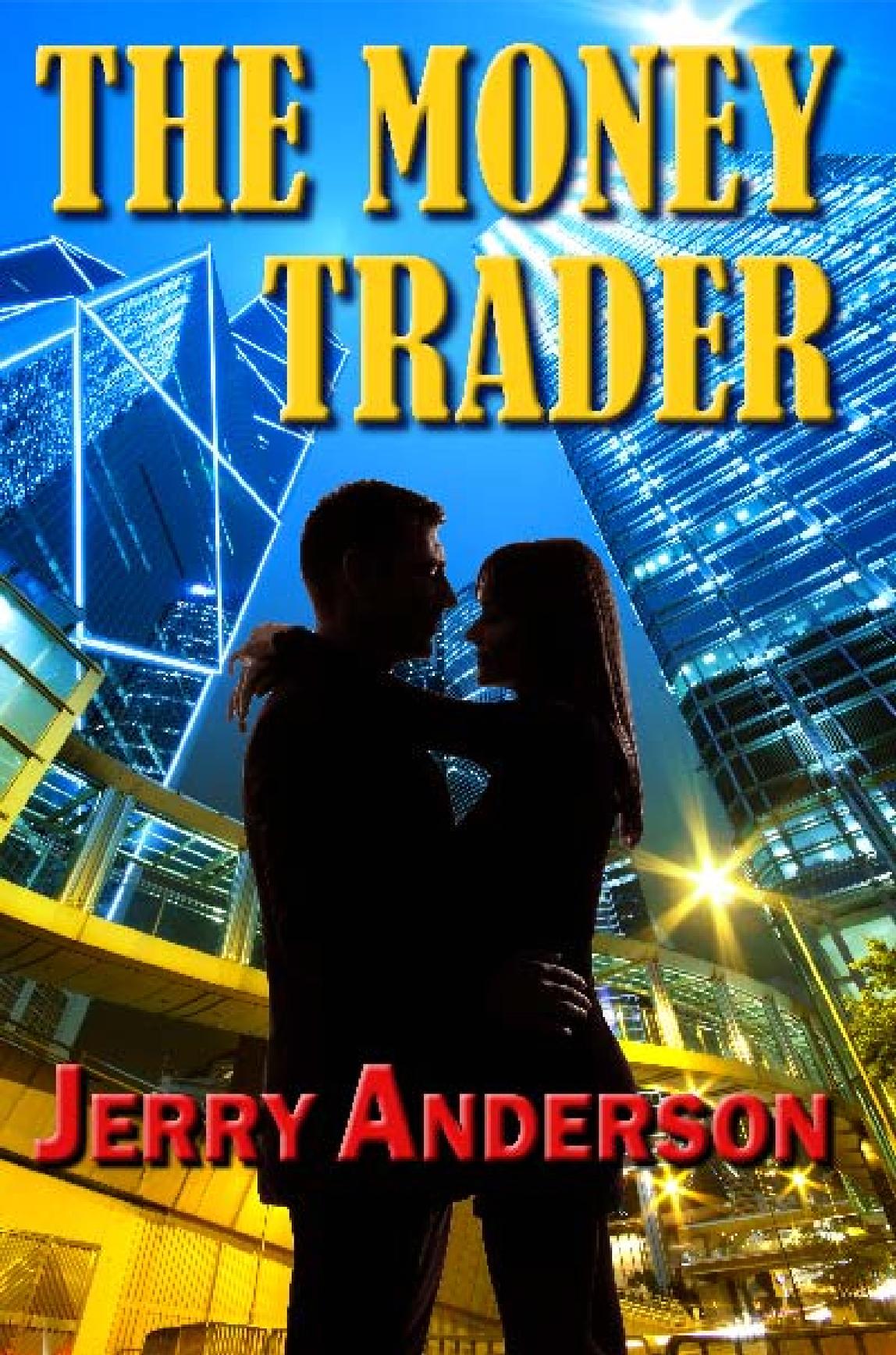


THE MONEY TRADER

A man and a woman are shown in silhouette, embracing each other. They are positioned in the lower center of the frame. The background is a vibrant, blue-toned cityscape at night, featuring several modern skyscrapers with illuminated windows and balconies. The lighting is dramatic, with bright yellow and white lights from the buildings creating a strong contrast against the dark blue sky. The overall mood is romantic and sophisticated.

JERRY ANDERSON

THE MONEY TRADER

JERRY
ANDERSON

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WORD & iMAGE

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The Money Trader

***** Sample Chapters *****

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For my daughter Ashley,
“...never forget the roses.”
and Maggie the Cat

Out, out, brief candle!

Life's but a walking shadow, a poor player,

That struts and frets his hour upon the stage,

And then is heard no more. Tis a tale

Told by an idiot, full of sound and fury,

Signifying nothing.

—William Shakespeare, *Macbeth*

AUTHOR'S NOTE

THE *MONEY TRADER* STORY AND CHARACTERS ARE OF course fictional, except for my good friend Peter Berglund who makes a brief cameo appearance, as himself, near the end of the book. Some of the major events however are real. The Hunt brothers (Bunker and Herbert) did make an abortive attempt to corner the silver market in 1979. Thanks to the author Stephen Fay for his excellent book *Beyond Greed*, in as far as explaining what actually happened. Of course the 1987 stock market crash was real. Thanks as well to the Wall Street Journal for a first-rate series of articles detailing how that happened. Also, the 1988 spring-summer Midwest heat and drought were real events and major catalysts in the agricultural markets

There is a coin shop in the skyway of the Baker building in downtown Minneapolis. It wasn't there yet in early January 1980 (when I needed it for the story) so I had to move up the date of its establishment some ten years. The fabled Orient Express discontinued regular operations between Istanbul and Vienna in, I believe, 1977. So I revived the legendary luxury passenger train for one more trip to accommodate Jake and Denise's travel itinerary. Also, the Opera Ball in Vienna probably occurred in March, before Jake and Denise's late April arrival. So again I had to make an adjustment to accommodate their schedule.

Thanks also to Rick Steves for his indispensable little book *22 Days in Spain & Portugal* for travel tips to the peninsula. And the Lonely Planet for its publication *Mediterranean Europe*. Also thank you to the author William Shirer for his book *20th Century Journey*:

THE MONEY TRADER

The start, 1904-1930 for its knowledgeable insights into the art and culture of both Florence and Venice.

