Why invest in the monetary metals and their miners if they won't defend themselves?

Dear Friend of GATA and Gold:

The more it exposes and documents manipulation of the monetary metals markets by governments, central banks, and their agents in the financial industry, the more GATA is resented by those in the monetary metals industry who are merely touters of mining shares.

That's because GATA tells people what they are up against when they invest in the monetary metals -- indeed, when they aspire to free and transparent markets and to liberty itself. So while there was a victory for GATA in this month's disgorgement in federal court in New York of Deutsche Bank's electronic records of market rigging by its traders and the traders of other banks, on the whole the revelations may have been a defeat for the mining industry.

Toronto market analyst and broker Michael Ballanger explained why in his financial letter this week:
https://www.streetwisereports.com/pub/na/twas-the-week-before-christmas

Ballanger wrote: "Until the regulators can finally put an end to this horrific process whereby the bullion banks have a total carte blanche to issue as many [futures] contracts as they desire under the guise of 'hedging,' prospective gold investors are simply going to say, 'Nope, not playing.' The intervention, collusion, and bank-coordinated gang attacks such as we are now witnessing via the Deutsche Bank evidence coming out is actually having a negative effect on sentiment, because as much as the revelations are creating transparency, they are also scaring prospective investors. The prevailing wisdom emanating from the trading desks is: 'Wow! If they can get away with that, why would anyone put money into the gold and silver markets?'"

The Deutsche Bank disgorgement has incriminated not just Deutsche Bank itself but all the recent participants of the daily London gold and silver price "fixings" -- HSBC, Bank of Nova Scotia, UBS, Barclays, and Societe Generale. But apparently none of them is reported to be under investigation by government law-enforcement agencies for rigging the gold and silver markets. Indeed, three years ago the U.S. Commodity Futures Trading Commission announced that it had closed a five-year investigation of the silver market without finding any cause for an enforcement action:

http://www.cftc.gov/PressRoom/PressReleases/pr6709-13

While the CFTC has subpoena power and dozens of investigators, it apparently was unable to discover what the anti-trust class-action lawsuit in New York did.

It is not hard to understand why the CFTC might have failed -- or, rather, why it might not have tried very hard. That is, all the trading bank defendants in the gold and silver lawsuits are also primary dealers in U.S. government securities, the most intimate associates of the Federal Reserve Bank of New York.

This is unlikely to be a mere coincidence.

According to the New York Fed --

https://www.newyorkfed.org/markets/primarydealers

-- "Primary dealers are trading counterparties of the New York Fed in its implementation of monetary policy. They are also expected to make markets for the New York Fed on behalf of its official accountholders as needed, and to bid on a pro-rata basis in all Treasury auctions at reasonably competitive prices."

Gold and silver are money, and as GATA's documentation has shown, governments still treat them as such and they remain of great interest to "monetary policy," which is not to let them compete effectively with government-issued money. Governments and central banks can't be much bothered by their primary dealers pushing gold and silver prices around as long as the primary dealers are pushing those prices where governments and central banks want them to go and providing camouflage for government and central bank intervention.

But if that explains the failure of governments to prosecute the gold and silver market riggers, what explains the silence of the monetary metals mining industry and its nominal representatives, like the World Gold Council, even after Deutsche Bank's disgorgement? Enough clamor and exposure would compel governments and central banks either to stop rigging the monetary metals markets or at least to do it in the open, which soon would destroy the rigging's effectiveness, as doing it in the open destroyed the London Gold Pool in 1968:

https://en.wikipedia.org/wiki/London_Gold_Pool

Yet mining companies and the World Gold Council act as if they are owned by the governments destroying them. The mining companies do not act as if they understand the monetary nature of their products or their own function as minters of independent money for free people.

The mining industry's failure to defend itself against predators goes even beyond this. The industry doesn't defend individual companies being systematically victimized.

As Rudi P. Fronk, chairman and chief executive officer of Seabridge Gold, a company that long has supported GATA, writes today:

"I don't know if you have been following the recent trading activity in Seabridge, but last week the company got caught up in a significant rebalancing of the exchange-traded fund GDXJ that occurred

Friday with more than 2.17 million shares sold as a block at the close. Going into last week, GDXJ owned just over 6 million common shares of Seabridge, or approximately 12 percent of our shares outstanding. The fund ended the week owning only 3.7 million shares (7 percent of Seabridge), having sold more than 2.3 million shares of the company during a tough week for gold.

"Unfortunately we do not get any notice of the extent of these rebalancings and learn about them only after the fact. But it is clear to me that someone knows ahead of time about the rebalancings, as we get shorted days before the block crosses with the shorters knowing that they will be able to cover at a low price with the end-of-week block.

"This has happened to us before, and while such events usually make great entry points for new buyers, current shareholders get screwed."

The mining industry should have an association to clamor against such mistreatment as well. But where is it? The World Gold Council seems to function mainly to divert into mere derivatives investment funds intended for real metal and to ensure that there never is a world gold council.

So what can be done by investors in the monetary metals and by advocates of free and transparent markets and limited and accountable government?

Plenty can be done, once you realize that, powerful as the other side is, exercising all the power of government, its most powerful weapon is your own demoralization.

For starters people can challenge the gold and silver companies in which they are invested, insisting that company executives review the documentation of surreptitious intervention in the gold and silver markets by central banks and take a position on it:

http://www.gata.org/node/14839

Is the documentation genuine and valid or forged or misconstrued? If the mining industry protested about it to its elected representatives in government, it would make serious trouble.

Second, people can query their elected representatives about the market rigging -- urging them to review and investigate the documentation as well and to question treasury and central bank officials about it. Are governments surreptitiously trading the gold market and, if so, for what purpose? Then any responses or refusals to respond should be publicized.

The same questions should be directed to financial regulators too and their answers publicized -- particularly the U.S. Commodity Futures Trading Commission, whose failure to crack the silver case is now a spectacular embarrassment.

Sensational as the revelations in the Deutsche Bank case have been, the case has a long way to go before resolution. It likely will prompt more lawsuits against more trading banks, but maybe not until the current case is resolved. No one should wait for that.

And of course since apart from the lawsuit in New York only GATA seems to be doing anything about this fraud, people can support us financially:

http://www.gata.org/node/16

Even a $5 donation will be more than Newmont Mining has contributed to the cause.

The logic of the use of derivatives to suppress monetary metals prices is that there is enormous potential for prices to explode if the rigging stops and the physical market defeats the paper market. But as long as investors are ready to accept mere certificates from bullion banks in place of real metal, and governments, central banks, and their agents are ready to issue paper for infinite amounts of imaginary gold, the market rigging can go on forever.

As with everything else in the world, it's entirely a question of whether people can ever bring themselves to act.