THE RIO CLUB

26 February 2012

SILVER – WHERE'S THE LINING, PART I

There would appear to be a major market manipulation involving acquiescent banks, a secret informant, and maybe an elaborate federal government cover up? **This could see the bull rage in the silver market and it could well rocket to over $50 an ounce.**

In my previous report I highlighted the opportunity which exists to invest in silver. However, before I do so I would have members enlightened to what looks to be a very significant market manipulation that has been going on behind the scenes and is continuing in this market. The events laid out below are astounding, many of you may be appalled. However, this very situation does bring a market opportunity that should not be missed.

What has transpired looks to be what only can be described as a major insider scheme that seems to involve traders, investment banking and, as some suggest, even the COMEX and the federal government itself. It is so encompassing that what appears to be happening would make the Hunt Brothers attempt in 1973 to actually "corner" the silver market pale into insignificance. The issue was brought to light by a trader named Andrew Maguire in his testimony to the CFTC and a class-action complaint (Case no 8157) against the biggest financial players in the silver market.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JUDGE DANIELS

PETER LASKARIS, on behalf of himself and all others similarly situated,	)	Case No. 10 CIV 8157
Plaintiff,	)	**CLASS ACTION COMPLAINT**
vs.	)	**JURY TRIAL DEMANDED**
JPMORGAN CHASE & CO., J.P. MORGAN CLEARING CORP., J.P. MORGAN SECURITIES INC., J.P. MORGAN FUTURES INC., HSBC HOLDINGS PLC, HSBC SECURITIES (USA) INC., HSBC BANK USA, NATIONAL ASSOCIATION, and JOHN DOES 1-10	)	
Defendants.	)	

Plaintiff complains of Defendants, on information[1] and belief as to all allegations except the allegations of Plaintiff's own conduct, which are based upon knowledge, as follows:

SUMMARY OF ALLEGATIONS

1. **Unlawful conduct.**

a. Between in or about March 2008 and continuing through the present ("Class Period"), Defendants have combined, conspired and agreed to restrain trade in, fix, and manipulate

This looks like a hit Hollywood thriller, the main difference being that the story is not fictionand is in play right now.

The Story – Part 1

It begins with the increasing scarcity of silver. According to some, the world has consumed so much silver in the past few decades that supply has collapsed by 95%.

<u>The supply of silver is so low today,you would have to go back to the year 1300 A.D.to find a similar comparison!</u>

At the same time, demand for silver is increasing very significantly.

As RIO has studied the silver market movements, opportunity to trade can be easily seen, the unusual thing being that there has not been any strong up-trend our research indicates that such an event should have already shown itself? In fact the price of silver has a long way to go just to regain its previous lustre. Nevertheless, the situation defies all logic perhaps because reason and fair trade have nothing to do with what's going on right now?

The question;

Is the price of silver being kept artificially low and if so why?
Is the price being manipulated?

Before these questionsare answered, one thing is clear. **<u>The facts below point to the fact that this is all about money</u>!**

According to Maguire and the class-action complaint, between 2008 and 2011, this scheme, with the price being kept artificially low, allegedly raked in billions of dollars in windfall profits for the big players at the expense of ordinary investors. Then there are individuals like myself who, having studied the metal market for years, have been left wondering how in the world the price of silver could decline in the manner it has done.

Our study shows that the electronics industry has a major requirement for silver. This is an expanding market and hence the demand for silver is naturally increasing greatly also, now more than at any time in history.

Then, just like gold many millions of citizens in China and India are buying and hoarding silver as if it were going out of fashion.

But the true opportunity lies in the fact that this elaborate scheme is finally collapsing when it does silver will dramatically break trend.

Back to the story after being suspiciously low for several years the price of silver is now on the verge of soaring to perhaps $50 an ounce or far more.

The possible gains could be very significant which is why my interest has been aroused. The following facts may sound farfetched but they are true.

Background to the class action

On 16th March 2008, the day that Bear Sterns went out of business, Andrew Maguire still held his positionon the floor of the London Metal Exchange,where he had been for more than 40 years, trading silver through the COMEX (this is the world's foremost metal exchange based in Chicago). He had gained vast experience in trading having spent his life on the floor alongside the biggest silver futures traders in the world.Shortly after, in the same monthof March J P Morgan acquired Bear Stearns.

In the summer of 2008, a few months later, Andrew deduced that there was something very wrong. In the purchase of Bear Sterns, Morgan had taken on Bear's enormous short positions in silver; that is, their billion-dollar bets that the price of silver would fall and, if it did, they would make a great deal of money.

