April 30, 2022 – Weekly Review/The OCC’s Response

It was another brutal down week for gold and, particularly, for silver, as prices skidded sharply for a second week; with gold ending the week lower by $35 (1.8%) and with silver down a much sharper $1.40 (5.8%). As a result of silverâ??s much weaker relative performance, the silver/gold price ratio widened out by another 3+ percentage points to 83.2 to 1.

Over the past two weeks, the price ratio has widened out by more than six full points to the most undervalued silver has been relative to gold in close to a year and a half. For anyone who has paid even the slightest attention to whatâ??s going on in the world of precious metals, particularly silver, what I just observed in the relative price performance of silver and gold should come as a misstatement of some type. Or, as my dear departed friend and silver mentor, Izzy Friedman, would observe on past such occasions, it was so counterintuitive and against what should be occurring pricewise, that it should have boys checking to see if they are really girls and vice versa.

Of course, there has to be an obvious explanation for the counterintuitive price performance witnessed in gold and silver these past two weeks, both on the absolute decline in price and the greater relative decline in silver and whatâ??s most amazing is the number of observers who still canâ??t seem to articulate the explanation. But if you canâ??t (or wonâ??t) see that an engineered and deliberate paper position on the COMEX is solely responsible for the unusual price action by now, I doubt you ever will.

The explanation is plainly visible in the new Commitments of Traders (COT) report for the price action through Tuesdayâ??s close to the reporting week. Of course, there had to be significant amounts of commercial buying and managed money selling on the price smash through Tuesday (and since) and that was fully-reflected, as it always is, in the new report. The collusive and crooked COMEX commercials always buy on sharp price declines, since the sole reason for them rigging prices lower is to buy.

As significant as the positioning changes were, in many ways, this was among the least surprising COT reports in memory, because had there not been significant commercial buying in gold and silver (as well as in copper and platinum) on the steep price declines over the reporting week, I would have hung it up and rejected everything I think Iâ??ve learned over the past near half-century. Details in a moment.

As sharp as the price declines in metals have been over the past two weeks, set against the more visible and significant (to more people) weakness in stock and bond markets, the weakness in metals seems less significant (except, of course, if you are a metals investor). The difference, however, is that the weakness in stocks and bonds has many plausible and debatable explanations (as discussed on Wednesday regarding interest rate derivatives), whereas if anyone can come up with a rational argument for why silver would be getting crushed from such already depressed levels â?? away from the ongoing COMEX manipulation â?? Iâ??d love to hear it.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses continues to both amaze and remain, essentially, unnoticed by most. This week, nearly 10.7 million oz were physically moved, the most for any week since last July, yet no reference will be made virtually anywhere to this weekâ??s or the past three weeks of movement (30 million oz).

Instead, there will be heated discussion on the drop in total COMEX silver warehouse inventories, down by 1.3 million oz to 333.6 million oz (a low going back to July 2020), despite the fact that the actual movement was many times greater than the drop in total COMEX inventories.

Likewise, there will be heated discussion of non-physical movements or changes in the eligible or registered categories on the COMEX, which after reviewing such category changes on a daily basis for nearly 40 years, I can tell you they matter as much as the life cycle of an individual mosquito. But who am I to break up an enthusiastic registered versus eligible hootenanny? The holdings in the JPMorgan COMEX silver warehouse fell by 0.7 million oz to 173.7 million oz, with a disproportionate amount of the total actual physical movement occurring in the JPM warehouse.

Total COMEX gold warehouse holdings, thanks again mostly to rounding, fell by the same less than 0.1 million oz that they rose last week, to 35.9 million oz. There was a slight 60,000 oz increase in the JPM gold warehouse, putting the total there at 14.48 million oz, from what I can tell from my dog-eared notes is the highest total ever.

The two-day delivery totals against the traditionally large May COMEX silver contract have been, well, underwhelming, as only 1752 total silver contracts have been issued, although there remain 4100 contracts open in the May contract and itâ??s certainly possible (or even likely) that new contracts can be added with a full month to go. Still, at this juncture, May is not shaping up as a significant delivery month, despite falling COMEX silver warehouse inventories and near month spread tightness over the past few days.

The biggest â??tellâ?• to me so far is that JPMorgan has been, by far, the biggest stopper, taking 1544 contracts for customers, 88% of total silver deliveries so far and hasnâ??t issued or stopped a single silver contract in its own house account. Yes, Iâ??m prejudiced, but I just feel better when these crooks donâ??t issue silver deliveries in their own name, although I fully-knowledge they are better at hiding things than anyone. After all, JPM and its associates amassed more than a billion oz of physical silver in virtually full view over a decade and how many would have figured that out on their own?

