Gold by Alice Roth

Mr. Hunt was pushed

In the sudden fall of the silver market that trapped the brothers Hunt, the beneficiaries of their misfortune were very well positioned to have rigged the whole affair.

In last week's column, we suggested that Bunker Hunt did not merely stumble upon some bad luck in the silver market; he was pushed. Further evidence of this surfaced last week when Charles Stahl, the publisher of *Green's Commodity Market Comments*, pointed out that some major metals trading firms, who happen to be influential members of the board of the New York Commodity Exchange (COMEX) and Chicago Board of Trade, had been selling short the silver market.

In January, when Hunt's efforts to corner silver supplies were making financial press headlines, the two exchanges voted severe restrictions on silver trading. These measures, along with the Federal Reserve's jacking up of short-term interest rates in February and March, punctured the silver bubble and sent prices plunging from a peak of over $50 an ounce in January to a mere $10.80 on March 28, the day that the Hunt brothers' misfortunes rocked Wall Street.

According to Stahl, the same people who made the decision to pull the plug on the silver runup also profited handsomely by shorting silver. For example, Engelhard Minerals Vice President Raymond Nessim is vice-chairman of the COMEX. Engelhard had signed a contract with Bunker Hunt last fall in which Hunt agreed to purchase 19 million ounces of silver from Engelhard in March at $35 an ounce. When the silver market collapsed, Engelhard had the Hunts over a barrel and, as of March 31, Bunker stood to lose $400 million on the deal. Engelhard "accepted" a chunk of the Hunts' Canadian oil and gas properties to close the gap as well as 8.5 million ounces of physical silver.

Engelhard Minerals, the thirteenth largest U.S. corporation in annual revenues, is closely intertwined with the British financial elite. Members of Engelhard's board include Felix Rohatyn of Lazard Freres and Gavin Relly of the South Africa-based Anglo-American Corporation.

Other COMEX board members who had extensive short positions include J. Aron and Mocatta Metals. Mocatta Metals is affiliated to London's Mocatta & Goldsmid, which has acted as the Bank of England's official silver broker since 1696.

According to Stahl, Engelhard and Mocatta also had access to an important piece of financial intelligence which was probably unavailable to the Hunts: namely, that the Mexican central bank had a secret agreement with the Peruvian central bank to buy up Peru's silver supplies in the event the price should slip below $12. Thus, when Engelhard closed the deal with the Hunts last week, netting them 8.5 million ounces of silver (on top of the 19 million they had originally bought for sale to the Hunts), they had every reason to believe that silver prices were on the rebound.

Gold and silver prices in fact shot up on April 8 and 9. Especially significant was the $50 jump in the gold price which occurred in the 48 hours immediately following Carter's announcement of additional sanctions against Iran. Gold is the traditional refuge of wealthy Arabs when threatened by war or political chaos, as well as Western Europe's chosen vehicle for reorganizing the world monetary system on a more stable basis.

The British are also betting on gold. Richard Hambros, of the British investment bank of that name, told a journalist: "Interest rates have had their desired effect...but they won't bail out the dollar—there's too much unrest in the world. I would go for gold. Gold, I wouldn't be surprised, will go shooting up again soon."