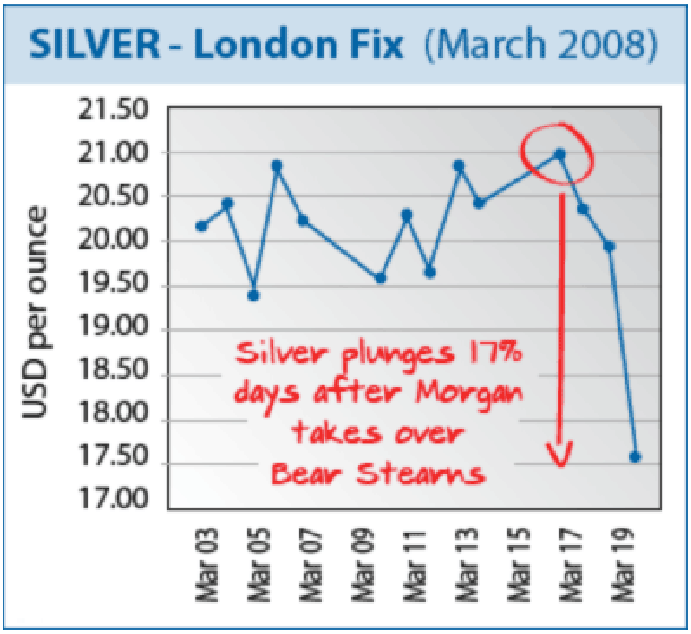
SUMMARY OF ALLEGATIONS

1. **Unlawful conduct.**

a. Between in or about March 2008 and continuing through the present ("Class Period"), Defendants have combined, conspired and agreed to restrain trade in, fix, and manipulate prices of silver futures and options contracts traded in this District on the Commodity Exchange Inc. ("COMEX") division of the New York Mercantile Exchange ("NYMEX") (which has now become a subsidiary of another company). Defendants thereby have violated Section 1 of the Sherman Act, 15 U.S.C § 1.

b. Also during the Class Period, individual Defendants have intentionally acted to manipulate prices of COMEX silver futures and options contracts. Such conduct violates Section 9(a) of the Commodity Exchange Act, 7 U.S.C § 13b.

The problem was that on the very day that Bear went out of business – March 16, 2008 – **silver reached a multi-decade high of $21 an ounce**. (See Chart below)



For any one investment house holding such positions when the price of silver is to rise would be hair-raising stuff, a very bad hand to hold.
The losses could easily be devastating and more than enough to push a trading unit (even a whole company) into bankruptcy, AIG having been a previous example.

But within days of JPMorgan taking over these huge short positions, silver plummeted almost 17%. It is further alleged that Morgan added heavily to that "short" betting position.

Did J P know something that others did not? See chart!

The original complaint lodged against J P Morgan indicated that together both they and the international bank involved allegedly controlled over 85% of the commercial net short positions in silver futures contracts on the COMEX, at the time astounding,as can be seen below.

37. In August 2008, subsequent to JPMorgan's acquisition of Bear Stearns, Defendants JPMorgan and HSBC controlled over 85% of the commercial net short position in COMEX silver futures contracts and 25% of all open interest short positions.

38. In the first quarter 2009, HSBC NA held 40% of all precious metals derivatives (excluding gold) held by commercial banks.

It surely would not require an investment specialist to see that this would normally be completely foolhardy unless some other knowledge was to hand? In plain terms any upward move could turn into a major loss of hundreds of millions even billions of dollars from which no entity could escape unscathed.

Even more disturbing is that it can be clearly seen that by5th August 2008, the suit claims that these entities were short on 33,805 contracts, borrowed contracts which would have to be bought back at a lower price, **or phenomenal losses would have to be faced**!

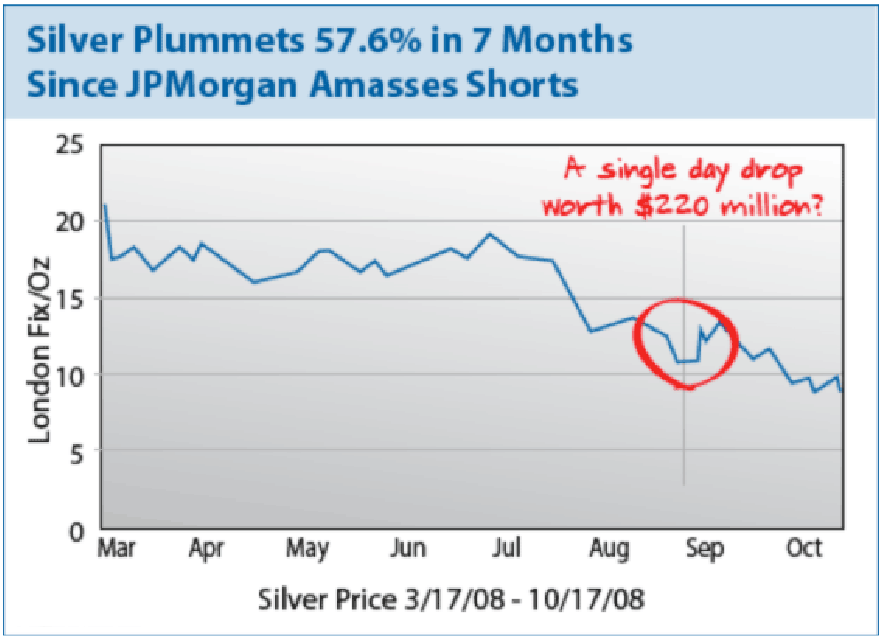
The trades placed showed that they were potentially in it up to their neck the total trades being the equivalent of mind-blowing 169 million ounces of silver.

