December 29, 2021 – More Serious Than I Thought

I did have every intention of offering some type of yearend review today and I will try to fulfill that intent, but I must confess to being absorbed in the matter of the new OCC report which I wrote about on Sunday and followed up with a public article yesterday. Since there are some things not included in my original article to subscribers, I would suggest you read the public version as well.

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

I know the public version was widely-read, but did not generate hardly any commentary which I found unusual, not even the typical â??Butler, give it up â?? you keep saying the same thing for decades, etc.â?• Over the years, Iâ??ve developed a bit of a thick skin, learning to live with the near-universal acceptance of my main tenet â?? the COMEX silver manipulation â?? but at the same time with near-universal shunning of some other observations of mine â?? like the unprecedented physical movement of silver in and out of the COMEX warehouses, the recent emergence of the gold whale on the COMEX and now the disclosures in the OCC report over the past 9 months.

I think I understand the motivations of those who loudly preach and condemn the COMEX manipulation â?? and not giving proper credit for selfish reasons â?? and I suppose that might also be behind the refusal to acknowledge the other publicly verifiable facts I portray. But this issue with avoiding the OCC report and what it portends about Bank of America is a bridge too far for me. It has now occurred to me that the issue is much more serious than the highly serious level which prompted me to write about it on Sunday, earlier than planned. Truth be told, it only occurred to me to pull up the report on a whim a few hours earlier from when I published Sundayâ??s article.

What prompts this more serious turn on my part was a question from a reader of my public article who asked me if I thought he should transfer the securities held at his Merrill Lynch brokerage account to another broker, seeing as Merrill is owned by Bank of America. I responded initially that I doubted that the banking authorities would ever let BofA go under since it was clearly in the too big to fail category. After a few moments I wrote back to the reader suggesting that he send my article and ask whoever was his contact at Merrill what they thought. I havenâ??t heard anything since then.

To be sure, the very last thing I would ever intend is to overly inflame the findings in the OCC report to the point of screaming fire in a crowded theater in an attempt to overly-sensationalize anything. That said, I am increasingly concerned about this matter for a number of reasons. For one thing, believe it or not, I may have been too conservative in stating the case to date. Included in the public article linked above is a reference to another public article I wrote on this matter back in April, when Bank of America first showed up in full force in the OCC report.

https://silverseek.com/article/new-piece-puzzle

I had speculated roughly a year earlier on the occasion of 300 million ounces of silver being deposited into the silver ETFs (primarily SLV) that my guess was that the physical metal inflow was the result of JPMorgan leasing the silver to an unnamed third party (or parties). When the OCC report for Dec 31, 2020 came out (released at the end of March 2021), since the $8.3 billion suddenly reported for Bankof America, when divided by silverâ??s yearend closing price of $26.50, equaled 300 million oz, it wasa confirmation of my original speculation closer than I could have ever imagined.

Hereâ??s the problem â?? when using that same formula â?? dividing the Sep 30 holdings of BofA of $18.3 billion in the new OCC report by the $22.20 closing price of silver that day, the result is more than 800 million oz and not the 500 million oz stated by me on Sunday and in yesterdayâ??s public article. I confess to using the 500 million oz amount because 800 million oz sounded â??too highâ?• to me and I reasoned that maybe some platinum and palladium was in the $18.3 billion figure listed in the OCC report. Â But who the heck am I to make such allowances? I didnâ??t make such allowances when BofAâ??s holdings were $8.3 billion as of Dec 30 and I canâ??t come up with any good reasons to do so now.

So, if there arenâ??t significant platinum and palladium derivatives in BofAâ??s derivative holdings in the new OCC report â?? and I have no reason to suppose there are â?? then BofA appears to have leased 800 million oz of silver, not the 500 million oz stated by me earlier. As to why BofA would do such a thing, I have already concluded it was largely out of stupidity – primarily because precious metal leasing is inherently stupid and illegitimate. For the record, precious metals leasing is nothing more or less than the borrowing of physical metal followed immediately by the short sale of that same metal â?? exactly the same as short selling in stocks.