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

There were finally some decent outflows of physical metal (not necessarily physical movement) from the worldâ??s gold and silver ETFs, as should reasonably be expected in light of the sharp price weakness of late. In gold, close to 500,000 oz came out of the gold ETFs, mostly GLD this week. In silver, there were bigger declines with the total reductions being larger, at close to 8 million oz or so, with most coming out of the big silver ETF, SLV. Still, considering how weak silver prices have been these past two weeks and how much metal came into SLV and the other silver ETFs (excepting the Deutsche Bank silver ETF) before this weekâ??s redemptions, I am more impressed with the net â??inâ?• than the recent â??outâ?•. Year-to-date, the total level of physical silver deposited in SLV â?? the worldâ??s most hated, yet still best friend to silver investors â?? is up by more than 45 million oz â?? despite silver prices now being no better and actually, a bit lower than the yearend price close.

Turning to yesterdayâ??s new COT report, as already mentioned, the positioning changes were quite significant, yet completely expected. In fact, had the positioning changes not been significant, something would have definitely been amiss, as gold prices fell as much as $60 over the course of the reporting week, decisively penetrating to the downside its 50-day moving average for the first time in three months. Silver prices fell as much as $1.85, decisively penetrating to the downside all three of its key moving averages (the 50, 100 and 200-day maâ??s) for the first time in three months. Let me run through the details before circling back to some deeper findings.

In COMEX gold future, the commercials reduced their total net short position by 26,200 contracts to 249,300 contracts. This is the lowest (least bearish) commercial net short position since mid-February and as of the Tuesday cutoff is actually closer to the market structure at the bottom of gold prices at the beginning of February when gold launched a $200 rally than the gold market structure was at the recent bearish extreme of early March. I would imagine some additional market structure improvement in trading since the Tuesday cutoff.

By commercial categories in gold, it was largely a raptor (smaller commercial) affair again, as these traders bought a net 20,800 contracts, or nearly 80% of the total commercial buying, after buying 95% of what the commercials bought in the previous COT report â?? and lending more credence to my recent speculation of the raptors ruling the collusive commercial crooksâ?? roost. I doing so, the gold raptors flipped what had been a 2,900 net short position into a 17,900-contract net long position, the most the raptors have been net long since Feb 8 and only about 12,000 contracts less than their maximum net long position at the exact price bottom of Feb 1.

The 4 big gold shorts bought back around 5500 gold shorts, reducing their concentrated net short position to 175,702 contracts (17.6 million oz). The next 5 thru 8 largest commercial shorts did little and the big 8 short position fell to 267,179 net contracts (26.7 million oz).

On the sell side of gold, the managed money traders did most, but not all of the non-commercial selling, as these traders sold 20,149 net gold contracts, consisting of the sale and liquidation of 19,345 long contracts, as well as the new sale of 804 short contracts. It was the smaller non-reporting traders making up for what the managed money traders sold and the commercials bought, as these smaller traders were net sellers of around 4500 contracts, predominantly long liquidation and another bullish development. The gold whale appears to have further liquidated his position and is now holding less than 20,000 futures contracts, hardly qualifying for a â??whaleâ?• designation â?? but itâ??s still unknown how much of his (or hers) futures liquidation is related to accepting delivery.

In COMEX silver futures, the commercials reduced their total net short position by a hefty 14,500 contracts, to 48,800 contracts. This was the largest single-week reduction in the total commercial net short position in silver since July 28, 2020, and before that since the reporting week of March 5, 2019. Itâ??s kind of funny, not that any silver investors (including me) are laughing, at how the commercials always managed to do their greatest levels of net buying on the sharpest down weeks (witness this reporting weekâ??s decline of as much as $1.85).

You would think that the regulators at the CFTC, particularly the four new commissioners which took office a month ago, might notice this never-varying and completely non-free market phenomenon of the COMEX commercials always buying on price declines and never buying on sharp price increases and the bald-faced price manipulation this represents. Â Hopefully, now that they are all on my email list for sending this and all my articles, maybe they will see the light.

The reduction in the total commercial net short position in silver to 48,800 contracts, brings that position to its lowest (least bearish, most bullish) position since Feb 22 and leaves it just 16,000 contracts away from the market structure low of Feb 8, from which silver embarked on a rally that exceeded $5 (at the same time gold rallied nearly $200). Itâ??s hard to imagine how the silver market structure hasnâ??t further improved on the deliberate price weakness since the Tuesday cutoff. How anyone canâ??t see and grasp the overwhelming significance and influence of COMEX positioning on price is beyond my comprehension.