To put this number into perspective, that would equate to 20% of the entire world's annual mine production,this position being equal to the entire COMEX warehouse stock, the second largest inventory in the world.

But they were very fortunate! From 16th March onward when Bear Stern's doors closed, the price of silver began to fall, directly in their favour. In fact it sank, like a ton weight!

As you can see from the chart below, between 14th July and 15th August 2008 the price of silver declined from a high of $19.30 to a low of $12.82 for a loss of 33%. By October 2008, the price of silver was barely $9. Was this convenient or lucky or was it that the price of silver had been driven into the ground! On the surface, the drop was so irrational it defied logic.

For ordinary silver investors, this drop was horrifically devastating and many investors were completely wiped out. Traders must know the rules of the game or at least who's ruling the board!



According to an amended class-action complaint filed in U.S. Federal court against JPMorgan **during just one day's price drop, from 14th to 15th August 2008, JPMorgan apparently pocketed approximately $220,000,000 in PROFIT!**

$220 million dollars in one day! If true imagine the profit potential of the entire 7-month fall seen above.

Was this remarkable Skill just luck? Or was it something Else?

Andrew Maguire was more than aware of the Commodity Futures Trading Commission's *(*CFTC) and their ongoing investigation, the CFTC being the organization that regulates precious metal trading.They had already commenced an investigation into JPMorgan and the complaint lodged against them for silver manipulation.

However, the investigation by the CFTC was making no progress. Andrew Maguire thought he could assistwhen in November 2009 he signed on as an informant. In e-mails Maguire released publicly, Morgan's traders allegedly devised a plan to invite their "outside" trader friends to get in on the act by sending "signals" just prior to a big move. Experts concur that by "hitting the bids" hard with their enormous cash reserves, they had the potential to absorb any uptrend in price to produce the desired results for their massive short contracts.

Again, the class action complaint states

II. Through Their Enormously Concentrated Short Positions, Defendants Had the Power to and Did Suppress COMEX Silver Futures and Option Contract Prices

A. The COMEX Silver Futures and Options Contracts Market is Susceptible to Collusion

For ordinary silver investors, this drop was horrifically devastating and many investors were completely wiped out.

Warning - Members take note; it's well advised to leave trading to the experts like myself who know the rules of the game or at least who's ruling the board! That is if you don't want to lose your shirt in the market, today to trade successfully you often have to dig deep into and research data which may not normal available; case in question being the example. This is why my trading for RIO Professional investors fund continues to produce the positive gains RIO's detailed research and a study of all facts is required by me both before and during trading.

The facts show that whatever may have been done, the price of silver fell dramatically and kept falling, even while demand was increasing at near exponential rates, which netted some traders big profits. Some estimates indicate billions of dollars between June 2008 and March 2010.

While those involved were getting rich, I would draw attention to the obvious that those trading using normal standards were taking a beating. Investors with little experience and holders of smaller silver positions suffered staggering losses as the price of silver was inexplicably devastated.

On 3rd February 2010, Maguire e-mailed the commodity futures trading commission. What he described were two impending "manipulation events" one of which he had been informed would occur two days later, during the release of the Labour Department's non-farm payroll numbers.

These events would spell an attempt by the two main short holders to illegally drive the market down and reap very large profits.

On 5th February, Andrew Maguire wrote another e-mail confirming that "silver manipulation was a great success and had gone exactly to plan as predicted." His e-mail,*"I hope you took note of how and who added the short sales (I certainly have a copy) and I am certain you will find it is the same concentrated shorts who have been in full control since JPM took over the Bear Stearns position… I feel sorry for all those not in this loop. A serious amount of money was made and lost today and in my opinion as a result of the Commodity Futures Trading Commission's allowing by your own definition an illegal concentrated and manipulative position to continue."*

What next?

Part 2 of this report will be e-mailed to members next week.

Meanwhile members should take my and advice watch for THE SILVER LINING!!! Silver has already appreciated 10% since I began my research into this metal and started to recommend this during December 2011 having already placed the first trade for the fund. The position closed having taking a 3% net profit on my first silver trade of the year. I have since positioned two further trades for the fund.

William Gray

Fund Manager
RIO Professional Investors Fund.