Is Oil the Canary in the Coal Mine for a $640 Trillion Derivatives Disaster?

Let's talk about what just happened with Oil prices.

Yesterday, Oil dropped to -$40 per barrel. That is not a typo. Oil was priced at **NEGATIVE $40.**

On Friday, it was priced at $27 per barrel.

How is this possible?

This is possible because of derivatives: financial instruments that trade in opaque markets, with little oversight, and which regulators, including Congress, have permitted to become a systemic problem.

In its simplest rendering, yesterday oil traders who owned oil derivatives realized that if they continued to hold these derivatives, they (the traders) would have to actually take delivery on the physical oil they owned. We're talking thousands and thousands of oil barrels being delivered.

The traders don't want the actual physical oil. They simply want to be able to trade oil prices. So, they dumped their derivatives **at any price… including PAYING someone to take the derivatives off of their hands.**

This is how you get NEGATIVE oil prices. And it reveals the degree to which the financial system has become totally overrun with derivatives, leverage, and financial trickery.

Even worse, Oil is not the only asset class that has been overrun with derivatives. The bulk of trading in every commodity, including gold, involves derivatives. **The same is true of BONDS.**

Derivatives are used to hide losses, manipulate prices, and even fake profits. They are a massive problem that nearly blew up the financial system in 2008… and as oil's implosion yesterday revealed, remain a major problem today as well.

How big a problem are we talking?

The last official data on the global derivatives market puts it at $640 TRILLION, or over SEVEN TIMES GLOBAL GDP.

What happened in oil is a signal that this financial monstrosity is once again rearing its head. The question now is just how horrific the carnage will be.