The Money Trader novel is (with the above noted exceptions) entirely a work of fiction. Any resemblance to living persons by its characters is wholly coincidental. And, of course, any other errors or anachronisms are entirely the fault of the author. Local readers might think they recognize Rudolph's at Franklin and Lyndale (on whose napkins I wrote a goodly portion of this book) as the egregious Hollywood Bar in the novel. Any similarity is purely accidental. I do wish however to thank the management and staff for their courtesy and friendship over the years. The book is dedicated to my daughter Ashley with all my love and affection, and I hope someday she has a chance to read it.

Finally, I wish to thank my new friend David Skarjune and his Word & Image company for the great cover art, the ebook conversion, and other technical assistance. God knows, without his special and unique contributions, this book would never have happened.

–Jerry Anderson
Minneapolis, Minnesota
October 2013

CHAPTER 1

I WAS BROKE.

And not just in the usual pedestrian sense of the word—that is; it’s Wednesday and I am temporarily short of cash and do not get paid again until Friday, but I still have my house, my car and my savings account. I was broke in the profound and real sense that I had nothing—no tangible assets, no money—nada, as they say in Español. I had long ago sold my house (actually it was lost in foreclosure—small detail); liquidated a bunch of stock, sacrificed a cherished boat and sold off a small fleet of expensive and sporty cars. All in a vain and urgent attempt to maintain some degree of solvency.

There was no savings account, and no check to be expected on Friday. Not to mention I was two months behind in my rent and owed money to seemingly everyone, friends and associates, the bank—even people with whom I had only the remotest social acquaintance. Some of my best friends were giving me the bum’s rush. Women treated me like I was the advertised principle carrier of a new and virulent social disease. It was early September 1987 and I had just hit rock bottom—or so I thought.

Actually, for a young man, I had been rather successful. And there was a time when I thought I had it all—money, a burgeoning new career, and a drop-dead gorgeous wife. Now it was all gone, grossly and fitfully squandered in an orgy of high-living, selfish excess, conceit and bad luck. All that remained were some bitter sweet memories, a mountain of past-due bills and (some would tell you) an incipient alcohol problem. Here I was almost forty years old (thirty-nine to be precise) broke—disgusted with myself and

my life—and thoroughly disillusioned. Just another broken-down commodity bum.

Understand, I did not purposely set out to realize myself as some cut-in-stone, derelict monument to profligacy and bad debt. What self-respecting (pseudo?) yuppie overachiever ever did?

My name is Jake Buchanan and I am a commodity broker and trader at the Grain Exchange in Minneapolis. After graduation from college (May 1970) with degrees in history and economics, I began my career—modestly but ambitiously enough—working in the commercial division of a large Midwestern insurance company. It did not take long however for me to realize that insurance was not the road to my horizon. Frustrated and bored, and vaguely unhappy, I began to look for something else.

A friend offered a suggestion. He operated, with his father, a small building and remodeling company. The dad was due soon to retire, so my friend was preparing to go off on his own. He proposed that we buy run-down residential real estate (“distressed properties” as he called them). The plan would be to fix the ailing houses up and resell them—hopefully at a profit.

Now I had no construction experience, but I was pretty much open to anything. What I didn’t know I figured I could learn. My friend would provide the initial know-how and experience. My contribution to the enterprise (at least in the beginning) would come in the form of what later came to be called “sweat equity.”

We soon located a property that we thought made a good first project. The house was definitely distressed, as was the current owner. The recession had cost him his job and he was two months behind with the house payment. The bank was threatening foreclosure, and his wife had recently moved out and taken their two daughters to live with her parents. Not surprisingly the negotiations

to buy the house were pretty easy. He agreed to let us assume the mortgage and take over the payments. We in turn promised to pay him a certain fixed sum on the resale of the property. It proved a good deal for all concerned. He avoided foreclosure and got out from under a burdensome payment. We acquired the house on what proved to be extremely favorable terms.

I bought a carpenter's belt with a shiny new hammer and started studying to get a realtor's license. Then, with some money borrowed from a wealthy in-law (my wife's mother), a new career was launched. The next two months we worked evenings and weekends to completely renovate the house. We put up new cabinets, updated and installed new plumbing and fixtures. We painted the whole house inside, replaced all the old wood trim and laid down new carpeting. We even re-landscaped the yard to give the old house more—what the realtors called—"curb" appeal. The property sold (at a nice profit) before the project was even fully completed. No sooner was our money out of the deal before we bought another old house on similar terms, and the whole process repeated. I stayed with the insurance company for another year or so until I was sure we had things up and going, then I quit.

This was the inflation decade of the seventies and the market was ripe for just this sort of activity. America was a garden of dreams, fertile ground for a young and spoiled, garrulous new generation (baby boomers they were called) eager to surpass their parents not only in their vision and their achievements, but also their conceit and persistent vainglory. The "boomers" were graduating college and coming home from the military; starting new jobs and careers; getting married and starting new families. A new house was just the first milestone on the road to financial success, material happiness and the American dream. They extended and overextended to buy

a house, any house—“starters” as they were called—confident that in the fullness of time the rising tide of inflation and a buoyant market would float them effortlessly into a newer and even bigger one.

This was not the era of diminishing expectations. I’m reminded of a line from Shakespeare’s *Julius Caesar*: “There is a tide in the affairs of men which, taken at the flood, leads on to fortune.” My partner and I caught the tide and the ensuing wave, and (to continue the nautical metaphor) rode the following crest to a small fortune. For us it was a kind of real estate alchemy. We bought properties at dross prices and, after some cosmetic fixing and doodling, sold them for pure gold. As our skill and confidence increased we expanded the business and took on larger projects, like small apartment buildings and office complexes and suburban strip malls. So successful were we that by the time I was just thirty years old (early February 1979), thanks to inflation and a soaring real estate market, I was worth (on paper) a tad in excess of three million dollars. Not too bad. Financially I was secure; but I was getting bored—a bad thing!

It happened one afternoon that I had lunch with an old college friend. He was a commodity broker with an office at the Grain Exchange in Minneapolis. He’d been after me for some time to open a trading account and do a little business with him.

“Your background is perfect Jake,” he told me. “You understand markets, and you’re not afraid to take risks.”

This was only partially correct. Actually, up until then I’d considered myself a rather risk averse person. As far as I was concerned, what my partner and I were doing did not involve risk. If you operated properly, real estate at the time was almost a sure bet. Commodities though were something entirely different, as I was soon to learn. I was reluctant. My friend though persisted.