But I have a separate explanation for why BofA would have â??doubled-downâ?• and dramatically increased its stupid and manipulative silver leasing/short selling bet from 300 million oz to as much as 800 million oz.

The first 300 million oz tranche was leased/sold short at roughly $18/oz. At last yearâ??s close of $26.50, BofA was out (in the hole for) $2.5 billion. By borrowing an additional 500 million oz at, say $26 (slightly above the average silver price for 2021), at $23 (close to the current price), the total combined 800 million oz short position is roughly now even on a strict mark to market basis â?? much better than the $2.5 billion open loss at yearend 2020. I wouldnâ??t be surprised if the head honchoâ??s at BofA rewarded themselves big bonuses for this performance.

The real problem is that BofA is now short 800 million oz of physical silver without a chance of ever being able to pay that silver back, except at much higher prices â?? as it must do someday. At least, thatâ??s the way I see it â?? based upon public data from the US Treasury Department and my knowledge of how nutty are these precious metals loans. In fact, Iâ??ve been there and done that (and got the T-shirt) some 25 years ago with precious metals loans and watched gold mining companies like Barrick and AngloGold lose tens of billions of dollars, while silver miners like Pasminco and Apex went bankrupt â?? all because they ignored warnings of how dangerous and stupid was borrowing and shorting gold and silver by leasing.

Now, the whole nightmare (for those doing the borrowing) has reappeared, only instead of mining companies being on the hook, a major US bank, Bank of America, appears to be on the hook. Forget for a moment that this is incredibly bullish for silver going forward, just as it was when gold was under

$300 and silver at under $5 at the peak of metals leasing 25 years ago, my point today is different. What could I say to someone concerned about Bank of America getting into real financial trouble when silver soars in price?

It shouldnâ??t be up to me to answer. Perhaps Iâ??m all wet and dead wrong and Bank of America hasnâ??t done what the evidence in the Treasury Deptâ??s OCC report says it has done and thereâ??s another completely different explanation to the published data than what I contend. In that case, shouldnâ??t we hear forthwith from those responsible for such things â?? including the Treasury Dept, and every other related regulator (SEC and CFTC), and particularly, Bank of America (and Merrill Lynch)? Shouldnâ??t all of them explain why none of this is of any real concern?

The seriousness of this issue is rooted in the scale of the numbers. If Bank of America is short 800 million oz of silver, as the data in the OCC report strongly suggests, then that means every dollar higher in the price of silver translated into an $800 million open (unrealized) loss. Every $10 move equates to an $8 billion loss. A hundred dollar move higher from here equates to an $80 billion loss. Can BofA fund such losses or will taxpayers be called upon to bail the bank out? Even the slightest hint of such a development should be enough to require immediate clarification from the regulators and BofA and thereâ??s a lot more than the slightest hint in the OCC report.

The last thing I would ever intend to do is to disseminate false and misleading information, but I have to tell you that I am deeply concerned by all this. And I hope Iâ??m wrong about all this and there is some other explanation and if there is, I promise to admit to same and acknowledge that alternative explanation. However, all of this is eerily reminiscent of my complaints about leasing 25 years ago which were brushed aside by those who should have answered.

If you have an account at Merrill Lynch or Bank of America and share my concerns, please feel free to ask them about this and send them anything Iâ??ve written â?? likewise with the regulators or anyone you can think of. Iâ??m not in the business of sensationalizing or providing false information and desire very much to put this matter to rest.

As far as a yearend review, that seems rather beside the point now, but, in fact, I just gave you the actual review of silver over the past two years. The entire explanation for why silver has behaved as it has pricewise over this time is a combination of what transpired in COMEX futures positioning and as a result of Bank of America first borrowing and then selling short (dumping) that physical metal on the market. Everything else pales in comparison. As far as what happens from here, that is also exclusively dependent on paper trading on the COMEX and what BofA does next. I must say, however, I canâ??t conceive how it can borrow any more physical silver.

