

A Master Stroke of Silver Manipulation

By [The Mogambo Guru](#)

07/09/09 Tampa Bay, Florida

Federal Reserve Credit dropped \$58.5 billion last week, taking the total amount of Federal Reserve credit that they created to a hefty \$1.997 trillion. Now, one does not have to be a paranoid, gold-bug, gun-nut, Austrian-school economist lunatic moron like me to see that if you take this weekly decrease in Fed credit and multiply it by 52 to get the yearly total, it comes to a staggering \$3.042 trillion a year, which be a whopping 40% decrease in the M2 money supply, which would be plenty bad enough if that were the end of it, but this is Fed Credit, which is the stuff of legend where it appears as if by magic – poof! – in the books of the banks (although it is not magic that put it there, but the mere whim of Ben Bernanke), which the banks use to lend out gigantic multiples of that increase in credit! Gaaahhh!

If you are a new Junior Mogambo Ranger (JMR), then you may be unaware that the “Gaaahhh!” appended to the foregoing paragraph is a secret coded signal, and according to the highly secret Mogambo Highly Secret Code System (MHSCS), the three “a’s followed by three “b’s after the original “g” is a secret code, a “highly secret” secret code, that means “Some moron is jerking monetary policy around willy-nilly, and that kind of stupidity is so highly dangerous that not even professionals should try this at home, which means that you should be buying gold, gold, gold!”

And if you look at the bottom of the MHSCS entry, you will see the Three Best Mogambo Action Recommendations (TBMAR) to respond to this situation are “Buy gold and silver. Hole up in a bunker. Trust no one.”

Now you know why I spend such an inordinate amount of time locked inside the Mogambo Hopefully Impregnable Bunker (MHIB), although it does not explain why the price of silver is so low as to be absolutely ludicrous, what in the hell any of this has to do with silver in the first place, or why I spend so much of my time telling other people to buy silver to take advantage of these low, low, insanely-low prices when I should take the advice given to me so, so many times by so, so many people throughout my life, which is to “Shut your Stupid Mogambo Mouth (SMM),” especially since I recall that the alternative was usually a veiled threat in the form of a “knuckle sandwich” to stick in my SMM.

I think that the reason that I cannot keep the secret of silver being so under-priced to myself is because it does not matter! Nobody is going to listen to me anyway, and that means that I can keep buying silver at these low, low prices until finally reality catches up with the silver market, and when it does, I will be Sitting Mighty Pretty (SMP) with more money than I ever imagined, and people will say, “Why didn’t you tell us to buy silver, too, so that we, would have a lot of money, too? Or at least have enough to buy dinner instead of having to stand here, broke and hungry, watching you stuffing your Stupid Mogambo Face (SMF) with succulent appetizers,

entrees and desserts, and watching pieces of food are falling out of your mouth, down your chin, bouncing off of your shirt, and into your lap; you are a disgusting, filthy pig!”

Ted Butler, independent silver market observer, has never commented on my seeming lack of table manners or has actually told me “Shut your Stupid Mogambo Mouth (SMM),” and if you call him up to verify it, he will immediately reply “What? Who is this? What’s a Mogambo?” before hanging up, which ought to prove it to everyone’s satisfaction as it does mine!

Anyway, Mr. Butler has been a long time looking at the obvious manipulation in the silver market with just a few “players” actually controlling the price so as to, I figure, run a scam, and up to now it has been up to Mr. Butler to identify the blatant criminality in the Comex futures market, while it has been up to me (as the other member of the team) to call all the people involved in the scam a bunch of “lowlife scumbag thieving cheating lying pieces of crap” and demand that they all be taken out and shot or given prison terms of 150 years each, ala Bernie Madoff, who was also a “lowlife scumbag thieving cheating lying piece of crap.”

