

Gentlemen, Ladies, and Ms. Mary Schapiro:

As per your invitation noted at your above-subject website, I hereby submit my comments and problem-solving suggestion as follows:

Short sellers are saviours; not hyenas, jackals, vermin and vultures.

Called the hyenas, jackals, vermin and vultures are those banks and Wall Street financial institutions which tried to, and did, push oil prices to above \$147 per barrel, which consequently damaged the economies and peoples of the United States and countries around the globe who could no longer service their mortgage "jumbo" loans on jumbo home prices and jumbo home construction activities while paying higher energy prices and resultant higher food prices.

If it were not for the short sellers, the hyenas, jackals, vermin and vultures would have continued to manipulate and push oil prices to their frequently and publicly stated projected target of \$200 per barrel oil. **(They were unmindfully ignoring the fact that whereas mortgages are reportedly underwritten by the mortgage underwriters at approximately US\$52 per barrel oil, numerous mortgage-holding householders had to make trade-off/opportunity cost decisions to be able to service higher energy prices and resultant higher food prices since 2004)**

Below is the contents of an electronic newspaper article emailed to several entities (except Alas! the SEC) that informed readers and warned against the fact that **banks and Wall Street entities were hoarding oil in oil tank farms in countries around the globe ever since they started doing so in 2004.**

The below electronic newspaper article informed and warned implicitly readers (including a novice layman and interdisciplinary engineer like myself -- who in 1976 graduated 10 months shy of the engineering Ph.D. of the Polytechnic University System of England with a terrific managerial and applied Research and Development background in science, technology, engineering and mathematics, industrial administration, English and General Studies) **of the impending decimating effects (of such manipulated, inflated high oil prices and inflated, manipulated, artificial oil demand) on the economies and peoples of the United States and countries around the globe.**

Humble Suggestions:

- 1) Hence, short-sellers should be allowed to go short securities that they think will decline in value; and go long securities that they think will decline in value, with provisions that
- 2) Guard againsts manipulate the market with rumour-manufacturing to drive prices; and that securities prices must be in equilibrium with the supply and demand of goods priced, valued and produced on "main street"
- 3) Do constantly warn daily (via oral and written media patterned off that of the Surgeon General cigarette warning labels) the public to "beware of "crowd behaviour / mad crowd behaviour" fueled by entities and the cable news media, which anchors demonstrate extremely poor understanding of market behaviour when they announce with excitement that "the Dow is up" as seeming to be inciting "crowd behaviour / mad crowd behaviour" of unsophisticated investors to erroneously buy when prices are high and to sell when prices are low.
- 4) **I Hereby Am Offering My Services to be a "SEC Researcher" home-based in Atlanta and to be focused on researching and/or watching out for entities that engage in "going long securities that they think will rise in value" and "going short securities that they think will decline in value".**

I am etc.

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Wednesday, May 21, 2008

<http://peakoildebunked.blogspot.com/>

355. BANKS HOARD OIL IN STORAGE TANKS

Morgan Stanley, Goldman Sachs and Deutsche Bank got into hoarding early in 2004:

\$130 oil is really working wonders for peak oil websites like this one. I'm getting a nice surge of new visitors lately, so let's do a quick public service message on a little known fact that deserves broader airplay.

An interesting phenomenon has happened in the last couple of days. The oil futures market has gone into a state known as "contango". I'm not going to go into any detail on the specifics -- if you're curious just do some googling. As a layman, all you really need to know is that, thanks to some complicated financial mumbo-jumbo, banks will now begin to hoard oil in storage tanks, driving up the price. And then they will sell that oil back to the public for obscene windfall profits.

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Morgan Stanley, Goldman Sachs and Deutsche Bank got into hoarding early in 2004:

A LARGE warehouse in Amsterdam may seem an unusual place to attract the City's top

traders and hedge funds. But, in the past few months, **Morgan Stanley has been accumulating warehouse space in the**

Netherlands to store its hottest new
property — oil.

[...]

Meanwhile, banks such as Morgan Stanley are also beginning to move into the physical market to buy oil — or even entire oilfields.

Goldman Sachs recently bought 10m barrels of oil.

[...]

Morgan Stanley and Deutsche bank recently bought the rights to 36m

barrels of oil between 2007 and 2010 direct from a North Sea oilfield. [Source](#)

Goldman Sachs, hedge funds:

With BP PLC accused of artificially inflating the price of propane by withholding some of its inventory from the market, government officials and energy traders are grappling with a question: When does smart trading cross the line into market manipulation?