He regaled me with all the usual stories: the North Dakota farmer who ran thirty-thousand dollars into three-quarters of a million in just ten weeks trading cattle futures. Or the cab driver who started with just twenty-five hundred trading sugar and was up over a hundred-thousand dollars in just a few weeks before the price of sugar collapsed and he lost everything. My broker friend was positive though that I could make money. “You have all the right instincts Jake.” And he pushed hard for me to open a new account that very day. “Look, I’ve got the papers right here,” he said, eagerly reaching for the briefcase on the chair next to him.

I left the lunch and told him I’d think about it. Two weeks passed during which he called me almost every other day to tell me the trades he’d been doing—all of them successful of course. He made it sound like the commodity markets were an open treasure trove of money—just there for the taking.

Given the enormous leverage typical with commodities, I could see how a person could make—or lose—a lot of money very quickly. At first I was skeptical; however, the prospect of making a lot of money in a very short time—with virtually no work—had a certain dark lure. Finally I decided to give it a go. What the heck! I was emotionally stable and financially secure enough that I could afford to lose a couple of thousand dollars—if it even came to that—without launching myself out the window of the nearest high rise. Besides, at the time, all my money—except for a few cheap stocks—was invested in real estate. It was time—I rationalized—to diversify a little bit.

My wife Janet was skeptical. “It just looks like gambling to me Jake. And besides, you don’t know anything about trading in commodities.”

The account was opened with an initial five-thousand dollars. It would prove a fateful decision. Too bad life's major crossroads are not better marked. Had there been a warning sign—if I had known the pitfalls that lay ahead—I would have surely followed a different path.

My new broker was eager to start me trading. He was touting pork bellies.

“They’re going to one-twenty.” This was delivered like a proclamation, with all the force and authority of a full Vatican bull—to be writ in stone, like Moses just down from the mountain. Currently bellies were trading in the eighties—that is, about eighty-cents per pound. If he was correct and they were going to one-twenty or \$1.20 cents per pound, then there was plenty of room on the upside and considerable profit to be made.

“Let’s do two contracts,” he advised me. Each contract was thirty-six thousand pounds of frozen pork bellies.

“Okay,” I agreed amiably. I had no clue what I was doing. After all, I didn’t know a pork belly from a horned toad. Greed and the prospect of easy money had completely set aside what otherwise should have been a healthy skepticism and a normal caution. That first day ended with more than a five-hundred dollar profit in the account. That was easy enough. I was encouraged.

“As soon as we get a little further ahead we’ll add another contract,” my broker confidently advised. Alas, it was never to happen. The following day the USDA came out with its quarterly hog and pig report (this was to be my first—but not my last—experience with government reports). The report was expected by the trade to be friendly to bellies. My broker had told me not to worry. Unexpectedly though the report showed a much larger inventory of

pigs on the nation's farms. The price of frozen pork bellies plummeted. Novice that I was:

"I don't understand," I exclaimed to my broker.

He explained. "Pork bellies come from the underbelly of the hog Jake. They're sliced and used to make bacon. The more hogs, the more pork bellies." It didn't take a rocket scientist to figure that out.

The market closed that day down the daily limit. Not only did I lose the five-hundred dollar profit, but I was down almost another thousand dollars besides. The next morning the market opened lower again, and the loss expanded. I was disgusted.

"Just get me out!" I finally instructed my broker. He was still upbeat. "Don't worry, Jake. We'll make it back on the next trade."

A couple of days later we (meaning I—my broker liked to use the plural pronoun when "we" were losing "my" money) put on a trade in sugar with almost the same horrendous outcome. In just two trades I had lost more than half of my starting capital. I told my broker I was finished trading. Basically what I told him was, "I'll call you when I want to trade again, don't you call me," concluding that he didn't know any more about commodities than I did—which at the time was nothing. In fairness though it wasn't my broker's fault. I couldn't blame or criticize him. After all, I still made the decisions. He was just doing his job, doing what all brokers must do to stay in business; that is, generate commissions—an unhappy exigency that I would one day fall prey to myself.

I determined then and there to teach myself the commodity business. Before I traded again I was going to know what I was doing so I would not have to rely solely on my broker. And so I began a serious campaign of study. I went where I usually go when I need information—the library. I checked out all the books I could find on commodities; there wasn't much available—only two. One

however proved invaluable, a veritable compendium on the commodity business. It covered everything from first opening an account to even becoming a broker. I read straight through it once. Some of the sections I read again. It became my bible to the business. I even ordered a copy direct from the publisher to keep as my own reference source. And I read many other books as well, anything that related to the commodity and financial markets.

Another good source was the library's periodical guide. I went back and found articles from *Barron's*, *Forbes*, *Fortune* and *The Wall Street Journal* going back as far as ten years. I read everything; became again that most blessed of dilettantes—a student.

My wife Janet (the doctor) was just completing her residency requirement at a local hospital. Often times she worked late. I can remember one particular Friday. It was almost one in the morning and she had just finished a grueling double shift at the hospital. I was in our home library (my personal sanctum sanctorum) relaxed on the couch reading through some old articles on commodities that I'd picked out of *Fortune* magazine. On her way upstairs to go to bed she stopped and looked in the door just to say goodnight.

"I thought I'd find you here. Don't you ever get tired of reading that stuff?" she asked. Her face looked wan and tired. She'd been crying, and I noticed a kind of gauzy look in her eyes as she stood there and stared transfixed at the floor as if in some kind of trance. Something was seriously wrong.

"Are you all right?" I asked.

"No," she said, sadly shaking her head. Tears welled up in her eyes. Then: "No, I'm not all right" she said again, her voice a weak and hollow echo. She looked beat; slumped wearily against the door frame and seemed almost on the verge of collapse.

I jumped up. “Here, sit down,” I said, helping her to the nearest chair. She sat down, then suddenly slumped forward and buried her face in her hands and started to cry.

“What’s wrong?” I asked.

“Do you remember that young girl I told you about?”

“Yeah,” I said. “The one with the cancer? Her name is Carrie, right?”

Janet choked with emotion. “Well—she died tonight Jake.”

I gripped and squeezed my wife’s hand. “I’m sorry,” I said.

“It’s all so unfair,” she said, sadly shaking her head, big tears rolling down her cheeks “I’m a good doctor Jake, really I am. Only tonight I was helpless. There was nothing I could do.” She paused, took a deep breath. “I don’t know if I can do this job Jake. I’m just going to have to get tougher. I’m a doctor—a professional. But this is killing me. It’s just like when Daddy was killed.” She bit down on her lip and squeezed my hand. Then: “Do you know what little Carrie said to me tonight?”

