

## January 1, 2022 – Weekly Review

For a third week running, gold and silver prices finished higher, with gold up by \$20 (1.1%) and silver up by 45 cents (2%). Silver's relative outperformance resulted in the silver/gold price ratio tightening in by more than half a point to 78.4 to 1, the most fully valued silver has been relative to gold in six weeks.

For the full calendar year, gold lost \$70 (3.7%), while silver lost \$3.15 (11.9%), as the silver/gold price ratio widened out by nearly 7 points from last year's 71.7 to 1, the best yearend close for silver relative to gold in several years.

While it is true that both gold and silver put in relatively poor overall performances for the year, particularly when compared to the very strong showings in most other investment assets, I'm not so sure the mantra of "this is worst year over year returns for gold and silver in many years" puts things in proper perspective. Sure, this year's performance was certainly punk (thanks to COMEX positioning and BofA), but we were coming off a year (2020) which saw the highest gold price in history and the highest price for silver in eight years. So how about a little perspective? Just sayin'.

I'll get into some new thoughts on the Bank of America OTC dealings later, but want to alert subscribers to a second public article I posted this week, a slight revision of Wednesday's piece. I'm sensitive to making too many subscriber articles public (since you are paying good money for what others get for free), but I've never posted two free articles so quickly in the public previously and the information contained was something I felt would benefit subscribers by wider dissemination. I'm told the articles were widely read, particularly over what was a traditional "low-traffic" holiday period and I'm hoping enough readers inquired of Bank of America/Merrill Lynch to force a response from the bank or the regulators.

<https://silverseek.com/article/more-serious-i-thought>

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses cooled off dramatically over the past week as only 2.5 million oz were moved, about half the average weekly movement over what is now approaching the past 11 years. Total COMEX silver inventories fell to 355.7 million oz, down 0.8 million oz on the week. No change in the JPMorgan COMEX silver warehouse, which remained at 184.7 million oz. And nothing much doing on the gold side, as COMEX gold warehouse inventories remained unchanged at 33.8 million oz, as did holdings in the JPM warehouse remain unchanged at 12.81 million oz.

There were significant category changes in the COMEX silver warehouses this week that have resulted in all sorts of commentary revolving around the COMEX being "drained" of registered silver and congratulatory high-fives being exchanged for a job well done. Yes, it's quite true that more than 11 million oz of silver (admittedly a substantial sum) was transferred from the "registered" category to the "eligible" category in a number of COMEX silver warehouses, but it seems to me this transfer is not being interpreted correctly.

First of all, such category transfers do not involve even one-inch of actual physical movement and are strictly paper bookkeeping shuffles, very much different than the actual physical movements I talk of incessantly (but no one else seems to notice). Second, the paper category transfers do not denote

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ownership changes of any type or even future withdrawals of the metal involved in the paper category changes.

There is absolutely no difference between registered and eligible silver in any practical terms – save one – that silver must be in registered form (generally) in order to make delivery on a futures contract. Because of this, the monthly storage fees are slightly higher on silver held on a registered basis versus on an eligible basis. Therefore, when there is a large paper category transfer near the end of the month, as there was this time, it is almost always a signal that those who took delivery of silver on futures contracts that month intend to hold the silver for a long enough period of time in order to make sense to do the transfer and save a few bucks on future monthly storage and insurance fees. I do find the transfers from registered to eligible mostly bullish, since it implies the owners intend to hold the silver indefinitely, but any suggestion that this silver is being “drained” from the COMEX misses this point.

As far as who is likely behind the transfers from registered to eligible, particularly when these paper bookkeeping changes occur at month’s end, the most logical way of doing this is to observe who was the biggest “stopper” of silver deliveries this month. Here, the odds-on candidates were the customers of JPMorgan which stopped or took delivery on more than 5000 net silver contracts (25 million oz) on the big December futures contract, far more than by any other clearing member. I believe this to be bullish and in keeping with my long-held conviction that JPM is hoovering up all the available physical silver in the world (with Bank of America the leading issuer), but that’s not what is being presented in the “drain” talk.

[https://www.cmegroup.com/delivery\\_reports/MetalsIssuesAndStopsYTDReport.pdf](https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf)

There wasn’t much in physical deposits or withdrawals in the world gold ETFs this week, but there was a notable and highly counterintuitive redemption of 7 million oz in the big silver ETF, SLV, this week. I say counterintuitive because silver prices have been modestly, but mostly higher of late – now only 15 cents below my premature switch from bearish to bullish call on Nov 23 (I did fare better on gold, which is now \$40 higher from that same date and call). Higher silver or gold prices usually signify net investment buying and deposits, not redemptions.

