

## February 2, 2022 – Which Is It – Dumb or Smart?

The day is done but I'm having fun  
I think I'm dumb or maybe I'm just happy

<https://www.youtube.com/watch?v=GtBhclCigH0>

So, the big question surrounding Bank of America's massive and unprecedented increase in its OTC precious metals derivatives positions – aside from what it is actually composed of – is whether the bank knew the full consequences of what it has done? Connected to that question is whether the Office of the Comptroller of the Currency understood what BofA was reporting to it or if the OCC just mindlessly transcribed the data into its quarterly derivatives report on US banks? Either way, it would appear to be something that only Bank of America or the OCC can answer.

As previously presented, I'm of the opinion that both BofA and the OCC were as dumb as dirt for the bank having first borrowed and then sold short around 30 million oz of gold and 800 million oz of silver, obligating the physical metals return and for the OCC to have stood by, mindlessly reporting the increase of 10,000% over just 18 months publicly. There has never been such an increase in any derivatives position. I base my conclusion of leasing/short selling not only on the OCC report itself, but backed by the unprecedented increase in COMEX gold and silver warehouse inventories and ETF inflows going back to April 2020.

Within a few months, COMEX gold warehouse inventories more than quadrupled to 35 million oz and inflows into the big silver ETF, SLV, surged by more than 300 million oz. I had strongly suspected (and wrote) at the time that the surge in physical silver inflows were due to a lease/short sale arrangement, but have admitted I didn't form the same conclusion in gold until quite recently. Based upon my firm conviction that precious metals leasing/short selling is the single dumbest and most fraudulent concoction ever devised by the Wall Street rocket scientists, calling Bank of America and the OCC dumb (and reckless) for participating in and reporting the transactions was the natural thing for me to do. Again, only BofA or the OCC can explain otherwise and I await their explanation.

As for why precious metals leasing is fraudulent and dumb, imagine going on vacation and renting a car from Avis or Hertz for a few days (if you can afford to nowadays). Only instead of returning the car when due, you decide to sell the car to a third party and pocket the full proceeds. Since you would have to deliberately and fraudulently alter the vehicle's registration and title, such a subterfuge could hardly be called dumb, just criminal.

Yet, that's what happens in every precious metal's lease, namely, the metal borrowed gets sold (short) to a third party who walks away with legal ownership to the metal. The purported borrower and short seller, BofA, is legally responsible to return the metal to the lender someday, but common sense suggests in this case the borrower may have a very difficult time doing so. To have obligated itself to what could turn out to be a ruinous end game, I can't help but call Bank of America dumb and the OCC just as dumb and negligent for allowing this to happen and stupidly publicly reporting same. That's why it's important for each to explain the full circumstance of the precious metals position.

While we await the BofA's and the OCC's explanation, I have provided some feedback from subscribers and readers, where the overall collective opinion is that there is some type of government involvement. In addition, I've read some other opinion that BofA may not be as dumb as I claim and may have a much better control of things than I suggest. Aside from emphasizing the importance of hearing directly from BofA and the OCC, I'd like to explain why my conclusion may paint BofA and the OCC in the best light possible.

It certainly may sound highly offensive and insulting to claim that Bank of America was just plain dumb for doing what I suggest it did and that the OCC stupidly went along and published data it should have been alarmed about, but being dumb in this case may be a heck of a lot better than the alternative explanations. It's one thing to do something unintentionally, even if that's something artificially affects price, but quite another to do that same thing with the full intent and aim to manipulate price.

Any suggestion that BofA knew full-well that what it was doing in borrowing and selling short massive amounts of physical gold and silver would artificially depress prices is infinitely more damning than my suggestion that it was just as dumb as a bag of rocks. That's because one of the most critical elements in proving a manipulation is the intent to manipulate. Therefore, those that opine that Bank of America knew what it was doing all along are, in effect, accusing the bank of far more serious criminality than I am.

This makes hearing the explanation for the 100-fold increase in BofA's precious metals derivatives position in 18 months from the bank and OCC all the more imperative. Moreover, any purported explanation that ignores or is in conflict with the highly unusual physical build up in gold and silver inventories on the COMEX and in the publicly-traded ETFs in the late spring of 2020 will be automatically suspect.

As I have pointed out, the OCC reports over the past year and a half indicate it is only Bank of America and not any other US banks whose precious metals derivatives positions have grown so sharply. This suggests to me that only BofA was foolish enough to engage in these derivatives and not any other US bank. Since when hasn't a genuine profit opportunity not attracted competition to get in on the deal? Or does it have more to do with other banks having experienced the debacle of precious metals leasing/short selling 20 years ago? To my knowledge, Bank of America never participated in that prior leasing fiasco and I believe this lack of experience accounts for why it fell for the scam this time around.

