Metal$ are in the pits

Trader blows whistle on gold & silver price manipulation

By Michael Gray
The New York Post
April 11, 2010

There is no silver lining to the activities of JPMorgan Chase and HSBC in the precious-metals market here and in London, says a 40-year veteran of the metal pits.

The banks, which do the Federal Reserve's bidding in the metals markets, have long been the government's lead actors in keeping down the prices of gold and silver, according to a former Goldman Sachs trader working at the London Bullion Market Association.

Maguire was scheduled to testify last week before the Commodities Futures Trade Commission, which is looking into the activities of large banks in the metals market, but was knocked off the list at the last moment. So, he went public.

Maguire -- in an exclusive interview with The Post -- explained JPMorgan's role in the metals pits in both London and here, and how they can generate a profit either way the market moves.

"JPMorgan acts as an agent for the Federal Reserve; they act to halt the rise of gold and silver against the US dollar. JPMorgan is insulated from potential losses [on their short positions] by the Fed and/or the US taxpayer," Maguire said.

In the gold pits, Maguire sees HSBC betting against the precious metal's price without having any skin in the game in the form of a naked short.

"HSBC conducts an ongoing manipulative concentrated naked short position in gold. Silver is much easier to manipulate due to its much smaller [market] size," Maguire added.

"No one at JPMorgan is familiar with Andrew Maguire," said Brian Marchiony, a company spokesman. HSBC declined to comment.

Also during the CFTC hearing, Jeff Christian, founder of the commodities firm CPM Group, said that the LBMA, the physical delivery market for gold and silver in the UK, has been using leverage, which is another way to depress the price of gold and silver.

Christian said that the LBMA -- the same market Maguire trades in -- has leverage of about 100-1 on the gold bars settled on the exchange. In layman's terms, that means if 100 clients requested their bullion bars be delivered, the exchange could only give one client the precious metal.

The remaining requests would have to be settled for cash equivalent. "That is tantamount to a default on the trade," says Bill Murphy, chairman of the Gold Antitrust Action committee.

Maguire goes further and calls it a fraud: "If you sell something you do not own, then that is fraud."

Back in 2007, Morgan Stanley agreed to settle a $4.4-million lawsuit brought by precious-metal clients, who alleged that Morgan offered to buy gold and silver and store it for the investors, but never purchased any metal and still charged them storage fees.

Morgan Stanley denied the charges at the time, but "settled the case to avoid the cost and distractions of continued litigation," the firm said.

Despite gold's rise each of the last 10 years, Murphy believes the price of gold today would be closer to $2,300 an ounce if the price just moved with inflation.

Maguire believes the price should be even higher given the fear trade that would have sent prices spiking during the financial crisis in 2008-09.

Both precious metals have seen a recent spike since Maguire's e-mails became public. Gold has gained 6.5 percent to close at $1,161.55, while silver has spiked 10 percent to $18.38.

According to the e-mails Maguire sent to CFTC regulators, he was spot-on in his expectations of how the precious metals would trade on release of the January jobs report.

This message is to "confirm that the silver manipulation was a great success and played out exactly to plan as predicted yesterday. How would this be possible if the silver market was not in the full control of the parties we discussed in our phone interview," Maguire wrote to a staff investigator after the trading day.

CFTC commissioner Bart Chilton said, "I'm appreciative of the information Mr. Maguire provided and I'm glad it was introduced into the investigation."

High, low silver
The prices of gold and silver have been allegedly suppressed by JPMorgan Chase and HSBC, according to a London whistleblower.

Andrew Maguire, who laid out the banks' plan in e-mails to the CFTC prior to trading on the Comex on Feb. 5.

1.) From: Andrew Maguire
To: Ramirez, Eliud [CFTC]
Cc: BChilton [CFTC]
Sent: Wednesday, February 03, 2010 3:18 PM
Subject: Re: Silver today

Thought it may be helpful to your investigation if I gave you the heads up for a manipulative event signaled for Friday, 5th Feb. Scenario 1. The news is bad (employment is worse). This will have a bullish effect on gold and silver as the US dollar weakens and the precious metals draw bids, spiking them higher. This will be sold into within a very short time (1-5 mins) with thousands of new short contracts being added.

Scenario 2. The news is good (employment is better than expected). This will result in a massive short position being instigated almost immediately with no move up. This will not initially be liquidation of long positions but will result in stops being triggered, again targeting key support levels. Kind regards,

2.) From: Andrew Maguire
To: Ramirez, Eliud [CFTC]
Cc: BChilton [CFTC]; GGensler [CFTC]
Sent: Friday, February 05, 2010 3:37 PM

Subject: Fw: Silver today A final e-mail to confirm that the silver manipulation was a great success and played out EXACTLY to plan as predicted yesterday. How would this be possible if the silver market was not in the full control of the parties we discussed in our phone interview? Kind regards,

3.) Andrew T. Maguire
From: Ramirez, Eliud
To: Andrew Maguire
Sent: Tuesday, February 09, 2010 1:29 PM

Subject: RE: Silver today Good afternoon, Mr. Maguire, I have received and reviewed your email communications. Thank you so very much for your observations.