As to what’s behind this week’s large redemptions in SLV, I have only one word – conversions. I suppose there’s an outside chance that this week’s redemptions in SLV may have been due to yearend tax loss selling, but if that were the case, I’d expect to see such selling in other silver ETFs, of which there was none. Therefore, I’m most inclined to view the redemptions in SLV this week as conversions of shares to metal – which has been a prominent feature in SLV for more than a decade. These conversions in SLV (and a few other silver ETFs) have been the principle means by which JPMorgan and its associates have acquired the 1.2 billion oz (and still counting) of physical silver over this time. By converting shares of SLV and other silver ETFs into actual metal (quite easy for JPM, since it is the custodian), the metal ownership evades reporting requirements, something not avoidable with share ownership. Therefore, if the SLV is being “drained”, it is being drained by the swells at JPM & Associates.

With no COT report to discuss (I’ll have separate comments late Monday), let me jump back into the stunning news on the Bank of America derivatives position in the new OCC report. It’s somewhat remarkable how new and big this revelation has been, as it’s not even a week since I first looked at the report and began writing of it. And while the two public articles I’ve written on it

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have recorded unusually high readership levels, I am still amazed at how little public commentary has taken place in the Internet silver community, where much discussion is still focused on vaccines and other political topics, which to my mind have little, if anything to do with silver.

Please know that I am focusing so much attention on the precious metalsâ?? derivatives position of Bank of America in the OTC market because this is a matter that must be addressed. Again, perhaps Iâ??m all wet in suggesting that BofA has borrowed and sold short 800 million oz of silver and maybe thereâ??s a completely different interpretation of the data presented in the latest OCC report. But if there is such an alternative explanation, it is one that should be fully-presented by the entities directly responsible for the data, including the Office of the Comptroller of the Currency, the SEC and CFTC, and Bank of America itself. Let me explain why.

The whole purpose of the OCC compiling and publishing derivatives data on US banks is to identify and correct any signs of systemic risk to the financial system, particularly on the part of banks deemed to be systemically important â?? which definitely includes Bank of America, along with JPMorgan, Citibank and Goldman Sachs â?? all listed in the new quarterly report as large holders of precious metals derivatives. After all, the great financial crisis of 15 years ago revolved around wayward derivatives bets by Bear Sterns, AIG and Lehman Bros.

The OCC report doesnâ??t provide complete details of what each bank holds, but the new report provides enough to require some further assurances that the positions of BofA and JPMorgan and Citibank donâ??t endanger the stability of the financial system. After all, whatâ??s the purpose of compiling and publishing the data if the authorities are not going to do anything about potentially dangerous circumstances?

This is something that Iâ??ve long alleged about the CFTC in the publishing of its concentration data in the COT report, which has always shown that the four and eight largest shorts in COMEX silver futures hold an excessively larger short position than in any other commodity in real world production and consumption terms. The CFTC publishes the data, essentially proving an ongoing manipulation, but then does nothing about it for decades on end.

I donâ??t mean to make light of it, because itâ??s hardly a funny situation, but it reminds me of the episode on â??Seinfeldâ?? when Jerry tries to logically explain to the rental car agent who assures him that yes, they have a record that he made the reservation, but there is no car available. Jerry tries to explain that honoring the reservation is the key component of the whole reservation process â?? but to no avail. I canâ??t help but equate this to the CFTC in publishing concentration data that proves a downside silver price manipulation, but then doing nothing about it when it is pointed out. Why compile and publish the data in the first place if you are not going to do anything when it shows precisely what you are on guard for?

Now this same circular logic appears to be present in the last few OCC derivatives reports. There can be no question that the derivatives position of Bank of America has exploded over the last year and, coupled with my ongoing analysis and speculation, it lines up with BofA first borrowing and then immediate short selling 800 million oz of silver. If this is the case, then itâ??s not possible that this doesnâ??t put Bank of America in severe potential financial jeopardy as and when silver explodes in price, according to everything I see.

If thereâ??s another explanation, it needs to be said by the banking authorities, regulators and Bank of

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America. The CFTC has tried to skate by the matter of the concentrated short position in COMEX silver for many years, by refusing to address the issue directly, so I suppose the same approach might be attempted by those involved in the Bank of America matter. Here, you have to use some common sense — if the allegations I’ve raised are not directly and forcefully addressed, then the only plausible conclusion would be that the allegations are spot on. The same goes for any response that denies anything is amiss without a detailed explanation why.