The shrewdest competitors in the energy-trading world these days deal heavily in physical shipments of fuel, not just contracts for the future delivery of such commodities.

Owning actual oil, natural gas, propane and even electricity has two big advantages.

It
provides detailed knowledge of regional supply and demand and

the **pricing power that**
comes from holding
large quantities of
commodities.

[...]

An explosion in the number of participants in the energy-trading world has led to an increase in so-called physical trading.

Dominant commodity traders such as **Morgan**

Stanley and Goldman Sachs Group Inc. long have had strategies to own or lease fuel-storage terminals, oil tankers and power plants to give them more flexibility to hold onto inventory or sell it at opportune moments.

More recently, those Wall Street firms have taken physical trading to new levels with bids to buy, not lease, distribution facilities such as pipelines and production facilities including refineries. Hedge funds also have gotten into the game of dealing in physical energy and even metals assets.

Goldman Sachs last year bought a refinery with private-equity firm Kelso & Co. Morgan Stanley this month agreed to buy petroleum-products distributor TransMontaigne Inc. and is negotiating to buy the Heidmar Group of shipping and marine-logistics companies.

(Source: *Tracking the Numbers / Street Sleuth -- Case Raises a Tough Query: When Do Traders Cross Line?*, Ann Davis, Wall Street Journal, Jun 30 2006)

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Here's the FYI on oil hoarding by banks during the last contango:

Storing oil became big business. Tank owners and companies that leased storage, including Wall Street giants such as Morgan Stanley, turned sizeable profits simply by sitting on tanks of oil. They would buy oil for immediate delivery and stick it in their storage tanks, then sell contracts for future delivery at a higher price.

When delivery dates neared, they closed out existing contracts and sold new ones for future delivery of the same oil. The oil never budged. The maneuver was known as the oil-storage trade.

[...]

Bruce MacPhail, who manages Enbridge's U.S. oil-terminal leasing, estimates financial firms now lease 25% to 35% of the company's storage.

(Source: *Where Has All The Oil Gone?*; *After sitting on crude, speculators unload it; The world's eyes fall on Cushing, Oklahoma*, Ann Davis, Wall Street Journal, Oct. 6, 2007)

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Here's another detailed article discussing Morgan Stanley's tank farms and other aspects of the ongoing Enron-ification of the entire energy system:

What's a white-shoe investment bank doing selling oil? The answer unfolds in Purchase, N.Y., where an army of its commodities traders sit before flickering screens on a vast, domed trading floor staffed 24 hours a day.

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At the former site of Texaco's headquarters, Morgan Stanley veterans Neal Shear and John Shapiro run one of the most profitable energy-trading operations in the world.

But they don't just trade futures, a common way of betting electronically on commodities that involves buying and selling contracts for future delivery. Morgan Stanley also handles real barrels of oil and generates actual megawatts of power.

The reason is twofold. Having access to barges and storage tanks and pipelines gives the bank additional options, to move or store commodities, that most energy traders don't pursue. And by having its finger on the pulse of the business, it hopes to get a more subtle feel for the market, a crucial asset to a trader.

[...]

One member of [Morgan Stanley's] team, Olav Refvik, has amassed leases on storage terminals around the globe.

[...]

In dealing with crude oil, the Morgan Stanley team at times buys the rights to oil companies' production in the Gulf of Mexico, then turns around and sells it while it is still underground.

[...]

That was the beginning of a quiet strategy that later helped Morgan Stanley muscle into another huge petroleum market: home heating oil.

The trader who largely carved out that dominance is Mr. Refvik. In the 1990s, he made a bold real-estate play along a grimy refinery row in coastal New Jersey near New York Harbor. The New York Mercantile Exchange, the country's main hub for trading oil futures, designates about two dozen sites there and in New York as places where exchange-traded oil can be delivered. Through leases, Mr. Refvik locked up a large chunk of the official storage space. He laid claim to tank farms -- clusters of giant metal storage drums. His team also leases a big storage terminal in New Haven, Conn.

Messrs. Shear and Shapiro worried, at first, that the expensive leases could be albatrosses. But the move has worked so well that traders elsewhere dubbed Mr. Refvik "King of New York Harbor," a nickname that also reflects his occasional tour of the waters with his yacht, Song of Norway. Meanwhile, Morgan Stanley also acquired large amounts of oil-storage capacity in other countries.[Source-](#)