I took a breath. “No,” I said quietly.

Janet wiped at the tears. “She said when she grew up she was going to be a doctor just like me. And then just an hour later she was dead. It just broke my heart.” I’d never before seen my wife quite so emotional—except perhaps at her father’s funeral.

“Afterward Jake, I just went into an empty room, sat there by myself on the bed and cried. I don’t think I’ll ever have children. The heartbreak is too much if something happens.” She got up and went to the door; stopped and turned back “Is there any of that brandy left?”

“About half,” I answered. “It’s in the cabinet in the kitchen.”

Her face was sad. “Good. I think I’ll take it to bed with me. I just want to go to sleep Jake.” Then she started to cry again. “I

don't want to have to think any more," she said between sobs. "It just hurts too much." To this day I can still recall the desolate, sad look on her face.

I helped her upstairs; pulled back the bed covers and fluffed up the pillows while she undressed.

"Would you like a hot brandy?" I asked. "It'll help you to sleep."

She nodded. "Yeah, make it a double."

I went downstairs to the kitchen; returned a few minutes later with the steaming drink and put it on the night table. Janet was already tucked into bed. Again I fluffed the pillows.

"I'll be up in about an hour," I said. "I'll stay in the guest room tonight so I don't disturb you."

She took a sip of the drink. "Thanks," she said with a wan smile. "I'll see you in the morning."

The next Friday Janet again stopped at the door of the library and looked in. Again I was on the couch reading about the markets.

"Still reading that stuff, huh?" she said, with a sad shake of her head.

To my practical minded wife the commodity markets made no sense. As usual with women, she had only contempt for anything that had to do with gambling—or risk taking of any kind. She had worked her fanny off to get through medical school (top of her class I might add). And for over two years now she'd worked day and night in a grueling residency program at the hospital to qualify herself as a doctor. To her way of thinking, work and reward were equal parts of the same equation.

"How do expect to get anything worthwhile out of something if you never make anything or provide any kind of real service to anyone? You just trade. When you win—someone else loses." She made it sound almost evil—something wholly despicable.

She went on. “Sure, you put your money at risk, but...” The rest of the sentence was unfinished. The look on her face though told me she had considerably more to say on the subject.

Janet did not want me involved in commodities. This was made clear from the start, and it bothered me because women seem generally to have a good practical sense about things like this. In fact, to my mind, women are the true saviors of the human race—responsible for all progress in the world, all civilization. They’re the real movers and shakers, the true organizers in any society. Just look at the family picnic. They’re the ones who get things going. The brauts on the grill, the potato salad on the table. No, if it weren’t for women we’d all of us (mankind) still be scratching around in the forest wondering where our next meal was coming from. You can see it today. Left on their own most men would be content just to lay around the cave all day, drinking beer, playing pinochle and watching sports on T.V. No, I’m convinced that if it were not for the female of the species we’d all still be sleeping in the trees at night. And women are, I think, smarter than men. They know this intuitively; but nevertheless seem content to quietly acquiesce (at least most of the time) in keeping the secret.

I think back sometimes to how it must have been in the Garden of Eden just before the Fall. God gave his command, told Adam that henceforth he (mankind) would earn his living by the sweat of his brow. Poor Adam, in his ignorance, did not have a clue. Shrewdly, the ever-practical Eve disobeyed. She looked around and immediately grasped the situation. Life with Adam was going to be a hard slog. Mankind, going forward, was going to have a tough row-to-hoe. This ‘sweat-of-the-brow’ stuff did not sound good, a little knowledge might be a useful thing. Eve was no dummy. I think that’s

why she took that bite from the apple in the first place. Lucky the serpent was there!

The story really starts with my wife Janet. Let me tell you a little about her and her family. She was one in a million, and—loathe though I am to admit it—I considered myself lucky to have her. Not only was she drop-dead gorgeous, a dark raven-haired beauty; she was smart. She graduated magna cum laude from college and finished near the top of her medical school class. Also, she was—I would learn to my dismay—ruthlessly ambitious, committed to a vision of life and a destiny that were already vivid in color but not yet fully imagined. She wasn't exactly sure where she was going—only that she was going. Of that she was certain. I just became a necessary casualty along the way. And—if that isn't enough—Janet had class, panache or style, call it whatever you like, Janet had it—in spades. Either you are born with it or you're not. It doesn't rub off; you can't catch it like a cold, and you can't get it through osmosis. Believe me, I know.

I wondered sometimes what she ever saw in me. Janet could have had her pick of men. So what was she doing with an average joe like me? Once I asked her precisely that question.

"Sometimes I wonder that myself," she said with a sly smile. Then: "You interest me Jake...you're never predictable. And besides, I like your body."

Not only was Janet smart and attractive, but she also had the pedigree to match. Her family's lineage could be traced back to the days of early statehood. Her mother was the indomitable Lucille Sarah Lowry Winslow. Her maiden name was MacLaughlin. She was the great-great granddaughter of P.T. MacLaughlin, the state's preeminent pioneer robber baron. His primary legacy was the MacLaughlin family foundation, a labyrinth of legally complicated interlocking

trusts and endowments that guaranteed to its beneficiaries (Janet's mother being the primary) a substantial, ongoing income into perpetuity. The MacLaughlin name regularly appeared as a local sponsor and supporter of some of the area's most popular public television features. However, should anything ever happen to old Lucille (God forbid) Janet was next in line to inherit the bulk of the estate.

Right now you're probably thinking that I just lucked out and married, purely by accident (and without credentials), one of the most eligible and potentially richest young women in America. Well, I would like to claim responsibility; but, believe me, it was none of my doing—and no accident. The truth is—things don't just happen with Janet. She is way too deliberate, plans everything—never leaves anything to chance. To her structured way of thinking, a person's life should not be simply 'what happens', but a planned series of conquests. She even engineered our first meeting.

"I know what I want...and how to get it," she frankly told me that first night we met. My life would be forever changed.

Her father was Evan Winslow, a prominent physician at the Mayo Clinic in Rochester, a perfect gentleman and a really first-class human being. I probably owe the man my life. He stepped in and helped me after my own father had disowned me. If it weren't for him I might have been drafted out of college and into the war in Vietnam when my father cut off my college funding. And who knows if I'd even be here today? I could easily have been killed. After all, that was the sad fate of more than fifty-thousand young men my age. Janet saw to it though that I stayed in college. In fact, when I had to get a job and go to work, if it hadn't been for her determined help, I probably would not have graduated.