I know many believe the US Government is somehow calling the shots in the ongoing silver and gold manipulation, a belief I'm still skeptical about – mainly because in my experience, the USG isn't that competent. Maybe I'm mistaken (as I have always admitted), but if it was the USG orchestrating Bank of America to borrow and sell short massive amounts of physical silver and gold, then the USG was also as dumb as dirt for having openly published the evidence. Were it not for the OCC reports, this wouldn't be an issue under discussion. How dumb is that?

Turning to other developments, I'm quite impressed that there have been no significant redemptions in the gold and silver ETFs these past few days as a result of the hard slam down in prices late last week. What this tells me (as if I needed further confirmation) is that the price slam was strictly the same old wash, rinse, repeat flushing of the managed money and other non-commercial traders on the sell side so that the crooked and collusive commercials could buy as many gold and silver contracts as possible. The surest way of doing that, of course, is to rig prices below all the key moving averages.

Not only were the COMEX commercials successful in pulling off the same old price rigging scam in gold and silver, they managed to do the same thing in copper as well (although it must be said that the crooked commercials in COMEX copper are not the banks running gold and silver prices). But the bottom line is the same – now that the managed money and other non-commercial traders have been induced into selling, the path for higher prices has largely been cleared and paved.

Which brings us to what to expect in Friday's COT report. The heavy price bombing took place through this past Friday and the two days into this week up through yesterday's cutoff for the reporting week didn't change things much. I think the bullish cake is once again baked and would expect this Friday's results to be close to a mirror-image of last week's COT report. In terms of numbers of contracts, I would expect an improvement (managed money and other non-commercial selling and commercial buying) close to what last week's deterioration featured – or close to 30,000 contracts in gold and as much as 5000 to 10,000 contracts in silver. The numbers in gold might be trimmed a bit if the other large reporting traders bought back a good chunk of their recently-added short positions, but it does look to me that the speculative selling is largely finished and my contract estimates are much less important than whether we are basically finished with the flush to the downside, as I believe (famous last words).

What's most remarkable is that if an alien from another planet or universe came upon what had transpired in silver over the past year and tried to make sense of it, I'm not sure he, she or it could – if the law of supply and demand was used as a model. We've had no increase in silver supply and a big increase in demand and yet the price is down close to 25% from the highs of a year ago. Further, we've witnessed the formation and obvious extra buying that has resulted from the grassroots group reddit/wallstreetsilver – the only grassroots group in any commodity that I'm aware of. Does that mean silver would have been down even more had this group not appeared?

Let's face it – when prices don't respond to the workings of the law of supply and demand, there has to be a clear reason. At the very least, it should be a topic of interest for everyone following the space. Some may have taken to calling it whining or belly-aching, but how else to explain the always normal price increase due to increased demand and reduced supply of silver this past year being missing – were it not for manipulation? So what if it sounds like a broken record if it has gone on for decades, if the broken record is the only plausible, if not only possible explanation for why silver and gold prices have been suppressed? Does that make it wrong – particularly when no good alternative explanation is provided?

Besides, the manipulation claim is the most bullish argument of all. The double-barreled forces of the ongoing COMEX paper positioning, coupled with the dumping of tens of millions of physical ounces of gold and many hundreds of millions of ounces of physical silver courtesy of the dummies at Bank of

America have combined to press prices lower. But the payback and inevitable reaction to these unnatural forces are set in stone and it's only a matter of time until they kick in. Instead of asking when the reciprocal forces will kick in (which no one can know), how about trying to come up with a more exciting bullish case than the ongoing COMEX manipulation and the dumping of physical by BofA? Manipulations can't last indefinitely and BofA is sitting on a price bomb certain to detonate at some point.

The price rally since Friday has put gold back above all its key moving averages but with silver still below its three key moving averages. This gives silver more explosive upside potential to my mind, but that's not intended to take anything away from gold. Also, as a result of the price gains since Friday, the total losses to the 8 big COMEX gold and silver shorts have increased by \$500 million to \$8.8 billion. Separately, BofA's loss on its 800 million oz silver and 30 million oz gold short is around \$3 billion.

Ted Butler

February 2, 2022

Silver – \$22.70 (200 day ma – \$24.60, 50 day ma – \$22.93, 100 day ma – \$23.24)

Gold – \$1809 (200 day ma – \$1806, 50 day ma – \$1803, 100 day ma – \$1796)

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