

## January 8, 2022 – Weekly Review

Gold and silver prices got crushed in the first week of the New Year, due to a classic and deliberately induced COMEX-commercial drive-by shooting on Thursday, with gold ending the week down by \$34 (1.9%) and with silver down 96 cents (4.1%). The greater relative weakness in silver resulted in the silver/gold price ratio widening out by nearly two full points to 80.2 to 1.

A few words on Thursday's smash and grab. Perhaps there are still some who will try to rationalize this latest COMEX commercial rig job as being other than what it was – a deliberate effort by the commercials to rig prices lower for the sole purpose of inducing as much managed money and other speculative selling as possible so that the commercials could buy what was sold – but the ranks of the see-no-evil crowd is rapidly shrinking.

The continuing proof that all such sharp selloffs are deliberate lies in the never-violated fact that on every such sharp down day, the commercials always end up as big net buyers. Yeah, the crooked commercials may sell a few contracts early to get the price snowball rolling down the hill, but as the snowball picks up momentum it induces managed money selling that the commercials buy. There's never been an exception to this in all the decades I have observed such selloffs and the proof lies in the COT report data.

The important point, not that it doesn't hurt to witness this repetitive and manipulative con job, is to focus on how successful the commercial crooks may have been. That's because when the commercials succeed in inducing the maximum amount of managed money selling, that is the definition of the market structure being at its most bullish and an important price bottom. Since the market structures in COMEX gold and silver were, relatively speaking, quite bullish going into Thursday's price smash and the commercials clearly succeeded in generating even more managed money selling, the market structures are now even more bullish. Yes, I know investment account balances don't feel particularly bullish, but that's a separate issue.

I'm going to run through the usual weekly format and then turn to the one issue that has been consuming me for past two weeks – the Bank of America OTC derivatives position – by including a letter from a subscriber on the matter and my response as well as an attempt to put the whole matter into a broader perspective.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses cooled off to the lowest weekly level in a year as just over 2 million oz were moved. Most of the movement was of the "out" variety, as total COMEX silver holdings fell by 1.4 million oz to 354.3 million oz. The holdings in the JPMorgan COMEX warehouse fell by 0.6 million oz to 184.1 million oz.

In order to put these figures into perspective, last year at this time, there were 396.5 million oz in total COMEX silver holdings and 192.8 million oz in the JPM COMEX warehouse. So, yes, total COMEX silver holdings are down just over 42 million oz on the year, with just under 9 million oz of the reduction being attributable to the JPM holdings. Additionally, the amount of silver in the "registered" category has fallen sharply, down by close to 70 million oz (with an increase of close to 30 million oz in the "eligible" category) and this continues to be trumpeted in some circles as holding great

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importance, signifying a "draining" of the COMEX warehouse. To say I remain unpersuaded would be an understatement.

I remember some 20 years ago, my mentor and dearly missed old friend, Izzy Friedman, getting all excited when the eligible category on the COMEX hit as low as 18 million oz and he tried to persuade me that was important (I think it had to do with the number "18" having some significance in Jewish culture or the Torah). To me, silver in the COMEX warehouses is silver, regardless of whether it's classified as registered or eligible, for the simple reason it can be switched with a phone call or computer keystroke. Clearly, the decline in COMEX silver inventories over the past year and particularly in the registered category have not resulted in sharply higher prices. I'm not saying there is no significance to the levels of COMEX silver stocks, but it's not necessarily as straightforward and simple as many make it out to be.

Over this same year, more than 300 million ounces of silver were physically moved in and out of the COMEX silver warehouses, or close to a 100% physical inventory turnover. Over the past 11 years, close to 3 billion oz of silver have been physically moved, on and off trucks, in the COMEX warehouses "more silver than exists in 1000 oz bar form in the world. This, quite literally, blows my mind. No commodity has exhibited this frantic turnover and to me it must mean frantic hand-to-mouth physical demand. Yet, there is virtually no mention of this unprecedented physical turnover, just what paper classification the metal is held in. Go figure.

Slight physical metal redemptions were featured in the world's gold and silver ETFs this week, not worth detailing. The US Mint finally reported sales of 3 million Silver Eagle coins, but the jury is still out whether the Mint, part of the US Treasury Dept (as is the OCC), intends to comply with the law that requires it to produce Silver Eagles to meet demand, something it has not been doing "intentionally, in my opinion. The Mint should produce and sell at least 5 million Silver Eagles this month, as January is traditionally the biggest month for sales and the Mint has been (or should have been) gearing up for such sales. The real tell will be what the Mint produces in the following months.

Turning to yesterday's Commitments of Traders (COT) report, the results mostly fell within the generally expected range "quite easy for me to say since I took the Fifth and had no firm expectations. Price action was quite bifurcated over the reporting week and it turned out there was some deterioration (manged money buying and commercial selling) in silver and the opposite in gold. Threatened with a lie-detector test, I would have imagined the opposite, but it's not all that important after Thursday's improvement in each market.

In COMEX gold futures, the commercials reduced their total net short position by 8200 contracts to 237,500 contracts "50,000 contracts less than the recent peak on Nov 16 and bullish on its face – not even factoring in the improvement on Thursday. By commercial categories, the big 4 bought back a hefty and quite notable 5200 shorts, reducing their concentrated short position to 132,214 contracts (13.2 million oz).

