Gangster State America. “Naked Short” in the Gold Market

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There are many signs of gangster state America. One is the collusion between federal authorities and banksters in a criminal conspiracy to rig the markets for gold and silver.

My explanation that the sudden appearance of an unprecedented 400 ton short sale of gold on the COMEX in April was a manipulation designed to protect the dollar from the Federal Reserve’s quantitative easing policy has found acceptance among gold investors and hedge fund managers.

The sale was a naked short. The seller had no gold to sell. COMEX reported having gold only equal to about half of the short sale in its vaults, and not all of that was available for delivery. No one but the Federal Reserve could have placed such an order, and the order came from one of the Fed’s bullion banks, one of the entities “too big to fail.”

Bill Kaye of the Greater Asian Hedge Fund in Hong Kong and Dave Kranzler of Golden Returns Capital have filled in the details of how the manipulation worked. Being sophisticated investors of many years of experience, both Kaye and Kranzler understand that the financial press runs with the authorized story planted to serve the agenda that has been put into play.

Institutional investors who have bullion in their portfolio do not want the expense associated with storing it securely. Instead, they buy into Exchange Traded Funds (ETF) and hold their bullion in the form of a paper claim. The largest, the SPDR Gold Trust or GLD, trades on the New York Stock Exchange. The trustee and custodian is a bankster, and only other banksters are able to turn investments into delivery of physical bullion. Only shares in the amount of 100,000 can be redeemed in gold.

The price of bullion is not set in the physical market where individuals take delivery of bullion purchases. It is set in the paper futures market where short selling can drive down the price even if the demand for physical possession is rising. The paper gold market is also the market in which people speculate and leverage their positions, place stop-loss orders, and are subject to margin calls.

When the enormous naked shorts hit the COMEX, stop-loss orders were triggered adding to the sales, and margin calls forced more sales. Investors who were not in on the manipulation lost a lot of money.

The sales of GLD shares are accumulated by the banksters in 100,000 lots and presented to GLD for redemption in gold acquired at the driven down price.

The short sale is leveraged by the stop-loss triggers and margin calls, and results in a profit for the banksters who placed the short sell order. The banksters then profit again as they sell the released gold into the physical market, especially in Asia, where demand has been stimulated by the sharp drop in bullion price and by the loss of confidence in fiat currency. Asian prices are usually at a higher premium above the spot prices in New York-London.

Some readers have said “don’t bet against the Federal Reserve; the manipulation can go on forever.” But can it? As the ETFs such as GLD are drained of gold, their ability to cover any of their obligations to investors diminishes. In my opinion, these ETFs are like a fractional reserve banking system. The claims on gold exceed the amount of gold in the trusts. When the ETFs are looted of their gold by the banksters, the gold price will explode, as the claims on gold will greatly exceed the supply.

Kranzler reports that the current June futures contracts are 12.5 times the amount of deliverable gold. If more than 8 percent of these trades were to demand delivery, COMEX would default. That such a situation is possible indicates the total failure of federal financial regulation.

What the Federal Reserve has done in order to maintain its short-run policy of protecting the “banks too big too fail” is to make the inevitable reckoning more costly for the US economy.

Another irony is the benefactors of the banksters sale of the gold leeched from the gold ETFs. Asia is the beneficiary, especially India and China. The “get out of gold line” of the US financial press enables China to unload its excess supply of dollars, accumulated from the offshored US economy, into the gold market at a suppressed price of gold.

Kranzler points out that not only does the Fed’s manipulation permit Asia to offload US dollars for gold at low prices, but the obvious lack of confidence in the dollar that the manipulation demonstrates has caused wealthy European families to demand delivery of their gold holdings at bullion banks (the bullion banks are essentially the “banks too big to fail”). Kranzler notes that since January 1, more than 400 tons of gold have been drained from COMEX and gold ETF holdings in order to satisfy world demand for physical possession of bullion.

Again we see that institutions of the US government are acting 100% against the interests of US citizens. Just who does the US government represent?

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