But even an evasion of the matter by those who must respond will not make the issue go away. If I had an ounce of silver for every time, I referred to JPMorgan and the CME Group as crooks and criminals, I’m sure I’d have accumulated enough silver for a mini-contract (1000 oz) or two, if not a standard (5000 oz) contract. JPM and the CME should have sued me long ago, if my allegations were unfounded. But I doubt the Bank of America situation could be similarly ignored for near as long, as we’re talking potential systemic risk and taxpayer bailouts that will be addressed in time by elected officials — if it takes long enough to enlist their inquiries.

Another important matter has dawned on me — the issue of legitimate speculative position limits. Long-time readers may recall my campaigns of yesteryear to get the CFTC and the COMEX to institute legitimate position limits in COMEX silver to address the issue of the excessive and concentrated short position. Such limits exist in grains, but not in COMEX commodities. When Gary Gensler was selected as chairman of the CFTC in 2009, the issue of position limits took on a new life, although I recognized his prime concern was position limits in energy commodities, not silver. Still, he did temporarily succeed in instituting some measure of position limits under the auspices of the Dodd-Frank Act.

Unfortunately, it proved to be a hollow and quite temporary achievement, as it wasn’t long before the money-center banks (led by you-know-who) succeeded in overturning the position limit regime in the courts and the issue died. Things actually got worse, as the former CFTC chair Tarbert and the then-Republican majority on the Commission succeeded in completely gutting any vestige of position limits in late 2020, before the election and — get this — effectively turned over complete discretion for position limits to the crooks at the CME — an insult to the term — putting a fox in charge of the hen house. • But now, the revelations in the OCC report cast new light on the matter of position limits in silver.

If Bank of America has, in fact, borrowed and sold short 800 million oz of silver, as the data in the OCC report strongly suggest, that is the equivalent of 160,000 COMEX silver contracts, greater than the total open interest in COMEX silver futures (140,000 contracts). How could that not violate — no, completely obliterate — any concept of position limits? • Additionally, the CFTC supposedly monitors and regulates swaps, in addition to listed futures, so it, along with the CME Group must address the issue of whether Bank of America stands in stark violation of the very concept of position limits. I’m sure all entities involved will try to slither away from the issue and I, for one, am interested in what kind of horse poop they can come up with.

It's important to remember what transpired on the last failed experiment with metals leasing/short selling at the turn of the century. The borrowing and selling short of gold and silver artificially released and caused to be dumped on the market many tens of millions of physical gold ounces and hundreds of millions of physical silver ounces for nearly 20 years up to around 2005 or so. It was this real as rain dumping of physical gold and silver that artificially depressed gold prices to as low as \$250 and silver to as low as \$3.50.

Then, having sold short as much borrowed metal as was possible, the mining companies stopped adding to their physical short positions and commenced reversing the process and started to buy back and deliver their shorts, driving prices sharply and inexorably higher until it became obvious metals leasing/short selling was both the cause of the price decline and the subsequent rally. You know, there is a reason why metals leasing/short selling was so extremely popular in the mining community then and is shunned like a disease today and that reason is that the mining companies finally learned just how stupid and harmful these transactions were in reality. It took them 20 years to learn, but learn they did.

Obviously, Bank of America has yet to learn, but learn it will as well. If you are looking for the reasons why silver prices have been so punk this past year and a half in the face of nothing but bullish developments, then look no further than what Bank of America has done, along with the rest of the crooked COMEX positioning. But do yourself a favor and don't stop there.

Look to what occurred after the mining companies finally wised up in the early 2000's and gold and silver prices more than compensated for the decades of price suppression brought about by leasing/short selling. Everything in my bones tells me we are at or extremely close to the inflection turning point in this crooked and manipulative leasing/short selling when the process gets reversed and prices respond upward accordingly.

And it's not just about Bank of America's activity coming to light. COMEX positioning appears set for a significant reversal of sorts, what with silver prices knocking on the door of penetrating two of its three key moving averages (the 50 and 100-day ma's) to the upside for the first time in months signaling we are, once again, at the critical point of whether the big 4 will add aggressively to short positions on any rally. Thus, the set up for a major move higher in silver (and gold) prices appears as good as it has ever looked. No, scratch that, not as good, but much better.

Next comments on Monday around or before 6 PM EST. Happy New Year to all.

Ted Butler

January 1, 2022

Silver – \$23.35 (200 day ma – \$24.82, 50 day ma – \$23.46, 100 day ma – \$23.38)

Gold – \$1830 (200 day ma – \$1798, 50 day ma – \$1804, 100 day ma – \$1792)

**Date Created**

2022/01/01