

The context: the pandemic and the collapse in prices

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The frauds of 2020 were brought to light by a market shock. In the spring of 2020 the Covid-19 pandemic caused a collapse in energy demand and a sharp fall in oil prices, which briefly turned negative on certain American markets.¹ Traders holding financed inventories saw the value of their collateral collapse. The banks then demanded additional security or the repayment of their loans.

This shock exposed practices that had been thriving in the shadows for years. As one report noted, the founder of Hin Leong acknowledged in a sworn statement that the company had in reality made no profit in recent years, although it had officially reported a healthy profit for 2019.² As long as prices were rising and credit was plentiful, the concealed losses could be covered by new financing. When prices collapsed and the banks tightened credit, the edifice came down.

This mechanism is an old one. Financial crises reveal the frauds that prosperity conceals. Part C showed how the French Revolution had revealed the fragility of Geneva's investments in life annuities, and Part D how the crisis of 1931 had revealed the weaknesses of the Swiss banks. The frauds of 2020 belong to this same lineage.

1 Notes

1. On 20 April 2020, the May 2020 WTI contract fell from USD 17.73 to a settlement of –USD 37.63 per barrel, the first negative price in its history; Commodity Futures Trading Commission, “CFTC Staff Publishes Interim Report on NYMEX WTI Crude Contract Trading on and around April 20, 2020”, press release of 23 November 2020, [cftc.gov](https://www.cftc.gov). ↩

2. "Singapore oil trader OK Lim convicted of cheating, abetting forgery", AFP via Malay Mail, 10 May 2024. ↩

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