

The Gold Market, Insider Trading and “Financial Terrorism” on Comex

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Region: [USA](#)

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The first two days this week gold was subjected to a series of computer HFT-driven “flash crashes” that were aimed at cooling off the big move higher gold has made since the beginning of June. During this move higher, the hedge funds, who typically “chase” the momentum of gold up or down, built up hefty long positions in gold futures over the last 6 weeks. In order to disrupt the upward momentum in the price of gold, the bullion banks short gold in the futures market by dumping large contracts that drive down the price and make money for the banks in the process.

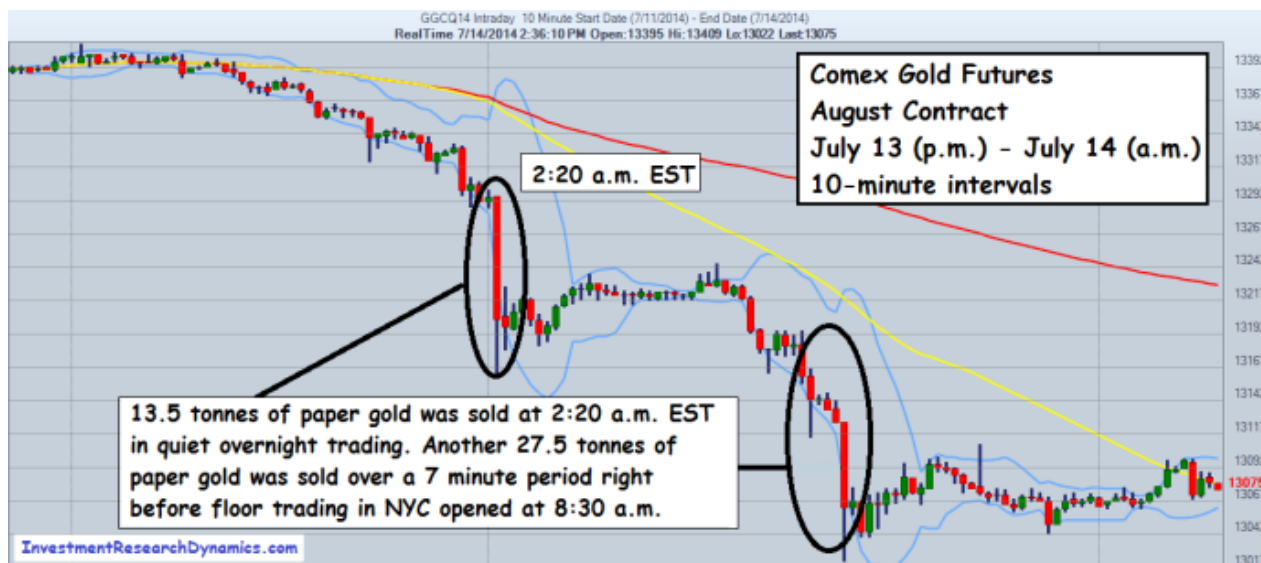
As we explained in previous articles on this subject, the price of gold is not determined in markets where physical gold is bought and sold but in the paper futures market where contracts trade and speculators place bets on the price of gold. Most of the contracts traded on the Comex futures market are settled in cash. The value of the contracts used to short gold and drive down the price is well in excess of the actual amount of physical gold that is kept on the Comex and available for delivery. One might think that regulators would pay attention to a market in which the value of contracts outstanding exceeds by several multiples the amount of physical gold available for delivery.

The Comex gold futures market trades 23 hours per day on a global computer system called Globex and on the NYC trading floor from 8:20 a.m. EST to 1:30p.m. EST (the 8:30 a.m. opening time on the face of the graph below is a draftsman’s error). The Comex floor trading session is the highest volume trading period during any 23 hour trading period because that is when most of the large U.S. financial institutions and other users of Comex futures (jewelry manufactures and gold mining companies) are open for business and therefore transact their Comex business during Comex floor hours in order to achieve the best trading execution at the lowest cost.

The big hedge funds primarily trade gold futures using computers and algorithm programs. When they buy, they set stop-loss orders which are used to protect their trading positions on the downside. A “stop-loss” order is an order to sell at a pre-specified price by a trader. A stop-loss order is automatically triggered and the position is sold when the market trades at the price which was pre-set with the stop-order.

The bullion banks who are members and directors of Comex have access to the computers used to clear Comex trades, which means they can see where the stop-loss orders are set. When they decide to short the market, they start selling Comex futures in large amounts to force the market low enough to trigger the stop-loss orders being used by the hedge fund computers. For instance, huge short-sell orders at 2:20 a.m. Monday morning triggered an

avalanche of stop-loss selling, as shown in this graph of Monday's (July 14) action (click on graph to enlarge):



In the graph above, the first circled red bar shows the flash crash that was engineered at 2:20 a.m. EST, a typically low-volume, quiet period for gold trading. 13.5 tonnes of short-sales were unloaded into the Comex computer trading system. The second circled red bar shows a second engineered flash-crash right before the Comex floor opened at 8:20 a.m. EST. This was triggered by sales of futures contracts representing 27.5 tonnes of gold. A third hit (not shown) occurred at 9:01 a.m. This time contracts representing 40 tonnes of gold hit the market.

The banks use the selling from the hedge funds to cover the short positions they've amassed and book trading profits as they cover their short positions at price levels that are below the prices at which their short positions were established. This is insider trading and unrestrained financial terrorism at its finest.

As shown on the graph below, on Tuesday, July 15, another flash-crash in gold was engineered in the middle of Janet Yellen's very "dovish" Humphrey-Hawkins testimony. Contracts representing 45 tonnes of gold were sold in 3 minutes, which took gold down over \$13 and below the key \$1300 price level. There were no apparent news triggers or specific comments from Yellen that would have triggered a sudden sell-off in gold — just a massive dumping of gold futures contracts. No other related market (stocks, commodities) registered any unusual movement up or down when this occurred:



Between July 14 and July 15, contracts representing 126 tonnes of gold was sold in a 14-minute time window which took the price of gold down \$43 dollars. No other market showed any unusual or extraordinary movement during this period.

To put contracts for 126 tonnes of gold into perspective, the Comex is currently reporting that 27 tonnes of actual physical gold are classified as being available for deliver should the buyers of futures contracts want delivery. But the buyers are the banks themselves who won't be taking delivery.

One motive of the manipulation is to operate and control Comex trading in a manner that helps the Fed contain the price of gold, thereby preventing its rise from signaling to the markets that problems festering in the U.S. financial system are growing worse by the day. This is an act of financial terrorism supported by federal regulatory authorities. Another motive is to help support the relative trading level of the U.S. dollar, as we've described in previous articles on this topic. And, of course, the banks make money from the manipulation of the futures market.

The Commodity Futures Trading Commission, the branch of government which was established to oversee the Comex and enforce long-established trading regulations, has been presented with the evidence of manipulation several times. Its near-automatic response is to disregard the evidence and look the other way. The only explanation for this is that the Government is complicit in the price suppression and manipulation of gold and silver and welcomes the insider trading that helps to achieve this result. The conclusion is inescapable: if illegality benefits the machinations of the US government, the US government is all for illegality.

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