By commercial categories in silver, it shouldnâ??t come as a big surprise that, like their counterparts in gold, the raptors (the smaller commercials away from the big 8) did the heavy lifting. The silver raptors bought 12,800 contracts (88% of the total commercial buying), increasing their net long position to 23,400 contracts, their largest net long position since Feb 15, and only 9,000 or 10,000 contracts (if that) away from their maximum long position at the start of the recent $5 rally. And thatâ??s as of Tuesday, before silverâ??s price was rigged lower by another 75 cents or so in the nearly textbook example of salami-slicing to new price lows seen since the Tuesday cutoff.

The 4 big silver shorts did manage to buyback around 1350 short contracts, reducing their concentrated short position to 50,502 net contracts (252 million oz), their lowest net short position since March 1, but through Tuesday, the reduction in the big 4 short position, at the heart of silver price manipulation, appears to have lagged (courtesy of the raptors). The 5 thru 8 next largest commercial silver shorts were able to eek out around 350 contracts of short covering and the big 8 short position fell to 72,187 contracts (361 million oz).

On the sell side of silver, it was largely a managed money affair, as these traders sold 14,320 net contracts, nearly matching the net commercial buying and consisting of the sale and liquidation of 12,614 longs and the new sale of 1706 short contracts (Iâ??ll return to this in a moment). Thatâ??s not to say that there wasnâ??t activity in the other non-commercial categories, as the other large reporting traders were net buyers of 3300 contracts, almost all in the form of short covering, while the smaller non-reporting traders evened them out by selling nearly 3500 net contracts, evenly split between long liquidation and new short selling.

As a result, the smaller non-reporting traders held close to 13,400 net long contracts, quite close to the 10,000 net contract low-water mark that has proven to be an important price bottom signal over the last few years. All this as of Tuesday and I would imagine given the silver price weakness since the cutoff, even an lower non-reporting trader net long position â?? usually considered a separate bullish indicator. No big change in the silver whaleâ??s position (15,000 contracts), despite a slight dip in the concentrated long position of the 4 largest longs.

I wouldnâ??t go so far as declaring that this weekâ??s COT results, even when combined with the prior weekâ??s results, conclusively prove yet that my recent speculation that the collusive and crooked COMEX commercial game had changed in favor of the raptors at the expense of the big 4 and 8, but that very well may be the case. No one can argue, at this point, that my speculation (I prefer to consider it analysis) has not played out to a â??Tâ?•, but it may be too soon to spike the football in the endzone. Thatâ??s because it remains to be seen what, if anything, the big shorts in gold and silver have up their sleeves.

It is still possible for the big 4 and 8 shorts to buy back more disproportionate amounts of short contracts than they have been able to accomplish to date. But that depends on two things â?? one, the raptors soon get their fill of how many long contracts they wish to establish, not something I detect to this point (yet), freeing the big shorts to buy back significant amounts of short contracts.

More critical to the question of how many short contracts the big shorts can buy back, assuming the raptors do step aside from providing buying competition, is the question of how many more managed money contracts are yet to be sold â?? particularly my old question of how many new shorts the managed money traders in silver might be willing to put on. On the quite significant managed money net selling this week, the selling in both gold and silver was mostly confined to long liquidation and not new shorting.

I recently discussed that, particularly in silver, the potential for big net selling relied on how many new shorts the managed money traders would be willing to put on, rather than straight long liquidation. In fact, my estimates for how much potential managed money long liquidation may exist have largely already occurred, leaving the potential for further significant managed money selling in silver largely confined to how many new shorts the managed money traders are wiling to establish.

As you know, the managed money traders have never collectively profited when getting heavily short in silver (or gold) and you would think that would be enough to keep them from doing so again, thus preventing further significant amounts of commercial buying by either the raptors or the big shorts â?? buy hey, you never know what anyone else will do. The world is replete with constant examples of people continuing to do seemingly dumb things (Iâ??ll relate a personal example in a bit). Anyway, if you could tell me what the managed money shorts will do in silver and gold, I could probably better pinpoint the coming important price bottom (if weâ??re not there already).

