From: Joachim Troilius <joachim.troilius@gmail.com>
Sent: Wednesday, January 5, 2011 2:43 PM
To: PosLimits <PosLimits@CFTC.gov>
Subject: Re: Price Volatility and Position Limits

I send this letter, to the CFTC, anew, with some corrections added. Sorry for posssible inconveniances:

"Dear Sirs and Madame of the CFTC,

Happy New Year and the Best Wishes for the New Year!

I send you this graph, from Kitco, to visualize what is a clear precious metals market anomaly: The swoon, in the gold and silver market, in the prices of both metals, starting yesterday;

http://wejn.org/pms-overlay.html

As you can see, the fall has been very marked.

Now, we come to the reason, behind the anomaly: Has anything changed in the fundamentals, i.e. supply side or demand side, of the physical metals market, of gold and silver? Has there been a sudden announcement of new, hitherto unknown supplies? Has the demand, for physical gold and silver, subsided?

The answer to all three questions is "No".

There has, thus, been no change, to the fundamentals of the physical gold and silver markets.

Yet we have this huge price swoon, in the prices of both metals.

This is paradoxal.

Unless, of course, if you add the paper market of gold and silver to the picture. There you have a huge amount of what constitutes nothing but "paper gold" and "paper silver", invented by the big banks, that have no explicable reason to be in these markets, except for speculative purposes. The "paper gold" and "paper silver" they bring to market has never been investigated, as to its validity, i.e. if there actually is any physical gold or silver, backing up those papers.

This lack of control, of the gold and silver paper market, has led to that the paper gold and silver issuers, the big bullion banks, foremost JP Morgan, have gone hay-wire, in issuing new paper gold and silver, into what is called "the gold and silver markets". Actually, the "gold and silver markets" have today become so distorted, by greedy banks, issuing enormous amounts of never "essayed" "paper gold" and "paper silver", that the gold and silver markets today, for its most part, consist of "paper gold" and "paper silver".

The amount of actual, honest, physical gold and silver, is miniscule, in comparison to the amount of bank-issued (and sold) paper claims, for gold and silver, in what passes for being "the gold and silver markets".

This is extremely dangerous, when the cards are called, on the big bullion banks, foremost JP Morgan, to deliver the physical metal they have pledged to deliver, by all their, over the years, accumulated paper contracts. Because they most certainly do not have it, and won't be able to deliver.

When the calls are made, many chicken will be coming home to roost. And many paper silver investors and consumers will find themselves defrauded, of their investments.

One example, to show this, is the numbers, for the silver market: All the physical silver market is worth about $16 billion: That is, so much physical silver is produced and sold.

But the derivatives market, for silver, i.e. the "paper silver" market, is about $100 billion. How can so little physical silver have so many claims? The situation is further exacerbated, when considering that all the physical silver, produced and sold, is not available to the open market: A lot of it disappears into the silver-consuming industry. A further lot disappears straight into investment storages.

A reasonable physical amount, actually available to the silver spot market, has been calculated, by some, to be a miniscule 50 million ounces/year. The worth, of that amount of silver, would be, at present price levels, ca $1.5 billion.

So a market in "paper silver", officially priced at ca $100 billion, is basing its claims on an underlying market in physical silver, of about $1.5 billion.

This is a silver derivatives market catastrophy, waiting to happen.

When the derivatives market was originally introduced, it was with the stated noble aim, of protecting the market participants, the producers and the users, against price fluctuations.

Today, the gold and silver markets have been high-jacked by the big dishonest business banks, having nothing to do in these markets, as they are neither producers, nor users, but only speculators.

Worse; the introduction of never investigated gold and silver derivatives, in unlimited amounts, issued by these banks, allowed these banks to overtake the honest market participants, trading in physical metal, as the unrestricted issuance of derivatives, "paper gold" and "paper silver", easily could dwarf the honest market participants, trading in physical gold and physical silver.

What has happened, since the introduction of paper derivatives, in the gold and silver markets, is not that it has led to a stronger market security, for the market participants, the producers and the users, as statedly intended, but to an increased *in*security, for the honest gold and silver market participants.

This is because the unrestricted access, of "invented" gold and silver, "paper gold and silver", to these markets, giving rise to a disproportionate amount of paper claims, of gold and silver, to actual physical gold and silver, has led to a situation, that is not dangerous only to investors, investing in these paper claims, but is also dangerous to all the market participants in the gold and silver markets, as we, with the disproportionately large position of "paper gold" and "paper silver", have got into a situation of "the tail wagging the dog", i.e., it is not the fundamentals of supply/demand, in the physical metals of gold and silver, that are leading the way, in establishing a price, for gold and silver, anymore.

Instead, the price of *physical* gold and silver is today decided by the supply/demand situation in the *paper* market, of gold and silver, which, in turn, is decided by the big business banks holding these papers.

This is as fraudulent as it can get.

The only way out, of this mess, is to institute position limits, something the CME should have done long ago.

But, on the other hand, if they had done so, they would have been honest. And they are not. Ergo sum, we have the situation we have, today, in the gold and silver markets, of the big bullion banks, foremost JP Morgan, running their shenanigans on the public.

The price volatitlity, exhibited in the gold and silver markets today, is further proof, of above mentioned circumstances and dire risks, run by these banks, on the public.

I wholeheartedly embrace the position, by the honorable CFTC Commissioner Bart Chilton, that position limits needs to be instituted and implemented into the commodities derivatives markets, by the CFTC, and in some sectors very fast.

We can not allow unscrupulous, cynical, corrupt and elitist bankers to run derivatives-driven price schemes, in the commodities markets, whether it be oil, corn, wheat or precious metals, to their own benefit, but to the degrading, of the way of living and standard of living, of the public, who these bankers apparently view as mere "cattle".

The time for the CFTC to act is now.

In the silver market, "the most rigged market in the world", position limits should be set to a level of no more than 1,500 contracts per market participant.

Exemption should only be granted to legitimate hedgers, i.e. producers and users.

Best regards,
Joachim Troilius
Sweden

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