But while I am doing this, see, I am buying more and more silver more and more cheaply and Mr. Butler is, I assume, buying more and more silver more and more cheaply, and everyone who has looked at the insane imbalances in silver are buying more and more silver more and more cheaply since the price of silver does not rise even though the purchasing power of the dollar is in a downward trend, thanks to the seemingly-impossible amounts of federal government borrowing and deficit-spending that will be financed by the Federal Reserve creating the seemingly-impossible amounts of money and credit to loan to the government.

But those halcyon days may be over, as things may be changing, as Mr. Butler notes that “On June 24, the US Senate Permanent Subcommittee on Investigations issued a 247-page report entitled, ‘Excessive Speculation in the Wheat Market’ where they found that ‘the CFTC failed to uphold commodity law, by allowing large index traders to hold long positions in wheat well above the proscribed speculative position limits of 6,500 contracts.’” The Senate found that the CFTC “failed to uphold commodity law”!

The problem, beyond mere criminality and fraud, is that traders with large positions can cause prices to be distorted, which Mr. Butler phrases, “If a futures market position grows too large it will affect the underlying cash market.”

He goes on that this is serious business, in that “The report indicated that the large long positions of index traders caused the price spike in wheat and other markets last year” by which they intend to remedy the situation by recommending “that the CFTC scale back their permission to hold positions above the limits, and lower those limits if necessary.”

In wheat, Mr. Butler says that there are “roughly 25 to 30 long index traders operating in the Chicago wheat market at any time,” which is plenty enough to prevent collusion, and even so, “the Senate report concludes that in wheat the limit should be no more than (the existing) 6,500 contracts and perhaps 5,000 contracts.”

And if you are thinking, “How did the report determine this number of contracts?” he explains that while it seems kind of arbitrary, “the 6,500 contract position limit in wheat is equal to 32.5 million bushels (5,000 bushels per contract). The total US annual wheat crop is 2 billion bushels. World annual wheat production is ten times that, at over 20 billion bushels. Therefore, the position limit of 6,500 futures contracts represents 1.6% of the total US wheat crop (32.5 million bushels vs. 2 billion bushels).”

And to the effect that US speculative markets influence world markets, “Relative to the total world wheat crop, the 6,500 position limit represents 0.16% of the total 20 billion bushel crop”, which pretty much rules out any global plots, schemes or scams to corner the wheat markets.

On the other hand, things are ripe for plucking, because “In silver, there are no hard position limits in force. There used to be, but the CFTC allowed the COMEX to replace hard position limits many years ago. Instead, now there is an ‘accountability limit’ of 6,000 contracts.”

The trouble is that “Since there are 5,000 ounces in a COMEX futures contract, the accountability limit is equal to 30 million ounces”, which means that “Whereas the position limit in wheat was 1.6% of the US crop, the accountability limit in COMEX silver is almost 52 times larger, at more that 83% of total US mine production (estimated at 36 million oz by the USGS).”

As for the chance to stick it to the whole world, “While the position limit in wheat was 0.16% of the world wheat crop, the COMEX accountability limit is 28 times larger, at 4.5% of the world silver mine production (660 million oz. per the US Geological Survey).”

The point of all of this is that the Happy Days for the slimy insiders in the silver futures and options market, and those glorious days when you and I could buy ounce after ounce silver at these low, low, unheard-of low prices, are almost certainly all gone, now that the Senate has found willful corruption, and so the day will soon come when silver, free from the slimy manipulations of insiders that one could even argue violate the 14th Amendment, will rise, perhaps a dozen-fold, in price, re-establishing the 16:1 ratio of silver to gold, which will also be, almost certainly, up.

At that point, which you will know from the newspaper headlines proclaiming, “The Mogambo was right! We’re freaking doomed!” the population of the world will be divided into people who either say, “Oh, of course I am so smart that I always saw the inexplicable and unsustainable 70:1 ratio of silver to gold, which is far outside the historical ratio of 16:1, but I was just waiting for the perfect moment to make my move into silver and I, like all the other experts, missed the boat because of some excuse, and people who followed our advice missed the whole thing and did not make a dime”, or they will be the other people, the ones who were buying silver the whole time and who were now saying, “Whee! This investing stuff is easy!”