If Janet's family, the MacLaughlins, were the genuine blue bloods (part of the state's early landed gentry), then my clan, the

Buchanans, were (how shall I say?) somewhat less distinguished. To be fair though my father was a real hero (not mine), but an honest-to-God, true-to-life war hero with medals and everything. And—as probably the best fullback ever to carry a football for the much vaunted Golden Gophers of Minnesota—somewhat of a local celebrity, with one of the most recognizable names in the state. What more can I say? My brothers too were big-time jocks. One (my brother John) even participated in the 1960 Rome Olympics. Today he’s an executive with a large industrial chemicals company. My dad took the whole family to Italy to watch him compete. This is going to sound like sour grapes I know, but—Big Deal!

As a young boy growing up in the fifties, I worshipped the usual cast of TV and comic book heroes. Superman and Batman, and The Lone Ranger. My real hero though was my big brother Jack. He was ten years older than me and always seemed bigger than life. He was tall like our father, muscularly built, and handsome—with the same churlish good looks as the movie actor James Dean. Women (of all ages) were goofy over him (wait until you hear the story I have to tell about that!). Also like our father, Jack was a superb athlete. After high school he went off to the Naval Academy where, like our father, he became a nationally prominent football star. He went on to serve in the Navy where he was eventually made wing commander of a fighter jet squadron in Vietnam. Jack was the stuff of legend. And he had charisma—a kind of star quality. When he walked into a room the whole focus of attention shifted to him. Once you met him you never forgot him.

After the Navy, our father was eager to have Jack go into politics. He planned to first make Jack governor, and then president of the United States. Sounds ambitious I know. But my dad had the

money and the influence to make it a reality. Jack would have been a natural politician. Too bad it never happened.

My mother though was the real talent in the family. She was a gifted artist. Her paintings would have brought top dollar in the commercial galleries, but she usually just donated them to the local church charity auction. And when she wasn't painting (managing a large household, mediating the demands of an often callous and indifferent husband, or refereeing the exertions of three bumptious and unruly young boys) she read and wrote beautiful, lyric poetry.

Like our father, my brothers were physically big men. Our dad was known by friends and family as "Big Jake." I was his namesake, and always the diminutive, "Little Jake." My brother John (the big-shot Olympian) had another name for me "runt" that he used often and always disparagingly, but never around Jack or when our mother was within close earshot.

Today, at barely six-feet tall (and a spare one hundred and seventy pounds) I am—quite literally—the "runt" in the family. And, unlike my older brothers, I was never an exceptional athlete; there is no proud military record, and I have never been able to paint or write lyric poetry. Bluntly put, in my youth, I was nothing, zero—the family's signature underachiever. In fact, later when I was in college, my illustrious war-hero father would slanderously charge that I was nothing but a cowardly draft dodger trying to avoid the military. Still, lowly underdog that I was, I was determined to finally prove myself, make a bunch of money trading in the markets and finally outshine my brothers. Appreciate if you will that this is not simply a story about money and greed. Mostly I was just trying to keep up with the rest of my yuppie generation, pursuing in my own delusional way—with blinded ambition—what I mistook to be the American dream.

The more I studied and read about the commodity business the more I became convinced that this was a place where I could make some money—possibly a lot of money. My wife Janet had good common sense. Her judgment on things was usually sound, and I generally did not go against her wishes. I did not like being at odds with her on this commodity issue; but I was determined to educate myself to the business and get back the money I'd lost—plus a lot more. Understand, this was something that I needed to do for myself—excel at something that was totally my own. Now I was at last ready to make my mark. True, I had lost money on my first couple of trades. But still I was confident that I could make myself into a successful trader, once I got the hang of the markets.

For the first two years after college, Janet taught math and science at the elementary school level. At night—twice a week—she gave piano lessons. Then she started medical school. I was still at the insurance company, and my partner and I were just getting started in the remodeling business. Janet and I didn't have a lot of money, but we were in love and we were happy—or so I thought.

At the time that I'm writing about, early spring 1979, Janet and I had been married for not quite ten years. By this time she had less than a year left on her residency program at the hospital, and I was still firmly ensconced in the real estate business, responsible—as my partner liked to quip—for the smooth, daily functioning of more than a hundred toilets. Janet and I had just bought a classic old Georgian-style home that we were busy updating and remodeling into our 'dream house.' Money was no problem, and everything was perfect in our lives—or so it seemed.



CHAPTER 2

ONE OF THE BOOKS I READ WAS *SILVER PROFITS IN THE* Seventies by Jerome F. Smith. The author's thesis was simple: precious metals, gold and silver, were intrinsic stores of wealth, a safe haven in times of political and economic uncertainty. The time was early spring in 1979. The U.S. dollar was in a tailspin against the other major currencies; inflation and interest rates were skyrocketing; and people had generally lost faith in the political leadership of the country. The administration of President Jimmy Carter was submerged in a crisis of confidence and seemed totally out of its depth in dealing with the country's economic and social problems. Against this backdrop of political and economic chaos, silver—the “poor man's gold” as it was called—seemed a safe bet to go higher.

I called my broker. “Buy me two contracts of July silver,” I instructed him.

“The charts don't look very good, Jake,” he cautioned.

“I don't care what the charts look like,” I said. Then I repeated the order. By this time I figured I could read a chart as well as he could.

“Okay,” he finally relented, and then called in the order.

At first not much happened. Two or three weeks went by and the market just tracked sideways. Then one day it closed up almost the daily limit.

“What happened?” I asked him. He recited the usual supply and demand mumbo jumbo, stuff I basically already knew. He talked about the tight warehouse stocks. Then, almost as an aside, he mentioned that there was a rumor going around the trading floors that the Hunt brothers, Bunker and Herbert, were back in the market buying silver.

“What?” I came back at him. This was real news. The Hunt brothers, Nelson Bunker and Herbert, we’re the wealthy scions of the eccentric, billionaire oil tycoon H.L. Hunt. They were true dyed-in-the-wool Texas conservatives; that is, they saw a communist lurking behind every tumbleweed. According to their kooky credo the congress of the United States was a pinko-communist cabal of left-leaning, Eastern establishment liberals committed to confiscating their wealth or, at the very least, depreciating the currency. Thus, they were what came to be called “hard asset” investors. They bought things like commodities and precious metals. Things that went up when the dollar went down.