The OCCâ??s Response

Yesterday, I received a response, via my local congressmanâ??s office, from the Office of the Comptroller of the Currency, to the concerns I raised about the most recent Quarterly Derivatives Report for the OTC derivatives positions of US banks. As I refresher, my concerns were previously presented to subscribers on several occasions and most recently in this public article a month ago â??

https://silverseek.com/article/another-stunning-occ-report-0

A few days ago, in Wednesdayâ??s â??Sudden Changesâ?•, I referenced the Jan 15 Weekly Review in which I explained I had attempted to cut off an anticipated answer from the OCC that might seek to diffuse the significance of the massive increase in Bank of Americaâ??s precious metals derivatives position by comparing such derivatives to the much larger derivatives that existed in interest rates â?? an apples to oranges comparison. Fortunately, the OCC didnâ??t attempt to do this (although, of course, I canâ??t claim credit for heading it off at the pass).

Before I reprint the OCCâ??s response in its entirety, I would remind you that in the wide range of how the agency might possibly respond, there was no way that it could ever acknowledge that Bank of America or other large US banks had done (or were doing) anything illegal, as it would be against the law to disclose such information before taking legal action against any of the banks involved. For sure, after summarizing my allegations accurately in the first paragraph, the OCCâ??s response was a blatant obfuscation of the issues, as fully expected.

On the other hand, were my allegations frivolous or without merit, I do believe the OCC would (and should) have shown no hesitation in pointing this out. Above all, the OCCâ??s response eliminated any possibility it could now claim it was unaware of the issues. After reading the OOCâ??s response, Iâ??m more convinced than ever that it was, essentially, unaware what Bank of America had done and that BofA was as dumb as a bag of rocks for getting as heavily involved in precious metals (silver) derivatives as it had.

Therefore, the very best I could hope for would be for the OCC not to tear my claims apart and, instead, to neither confirm nor deny my allegations and, essentially, leave open the likelihood that it would pursue the matter with Bank of America and the other banks privately and in a more formal regulatory process. To my mind, the OCCâ??s response was the epitome of confirming the legitimacy and seriousness of my allegations and its refusal to deny what I claimed was beyond my most optimistic expectations.

Since I had no real doubt that the OCC would not respond to the request I made through my local congressman, I hadnâ??t bothered to ask many others to do the same.Â As always, I will let readers decide for themselves the true meaning of the OCCâ??s response.

April 28, 2022

The Honorable Brian Mast
United States House of Representatives
601 Heritage Drive, Suite 144
Jupiter, Florida 33458

Dear Representative Mast:

Thank you for the recent inquiry on behalf of your constituent, Mr. Theodore Butler. Mr. Butler contacted your office in reference to the Quarterly Derivatives Report issued by the Office of the Comptroller of the Currency (OCC). Specifically, Mr. Butler requested information on why U.S. banks would hold large derivates positions in silver and whether those positions are suppressing the price of silver and endangering the banks and financial system.

While silver in exchange, coin, and bullion form is a permissible national bank holding under OCC rules (12 CFR 7.1022) and the National Bank Act, a derivative with a precious metal like silver as an underlying asset is defined as a financial instrument and is therefore subject to the â??Volcker Rule.â?• (The technical name of the Volcker Rule under the OCCâ??s rules is Proprietary Trading And Certain Interests In And Relationships With Covered Funds (12 CFR 44)). Most large national banks are subject to the Volcker Ruleâ??s proprietary trading and covered fund restrictions, which generally prohibit national banks from engaging in proprietary trading, including in derivatives.

The Quarterly Derivatives Report is a high-level compilation of published data and is insufficient to ascertain whether a specific bankâ??s derivatives position in silver is outsized, unhedged, proprietary, or customer-driven. OCC examiners use this report, along with other sources, to assess the bankâ??s compliance with the Volcker Rule and other OCC rules. Such other OCC rules (12 CFR 7.1030) govern the derivative activities of national banks and specifically require national banks to conduct all derivative activities in a safe and sound manner. OCC examiners regularly review bank trading activities for impermissible proprietary trading, as well as to ensure banks operate precious metals and other trading activities in a safe and sound manner and in accordance with applicable rules and regulations, including the Volcker Rule and 12 CFR 7.1030.

We appreciate the opportunity to address Mr. Butlerâ??s concerns.

Sincerely,
Carrie Moore
Director, Public Affairs and Congressional Relations

The OCCâ??s response, to my mind, is quite similar to the CFTCâ??s response of a year ago to my allegations that the concentrated short position of the 4 largest traders in COMEX silver futures was instrumental in the continued price manipulation. The main difference was that the CFTCâ??s response followed decades of it denying that anything (and everything) I alleged about silver was incorrect â?? marking an abrupt departure of denial by the agency.

https://silverseek.com/article/cftcs-response

In the case of the OCC, I had never contacted the unit of the US Treasury Department prior to this year. Remarkably, according to my read from both the CFTCâ??s and OCCâ??s responses, neither agency has offered any strong rebuttal to my allegations that the price of silver is being manipulated, effectively, by large and mainly US banks â?? both on the COMEX and on the OTC markets. This has the effect of confirming that I am looking at things in the correct manner.