This leasing and short selling of silver by Bank of America does overshadow the paper position on the COMEX by size alone. I talk about a concentrated short position of the 4 largest traders on the COMEX that has ranged from 65,000 contracts at the price peak in February to current levels of around 40,000 contracts for the 3 largest commercials â?? a difference of 25,000 contracts or 125 million oz. Bank of America appears to be short 800 million oz or the equivalent 160,000 paper contracts and this position is physical not paper. Kind of makes the COMEX scam look penny-ante.

Finally, I know that many believe that it is the US Government behind the silver (and gold) manipulation, although definitive proof is lacking either that it is or isnâ??t. Iâ??ve remained a skeptic about USG involvement (other than it being more than complicit in allowing it to continue), but Iâ??m not dogmatic about it. Most relevant of all, of course, is whether a manipulation exists, rather than who is behind it. Still, if the US Government is behind the manipulation, then why in the world would they allow the US Treasury Dept to publish data pointing to that conclusion and not risk exposing the observations Iâ??ve made? Had the data on Bank of America not been published in the OCC report, I never could have raised the issue.

In other developments, I was able to maintain my nearly always wrong ability to predict changes in the short report on SLV, as the new report indicated a very slight increase in the short position on SLV and not the reduction I expected. Â For positions held as of Dec 15, the short position on SLV was up ever so slightly to 27 million shares (oz). Of course, compared to the short position on the COMEX or held OTC by Bank of America, the short position on SLV is not even kid stuff, but I canâ??t help think that the reason it exists at all is that the short sellers in SLV canâ??t get the physical metal to deposit without driving prices higher.

https://www.wsj.com/market-data/quotes/etf/SLV

With yesterdayâ??s cutoff to the holiday-shortened reporting trading week, all eyes are now directed to next Mondayâ??s COT report. Prices have mostly been higher over the reporting week ended yesterday, although on very low volume and with hardly any change in total open interest in silver and with total gold open interest up around 8000 contracts.

With silver prices climbing as much as a dollar and gold prices climbing as much as $30 and trading above the key moving averages each day, itâ??s hard not to imagine deterioration (managed money buying and commercial selling}. I would imagine that the sharp selloff today might have reversed much of the expected deterioration in Mondayâ??s report, but we wonâ??t know for sure until the following COT report on Friday, Jan 7.

Regardless of the expected deterioration in Mondayâ??s report, it is somewhat remarkable how bullish the market structures are in gold and silver, particularly in gold since it has spent more time above its key moving averages than below them of late. And as much as it surprises me â?? perhaps the all-time COMEX manipulation drum-beater â?? to say so, but compared to Bank of Americaâ??s short position in silver OTC derivatives, the COMEX setup is looking secondary. One thing Iâ??d like to know is if BofA is now one of or the big COMEX silver short in addition to being the big OTC short. If so, then its leaders should be drawn and quartered.

Todayâ??s sharp selloff, which moderated as the day wore on, brought some relief to the 8 big shorts from last weekâ??s close, as total losses were reduced by $100 million to $8.8 billion. Of course, the close in two days will determine the results for the fourth quarter and all of 2021.

I havenâ??t decided about a weekly review on Saturday and a separate COT report on Monday, or just one on Monday, but I am leaning to two separate reports.

Happy New Year to all and by all means please contact Merrill Lynch/Bank of America if have accounts there and please do rattle the regulatorsâ?? cages about the OCC report as well.

Ted Butler

December 29, 2021

Silver – $22.87Â Â (200 day ma – $24.87, 50 day ma – $23.51, 100 day ma – $23.39)

Gold – $1806Â Â Â Â Â (200 day ma – $1796, 50 day ma – $1802, 100 day ma – $1790)

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