and silver longs in the futures market quite rapidly and drastically. Why is this important? This is important because typically strong hands ride out any temporary banker manipulations of gold and silver prices downward. In this case, strong hands, if they existed at MF Global, were not given this opportunity and were forced to liquidate or had their accounts frozen whether or not they desired such an outcome. Furthermore, if primarily strong hands were forced out of the futures market, this would leave the majority of volume in the gold and silver futures markets primarily in the hands of the criminal banking cartel. We've seen repeatedly, this past year in the US S&P 500 index, when low trading volume primarily controlled by the banking cartel has translated into curious and inexplicable market bounces of 2% in a single day. In other words, low trading volume allows bankers excessive and easy manipulation over markets. If this was indeed the scenario bankers deliberately created with the MF Global collapse, then the MF Global collapse and simultaneous collapse of open interest in gold and silvers futures certainly would have paved the way for the banking cartel to easily manipulate gold and silver prices.

There was also further circumstantial evidence that bankers used the MF Global collapse to collapse gold and silver futures markets at the end of 2011. For example, in an article posted on the SilverDoctors blog by Jim Willie in which he gathered data regarding the amount of physical gold and silver ounces represented by the longs at MF Global that were standing for delivery in the futures markets before these contracts imploded, he stated: “JP Morgan increased the amount of registered silver and gold by precisely the amount that was suppose to be delivered [by MF Global]…JP Morgan effectively averted both a Comex default and a European Sovereign Debt implosion.”

Silver Lining in the MF Global Debacle?

Can there be a silver lining in the MF Global debacle? I believe that in the long-term, this extremely unethical, negative event could transform into a positive game-changer in the way people buy large amounts of gold and silver. Obviously, the futures market is not a safe market for anyone seeking to take delivery of millions of dollars of physical gold and silver as many MF Global clients learned. The GLD and SLV ETFs, of course, are no safer than any gold or silver futures contract for the same reasons. So in the future, and I mean the immediate future starting now, I believe that large buyers of physical gold and silver will now opt to bypass the bullion bank’s middle men in the futures market and go directly to the gold and silver mining companies to buy large quantities of bullion. This should eventually help usher in the death of futures markets as a mechanism for buying physical gold and physical silver and be a step towards establishing a free market for gold and silver prices for the first time in our lives. Mark Cutifani, CEO of AngloGold Ashanti, recently echoed the same: “Major [asset management fund] buyers are finding it is hard to get physical gold. People are coming directly to us [for large gold purchases,] people who want tonnes of physical gold, people with serious financial muscle, because they are finding it is very difficult to secure the volume of gold they want. That is something we have noticed over the last 18 months, and it has been increasing in the last six months. People are finding it’s hard to get physical gold.”

People that want to own physical gold and physical silver never should have been buying the GLD, SLV, or gold and silver futures. Now, in light of the MF Global debacle, scores of people will stay away from these fraudulent vehicles for good.

About the author: *JS Kim is the Chief Investment Strategist and founder of SmartKnowledgeU, a fiercely independent investment research and consulting firm with a mission to help re-establish the monetary freedom that bankers have stolen from us. Despite believing that gold and silver will remain highly volatile in 2012, JS believes that long-term holders of physical gold and silver will be richly rewarded as bogus paper gold and silver derivatives start collapsing and reach their intrinsic value in coming years. Follow JS on Twitter and Facebook.*

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10 Comments Add your own

- **1.** Don Tran | December 27th, 2011 at 7:32 am

  Amazing and so TRUE! This is the first few articles that addresses this JP Morgan and COMEX Fraud. They need to be jailed. Even the recent interview by Peter Schiff of Ann Barnhardt on Dec. 23rd spoke of the same thing. And this Administration does nothing. Absolutely nothing. Which means Obama and Eric Holden are both criminals. One of the criminal things Ann Barnhardt said was that they filed Bankruptcy under the SEC, when MF Global had only about 25 SEC customers, and had about 40,000 COMEX Forex customers. Which meant that under the SEC the Creditors like JP Morgan got 1st divies on the assets. Which they stole to the tune of $200 million and the physical assets, with the serial numbers; instead had they filed under COMEX the customers get first divies to the assets.