This, of course, begs the question that if US regulators are neither confirming nor denying that a bank manipulation of silver is occurring â?? then why the heck is the price of silver still being manipulated? The answer, as appears clear to me, is that this latest downdraft in price could and should be the final cleanout to the downside before the long-awaited final liftoff takes hold. Therefore, if true, this is the last time to get fully onboard and hold on for dear life.

Reports that Barclays had unilaterally suspended issuance of new ETNs (exchange traded notes) on a wide variety of commodities also made the news. ETNs are similar to EFTs (exchange traded funds), except that ETNs are debentures whose returns are governed by the performance of the underlying commodity â?? whereas ETFs are more akin to direct ownership of commodities, including silver. I was asked by Ed Steer what this news about Barclays meant and responded by sending him this link –

https://www.thestreet.com/investing/barclays-taken-aback-by-the-commodities-craze

Expounding a bit further, it would appear that Barclays had too much on an exposure on the short side as a result of it issuing so many of these commodity-linked ETNs and Â (wisely) chose to limit its exposure. After all, commodity prices (not for silver) have been quite strong, meaning that Barclays was on the wrong side as the issuer of ETNs, effectively putting the bank short.

Some have maintained that the massive OTC precious metals derivatives position of Bank of America is due to the issuance of structured notes based upon silver (I agree that is likely, along with the position being the result of a lease and short sale on silver). The connection here is that just like Barclays has discovered (after the fact) that being too heavily short commodities as a result of its issuance of ETNs based upon commodities is not a wise thing, Bank of America may be about to learn (the hardest way possible) of the folly of being massively short silver in its OTC dealings. Certainly, nothing in the OCCâ??s response would detract from that conclusion.

Another news development of the past few days also points, indirectly to be sure, to this whole matter of Bank of Americaâ??s massive OTC precious metals derivatives position and how it necessarily involves not just the OCC, but the CFTC as well. The civil charges by the SEC and the criminal charges by the Department of Justice against the operators of Archegos Capital Management, were joined by related civil charges by the CFTC, since the accused was involved in swap derivatives contracts, as a means of perpetuating the scam against the banks involved.

https://www.cftc.gov/PressRoom/PressReleases/8520-22

Therefore, I would hope and expect that the CFTC would pay close attention to the OCCâ??s response above, as its refusal to deny and, effectively, confirm my allegations against Bank of America and other banks, are also very much in the CFTCâ??s wheelhouse.

Finally, in response to the open question of where a price bottom may be in silver (and gold) and where to top off my (wifeâ??s) silver holdings, I have begun the extremely painful personal process of subjugating myself, which, unfortunately, includes a somewhat full disclose of just how much money I have, letâ??s say, squandered away on my only true remaining vice in life â?? the purchase of short-term, out-of-the money call options, also known as kamikaze options (since once purchased or launched off the aircraft carrier, itâ??s either success or failure â?? hitting an enemy target – $30 or higher in silver or the sea).

Thereâ??s no guarantee I will succeed in persuading the one woman more skeptical (and deservedly so) of such options that any other woman in the world or even if I do succeed, whether I will catch the coming wave higher (but with a full non-leveraged position in any event). After nearly 46 years of a marriage that has traced with lower lows and higher highs my history and willing involvement with silver, itâ??s either one more persuasion or not and what will be, will be. I bring this up in the interest of full-disclosure and because I did mention I was riding out this downdraft and would try to add afterwards.

While the 8 big COMEX gold and silver shorts may be in the process of being run in circles by the raptors, who may be the controlling influence in COMEX positioning, the lower prices rigged by the raptors have the unmistakable effect of reducing the big 8â??s losses when prices are rigged lower, regardless of who is doing most of the price rigging. Accordingly, the sharp drop in gold and silver prices this week reduced the big 8â??s losses for a second week, this week by more than $1.4 billion from last Friday, to $10.6 billion.

Ted Butler

April 30, 2022

Silver – $22.80Â Â (200 day ma – $23.89, 50 day ma – $24.97, 100 day ma – $23.96)

Gold – $1897Â Â Â Â Â (200 day ma – $1834, 50 day ma – $1940, 100 day ma – $1876)

Date Created
2022/04/30