The Hunt brothers though weren’t speculators in the pure sense of the word. That is, they weren’t in the market to take risks. Wherever they put their money, they meant to control the price. What is usually called, in the parlance of the trade, a market corner. In 1973 the Hunts made an abortive run at the silver market, buying more than thirty-five million ounces. This more than doubled the price. Then, seizing the opportunity, the Mexican central bank dumped a large portion of its official stock pile. The price plummeted and the brothers were forced into a tactical retreat.

They came back however in 1977 in soybeans. Before the government regulators at the CFTC (Commodity Futures Trading Commission) even realized what was happening, the Hunts had bought and controlled (mostly through futures contracts) more than two-thirds of the available stocks—effectively a corner. The price went from six-dollars a bushel to more than ten-dollars in a matter of just six weeks. If the Hunt brothers were indeed poking around the silver market again, then it was time for me to get serious.

“Buy me ten contracts,” I told my broker. There was a long silence.

“Jake, these are only rumors,” he remonstrated. I repeated the order.

“Okay,” he finally said with an exasperated sigh, “but the account is going to need more money.”

I had already anticipated this. “How much?” I asked him.

Another pause. Longer this time. “At least twenty-five thousand dollars,” he said finally.

“Run the order,” I told him. “I’ll be in your office this afternoon with a check.”

The only problem: I didn’t happen to have an extra twenty-five thousand dollars just lying loose around the house. So, I called my friendly neighborhood banker. The appointment was set for eleven in his office.

His name was Billy. He was the “junior” loan officer. Not only was he friendly and ambitious—but malleable. My wife and I had been invited to his house for various social occasions, summer cookouts and Christmas parties. And I had played golf with him a couple of times at his club. Over the years my partner and I had done a number of our deals through his bank. He had a goodly portion of our business, but not all of it. Billy was in earnest about becoming bank president someday. This made him useful to me. In his over-weaning ambition, he was never overly fussy about details like liquidity ratios and always more than eager to accommodate a good customer.

He met me at the door and we shook hands. Then we moved inside to his office. He sat down at his desk to take the application and I seated myself in a chair.

“This will be for business purposes I presume?” he asked in his pretentious banker-like way.

“Yes,” I replied. This was a bit of a deception. The money would be used for business, but not the business (real estate) that he was thinking about. A half-hour later I was out of there with a check in hand. Before two o’clock that afternoon the money was deposited with my broker. I was long twelve contracts of silver, sixty-thousand ounces. Now I’m in the game for real I thought.

Almost a month went by and the market just kind of tracked sideways. I wondered if I had made the right decision. Then it began gradually working higher.

Late in May that year my wife and I made a brief trip to Montreal. It was midweek. Janet had a couple of days off from the hospital, and my partner and I were sort of between projects. We divided our time between running around taking in the sights and enjoying the rich French-Canadian culture and cuisine. At the end of our second day, just before boarding the flight to come home, I called my broker to see what the markets had been doing. Silver had finished the session limit-up—fully fifty-cents higher. The twelve contracts in my account gained thirty-thousand dollars in value that one day, enough to pay for our trip more than twenty times over. Janet was impressed; but still not convinced.

First thing the next morning I called my broker. “Buy me two more contracts,” I told him. This was almost too easy, like minting money. I could have quit right then—closed the account and taken the profit—and I would have been way ahead. However, to my way of thinking I’d found the Holy Grail. Commodity trading was going to make me a rich man. I would outshine both of my brothers. I was in silver for the long haul. By this time real estate was the farthest thing from my mind. I was hooked.

Using charts I started to follow the daily price action, and not just in silver, but all of the various markets. At first the movements

seemed entirely random and totally inexplicable. As I learned the various supply and demand fundamentals underlying each market however I could see patterns start to emerge. It was interesting to see how the so-called daily “news” events impacted each market. The financials (bonds and currencies) seemed particularly sensitive to the daily flow of economic data. Weather was a principle factor for the grain markets.

Silver though was my focus. I became possessed by the market—spending almost every waking moment of the day and night obsessing over the money I expected to make. It seemed for awhile (in an eerie way) that I was deranged. Greed afflicts us all in one way or another. It can make an otherwise sane person do crazy and irrational, even criminal things. As I would discover, making money in the markets is one thing, holding on to it is quite another.

That summer in August a new player entered the market. This was I.M.I.C. (International Metals Investment Company) an offshore company formed in Bermuda and under Bahamian registry. It was essentially a partnership (Hunt controlled) between another Hunt company, Profit Investment Company, and a group of wealthy Arab investors with ties reaching all the way into the Saudi royal family.

I.M.I.C. was basically a vehicle for the Hunts and their Arab partners to disguise their silver trading activity from the U.S. regulators whose job it was to monitor just such activity. Much of the buying of silver was done through European and offshore banks where the federal regulators had no jurisdiction and no real authority.

That the silver market could be cornered was less a matter for conjecture than a distinct and real possibility. I could remember reading an article published in the March '79 issue of *Commodities Magazine* where Dr. Henry Jarecki—then the respected and influential chairman of Mocatta Metals, a major metals dealer—ventured

the opinion that a determined and well capitalized individual, or group of speculators could, through control of just one-hundred and fifty million ounces of silver, influence the price sufficiently to realize a thirty to forty-percent appreciation in the value—effectively a corner on the market. The same Dr. Jarecki did a deal with the Hunts—an EFP or exchange for physicals—the following October. It was his impression at the time that it was the Hunts intention to corner the silver market. All that would be needed was money—lots of money.

The Hunt brothers had “lots of money.” Estimates of their wealth at the time varied—depending on the prices for crude oil, precious metals and other commodities—between two and three billion dollars. Compared however to the assets of their Arab brethren, this was mere chump change. By this time in the summer (late August) the Hunts and their Arab partners already owned outright, or controlled with futures contracts, tens of millions of ounces of silver.

My broker did his best to keep me “in touch” with the market in New York. But from my faraway perch in Minneapolis, I had no special insight into the powerful secret forces at work in the silver market—the broad moneyed undercurrents and complex set of machinations working to move the market—or the strong degree to which it was already under manipulation.

The strength in the market confounded even the so-called experts. Even the regular participants in the business who were considered most knowledgeable—basically the big trading firms—couldn’t understand the strong run-up in the price. For my part, I could only assume that I had been right in my initial analysis of silver as a safe-haven investment, that the author of “Silver Profits in the Seventies” was right and the price of silver would inexorably go higher due to the strong underlying fundamentals. It was all a

crap shoot. But at the end of the month I doubled my position, adding another sixteen contracts, making a total of thirty-two. Going forward, the plan was simple. I would add another one contract every fifty-cents higher.