- **2.** clare leonard | December 27th, 2011 at 9:23 am

  Thank you for your hard work, keep shining the light.
  Occupy Dame Street.
  (at Dublin Central Bank, Ireland)

- **3.** clare leonard | December 27th, 2011 at 9:26 am

  Thank you for your hard work, keep shining the light.
  from Occupy Dame Street
  (at Central Bank Dublin,Ireland)

- **4.** Sam Wright | December 27th, 2011 at 10:23 am

  I've come to the same conclusion.

  How can CME refuse to compensate (having previously raised margin requirements repeatedly for gold and silver)?

  How can JP Morgan claim rights to the assets of MF Global clients when MF Global doesn't have such rights?

  Why is the trustee suggesting they pool all MF Global clients' assets and impose a 28% haircut?

- **5.** Mike McConeghey | December 27th, 2011 at 1:01 pm

  TO Sam Wright:
  Trustees do what benefits trustees and their Lawyer friends. Lawyers fees and management fees will postpone paying out settlements for years as they will be tied up in legal battles, expenses for management and law suits will mount until very little will be paid out to account holders. An occasional promise or estimate of future settlement will arrive for account holders, little partial settlements, then it will all dry up – consumed by the legal process. 28% haircut? No, they will be lucky to get 10 % of their investments.

- **6.** Mike McConeghey | December 27th, 2011 at 1:16 pm

  TO Sam Wright:
  That (comment above) is how it happens in the USA, Any different there? Are you UK?

- **7.** [Charles Savoie] | December 27th, 2011 at 2:52 pm

  Naturally the same names of institutions are repeated here. What needs to be understood is how these institutions coordinate their actions. The age old answer tracing back to feudal times is—membership organizations to which key individuals belong; and one above all, calling itself The Pilgrims Society. I lay out the case for this assertion in the free access documentary linked. Investigating this organization is orders of magnitude more important than investigating any single "bullion bank" or other metals suppressing entity, for they are all represented within it. For a short intro, Google "Silver Stealers" and review the lists.

- **8.** Bob Peiser | December 27th, 2011 at 3:21 pm

  EXCELLENT WORK!!! Perhaps we should ALL understand the "games" being played and somehow UNITE in a committed front (class-action suit??) to stop the CRIMINAL ACTIVITY being played out by our "PRESTIGIOUS BANKING INSTITUTIONS"!!

  Is ANYONE other than RON PAUL COMMITTED to right the wrongs faced by the typical person who is LOSING ALL his/her RIGHTS to life, liberty and, the pursuit of happiness in a "free" society??!?!?

  I, for one, am NO LONGER a Democrat OR Republican–it is TIME to VOTE the RIGHT candidate seeking our highest office!!

- **9.** [Admin] | December 27th, 2011 at 3:40 pm

We at SmartKnowledgeU do believe that there is a way to unite and fight back. Our Founder and Managing Director will be releasing two books in early 2012, "The Golden Gift" and "The Bankers' Secret Plot to Bankrupt the World and How We Can Stop Them!" The profits from these two books will go to help children living in orphanages around the world, and they present simple solutions to fight back against banking corruption that we believe will truly work. Please come back and visit our homepage next year and help us spread the word about solutions to monetary freedom and help us raise some money at the same time for children! Happy holidays.

- **10.** Nicholas Gold | December 27th, 2011 at 4:43 pm

  As this latest nefarious scheme unwinds, I find myself ever more amused by the talking heads of CNBC, et al. repeating over and over again that after due diligence they can find no legal malfeasance in the chicanery of MF Global. The company clown, Mr. Cramer has assured us that Mr. Corzine is one of the good guys. On the basis of that recommendation, I'm ready to invest! Seriously, the work in this piece is spot on, and I can patiently await the inevitable outcome.

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