Silver was currently trading at approximately twelve-dollars an ounce. How high could the price go? Nobody knew. Maybe it could double...or even triple. At the time it was all just a guess.

Then between mid-August and late September that year, the price of silver almost doubled to just over twenty dollars. And according to the plan, I put on another eighteen contracts. Things were starting to get serious. Now I had a total of fifty contracts long. Not only did the price double, but the volatility doubled. That is, there was an enormous range in the price fluctuations up and down such that it was getting really scary.

I recall one particular Friday late in September. An article appeared in the Wall Street Journal that the Comex in New York had asked one of its large and influential traders to sell off a part of his position. This caused a bout of panic selling on the part of the other traders. At the low-point the front-month contract—where I had the total of my position—was down more than three dollars. This produced a paper loss in my account of more than three-quarters of a million dollars. And all before lunch. The market eventually recovered, but not before I lost my breakfast. The stress was enormous. Just when it was the worst, I went into the bathroom, stuck my head in the toilet and puked up everything in my stomach. Needless to say, this greatly unnerved my wife.

“Jake, this is insane. Have you completely lost your mind? Stop for a moment and think about what you’re doing.” She was almost apoplectic. Then: “You’re killing yourself. And you’re going to put us in the poor house!”

The market recovered and ended the day higher—thank God. Before the end of the day, in a spirit of compromise, I promised that I would not put on any more contracts. But there remained still another problem. All the price volatility and the consequent stress was making it almost impossible for me to sleep through the entire night. I would wake about every hour and then toss and turn for another before I could get back to sleep. I was keeping Janet awake and ruining her sleep. Eventually she banished me to the guest bedroom. Obviously, this was not helpful to the marriage.

My wife hated the commodities. Whether consciously or not, we avoided the subject—and consequently one another. There was just too much tension between us at the time. Sometimes we didn't see each other for days at a time. I'd be gone during the day when she was at home. And I'd come home at night when she was at the hospital working. This avoided any outright confrontations, but it put a further strain on our relationship. Even my business partner started complaining that I was not doing my part.

“Jake, you need to start paying attention to business. I'm running this thing by myself!” He was right. I had not been pulling my weight. But when you're riding 250,000 ounces of silver up and down as much as a dollar or two each day, it's hard to get too concerned whether the toilet in unit #9 is flushing properly.

Starting in October the market somewhat settled down and just grudgingly worked higher. Some of the volatility went out; but every day was still a roll of the dice. I would jokingly refer to silver as my Maalox trade. My lovely wife of course failed to see the humor in this.

Early in the month, concern arose in the trading community about the “alarming” disappearance of silver from the two major warehouse depositories in Chicago and New York. The fear was

that there would not be enough deliverable silver to cover the outstanding short positions, creating the circumstances for a classic short squeeze in silver.

One rumor had it that the Hunt brothers had taken delivery on the expired September contract and were loading the silver bullion on 707 jet liners to be flown to London, all this just to get it out from under the noses of snoopy federal regulators.

Notwithstanding the Hunt's ferocious behind the scenes activities, the brothers both maintained a relatively low public profile. In fact, I can remember from that time seeing only one newspaper piece having to do with the Hunt's silver activities—an article in the Wall Street Journal that mentioned Bunker's often repeated public assertion that the metal “was the most undervalued asset in the world.” Also mentioned in the article, the book “Silver Profits in the Seventies”, the same book I had read.

November brought further turmoil to the market. Early in the month a group of dissident Iranian students seized the U.S. embassy compound in Tehran, and took 66 embassy personnel captive. Some were later released, but 52 Americans were held by the students as hostages. Embarrassingly for the United States, the crisis dragged on for a humiliating 444 days. The public demanded that something be done. But a tragic and failed desert rescue attempt only served to under score how ineffectual the U.S. military had become in projecting its power around the globe. The Iran hostage crisis ultimately sounded the death knell for the presidency of Jimmy Carter. The unrest in Iran caused oil shipments to the West to be disrupted, leading to a more than 60% hike in gas prices at the pump and a steep rise in inflation. More fuel for the market.

Later in the month the Great Mosque in Mecca was taken over by a dissident Muslim group. This hinted at instability inside Saudi

Arabia, source of 25% of the world's oil supply. Again the price of crude oil shot up, the dollar slumped and inflation in the U.S. worsened. Gold and silver rallied and set new high prices.

If the Hunts maintained a relatively low public profile, one person who didn't was Norton Waltuch. He was reputedly the principle broker for the wealthy Arab investors aligned with the Hunt brothers. An exchange member and broker for Conti-Commodities in New York, he was also the trader allegedly asked by the Comex officials to sell off a portion of his large silver position, setting off the rumor responsible for the precipitous sell-off in the market the day I lost my breakfast. When interviewed though he was reticent to talk about his trading, and he never divulged who his customers were. A publicity shy, unprepossessing man, he had made himself into a minor celebrity with his habit of coming down onto the exchange floor in waning minutes of trade and, in just a couple minutes of frantic trading, bidding the price of silver up the daily limit. Exchange officials considered this disruptive for the market, and they tried to have him barred from this sort of activity. But, because he was an exchange member, there really was nothing they could do to stop him. Early in December my wife and I made a weekend trip to New York and I got to witness firsthand one of his trademark performances.

We got in late on a Thursday. And, after checking in at the hotel, we had a sumptuous dinner at a popular ethnic Italian restaurant just a few short blocks from the hotel. After dinner we went back to the bar at the hotel that just happened to be crowded with a bunch of boisterous Wall Street types, a noisy group of investment bankers celebrating their latest big deal.

We finished a nightcap, and the next morning I was up early. My wife slept in as was her custom on these weekend holidays. I

showered and cleaned up and had a quick breakfast at the hotel. Then I hailed a cab for the short ride to the New York Commodity Exchange, or Comex as it was called, where the metals, silver, gold and copper were traded.

My broker had called ahead to alert the home office that I was coming for a visit. So when I registered as a guest at the desk in the front lobby, a vivacious and friendly young girl from the firm's back office was there to greet me. She took me upstairs for a quick tour of the firm's palatial offices. Then we went down to the fourth level trading floor where she introduced me to the young broker who usually handled my trades. I had expected someone older, a kind of sober, gray eminence. This kid looked like he was just out of high school. Actually he was just a couple of years younger than me. He was—I learned later—one of the firm's top young brokers. When we were introduced, my name didn't mean anything to him. But when I told him my account number the recognition was instant.

"You're the guy from Minneapolis," he said with a kind of new found respect.

"That's right," I replied.

He just smiled and shook his head. "Believe me I've seen a lot of traders in silver—mostly small specs—come and go," he said. "You're the only one I know whose still hanging in there." I wasn't sure whether he was paying me a compliment or giving me a warning. My chief advantage of course was that I had added those ten contracts to the original two all at one time, at a relatively low cost (under seven dollars). Then I doubled up at just under ten dollars. This gave me a low overall average cost, and the ballast to ride out the rougher swings in the market even though it was sometimes hair-raising.

We chatted for awhile. Trade in the pit was slow. There were only a handful of traders down in the center ring where the front month December contract was being traded. Occasionally my young friend would have to excuse himself to go into the pit to execute an order. Then he'd come back and we'd talk some more.

He'd been born in Brooklyn. After high school he attended City College in New York with plans to become an accountant. He quit college in his junior year and came to the Comex to work as a runner for one of the large clearing firms. After a couple of years—with some money borrowed from an uncle—he rented a seat and started filling orders and trading for his own account. He was just twenty-six years old at the time—but already well on his way. He told me that the year before his income from filling orders and his profits from trading went well into six figures.

“You can't make that kind of money keeping the books for a bunch of pizza parlors and flower shops,” he said.

“Can you take an order from me?” I asked him.

“Sure, why not?” he said. “It's your account—your money.” My entire position was in the expiring December contract. I could sell and close out the whole trade, or I could role it forward into a more deferred contract month, in this case the March. This was easily accomplished by selling the December futures and simultaneously buying back in the deferred March. If I just did nothing I risked getting delivered on, which meant I would have to come up with the cash to pay for the silver—more than five million dollars at the then current price.

I gave him an order to sell fifty December contracts (Dece as they were called) and buy back fifty March. He went into the pit and I watched him signal with his hands to another trader way on the far side of the pit. He came back and showed me two cards.

“Here are your fills.” On one was the “buy” side of the trade. On the other the “sell.” He showed me the prices and then initialed each card. Then he handed the cards to the clerk at the desk to be recorded.

“Thanks,” I said. “That was easy.”

He smiled. “Just doing my job.”

Then I asked him a question. “What do you know about Waltuch?”

He smiled again. “Norton? What’s to say? He’s the Man. The big bull in the silver pit. He’s pretty quiet about his trading, doesn’t talk about who his clients are, but they must have deep pockets. Rumor though has it that he’s got major Saudi money behind him.”

I left him and went down one floor to the Members Dining Lounge. It was just after noon. I wanted to stay and watch the close of the day’s trading session. That meant I had some time to kill. I had a sandwich and chips for lunch, drank two or three cups of coffee and read through almost the entire Wall Street Journal. Then, with just a half-hour or so left in the trading session, I went back upstairs to the visitors’ gallery to catch the final minutes of trade in silver. I had been there only about ten minutes when I saw a man come onto the floor at the perimeter of the ring. I’d never seen him before in my life, but there was no mistaking his presence. A change happened. The usual chatter and hubbub associated with the pit increased noticeably. Clerks picked up their phones; runners scurried back and forth with orders. Physically he was unimpressive. But the other traders—especially the young ones—seemed to accord him a kind of special deference. They all seemed however slightly spooked, jumpy and on edge, like a group of wary gazelle that just discovered a lion in their midst. This was Norton Waltuch.

He prowled around the outside of the pit addressing casual remarks to whomsoever was at hand. A few of the younger traders purposely stepped outside the ring—the official trading zone—signaling they wanted no part of the upcoming action.

Then with less than five minutes to go in the trading session (I saw him glance up at the big clock) he descended the steps to the bottom ring and positioned himself prominently in the center. Around him was a small covey of brokers and traders. Not more than a dozen. Then the bidding started. Waltuch was almost like the choreographer, or the director of a small chamber ensemble. He looked first to one broker and then another. He took all offers, no matter the size of the order. It didn't take long. There was only a small smattering of trades. Finally there were no remaining offers, nothing left to sell. The bell sounded marking the end of the session. In papers the next morning the world would read that silver in New York had posted another new high—a new record price, up the daily fifty-cent limit. I was pleased, but not really surprised.

I left the exchange and went back to the hotel. I found my wife in the bathroom relaxing in the tub. Her hair was up and wrapped in a towel. She was sunk down in the tub, submerged in a little sea of white bubbles and foam. I stepped into the doorway.

“Well, if it isn't Big Daddy Warbucks, home from the wars.” This was her latest name for me. She laughed and snickered to herself at her snide little witticism.

“So tell me, Daddy,” she started in a sarcastic tone, “did we make any money today?” She raised a shapely long leg out of the water and languidly traced her fingers along its glistening smooth length.

I was bland. “A little bit.”

She glanced up. “Enough to pay for dinner tonight?” she teased in a playful way.

“If dinner doesn’t cost more than a hundred and twenty-five thousand dollars,” I said in a cool detached voice. This drew an appreciative look from my otherwise deeply cynical wife.

That night we went out on the town. Janet had arranged two tickets for a long running Broadway play, and afterward we had an expensive dinner at a fashionable Midtown restaurant.

Around Christmas the Soviet Union sent troops into Afghanistan. Even under normal market conditions an event such as this would have been enough to cause a sharp spike up in the prices of silver and gold. Silver however was not a normal market. For many months now silver had been the object of a persistent and pervasive manipulation, largely at the hands of the Hunts with amiable assistance coming from Norton Waltuch and his secret cabal of wealthy Arab clients.

Silver would close the last trading day that year, December 28th 1979, at over twenty-eight dollars, a new high. I ended the year up a cool three million dollars. The volatility—the sharp up and down action in the market—was getting scary. I had been in the trade for almost nine months, and I was proud that I’d been able to hang in there. But my nerves were worn to a frazzle; my wife was threatening to divorce me; I was exhausted and ready for it all to be over.



ABOUT THE AUTHOR

Jerry Anderson is a commodity broker and trader, and former stock broker. He is the author of the newly released novel *The Money Trader* and an earlier unpublished novel.

He lives in Minneapolis—near downtown by Loring Park—and is still active in the markets.

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