This the lowest (most bullish) big 4 short position since "get this " early June 2019, about the time I started calculating the big 8's running losses and the gold price was around \$1350 or so. So here we are, close to \$450 higher in the price of gold and the 4 big COMEX gold shorts hold about as low of a concentrated short position as they did back then. Based upon Thursday's smash, it's easy to assume this short position should be even less. Although I remain an agnostic on Basel 3, I have to admit this low level of the short position of the big 4 at this particular time is notable and makes

even more critical the question of whether these big commercial shorts add to their short positions on the next gold rally.

The big 5 thru 8 gold shorts bought back 2200 short contracts, reducing the big 8 short position to 226,223 contracts (22.6 million oz). This is the lowest big 8 short position since October and also reflects just how relatively low is the big 4 short position. The raptors (the smaller commercials apart from the big 8) obviously didn't get the office memo to cover shorts this reporting week, as they only bought back 800 short contracts, reducing their short position to 11,300 contracts. But I would wager that they were much more active on Thursday.

On the sell side of gold, the managed money traders sold about half of what the commercials bought, in selling 4155 net contracts, consisting of the sale and liquidation of 6137 long contracts and the buyback and covering of 1982 short contracts. At less than 80,000 contracts, the managed money net long position has to be considered low and bullish (especially when combined with the low big 4 short position). The smaller non-reporting traders sold just over 5000 net gold contracts, largely making up the difference between what the commercials bought and the managed money traders sold and quite bullish in its own right. Finally, while the concentrated long position of the 4 largest traders did decline by about 4500 net contracts, I can't trace any of that selling to the gold whale and still peg that position at 40,000 contracts.

In COMEX silver futures, the commercials increased their total net short position by 2000 contracts to 44,000 contracts. Unfortunately, my commercial category changes and positions are still unclear in that both the big 4 and big 8 short positions declined (by about 2100 contracts for the big 8 total position), but the reduction was due to managed money short covering by those traders considered to be in the big 8, traditionally an all-commercial position. Since there's still some question in my mind about there still being a managed money trader in both the big 4 and big 8 short positions, I can't speak definitively about these category changes or positions.

The good news is that while it is frustrating not to be able to speak definitively, this is a temporary situation and on the next rally of significance in silver, it will become clear whether the 4 big commercial shorts intend to add aggressively to short positions - something that has yet to occur for many months - essentially, since the CFTC wrote that it was considering my allegations about the 4 big shorts last May. This, combined with the extremely low big 4 concentrated short position in gold, sets the stage for some real price fireworks to the upside.

While there was managed money short covering in silver of 3190 contracts, the total short position of these traders is still quite large at close to 30,000 contracts and likely a bunch more after Thursday's rig job lower, so I'm going to skip the details in this week's report. Ditto for the new Bank Participation report which was, essentially, featureless.

The bottom line, however, for both gold and silver are that the market structures in each are quite bullish, particularly after Thursday's price bombing. Remarkably, this set up may not be the most bullish factor in play. Here, of course, I'm speaking of the revelations in the most recent OCC report concerning Bank of America.

Let me first reprint an email from a subscriber and my response and I don't mean to single out this particular email, as many of you have inquired along the same lines. Following the email exchange, I'll try to put this latest development into proper perspective, although please recognize we're not

even at the two-week mark in me uncovering the matter.

Dear Mr. Butler,

I have been subscribed to you since April, 2021 and have learned a great deal from your articles. Thank you!

I am very heavily invested in PSLV in order to avoid the impending stock/bond Armageddon, so I have read carefully

your articles and lines of reasoning. But I still have questions. Please answer the following questions which have occurred to me from reading your articles:

– What specifics have led you to deduce that BofA has leased 800 mil ounces silver and that it is prob from JPMorgan? In your Jan 5 article, did you indicate that this is a collection of published numbers that one can read from the OCC derivatives report of 9.20.21?

– Has BofA also additionally shorted 800 m ou (or some smaller amount) or are you counting just the leased 800m ou as the BofA short position? If the former, does this mean that BofA is actually in as much as a 1.6 bil ou short + leased position?

My mind boggles!

– Then to the permanent question of timing and triggers. What is to prevent BofA from endlessly releasing and reshorting? Is it just that the amazingly large shortage of physical silver makes the day of reckoning for these crooks imminent?

– I know you are agnostic on Basel III. But do you have any comment on whether these requirements as they are eventually enforced will end the lack of price discovery in silver?

Happy New Year,

Pete

Pete,

Thanks for the kind words and I sense your questions may be on many readers' minds, so I intend to share our exchange with other subscribers.

The source of my conclusions about BofA leasing and then selling short 800 million oz of silver comes from the series of OCC quarterly derivatives reports from the first quarter of 2020 (published June 26, 2020) to the third quarter of 2021 (published Dec 20, 2021). In all, these are the most recent 7 quarterly reports. I'm not technically proficient enough to display this, so it will take some time and digging for you to verify what I claim.

First, you'll need to download the quarterly reports to get to the source data and then you'll have to scroll down to get to the table showing precious metals derivatives holdings – always table 9 in past reports – except in the most recent report which was changed to table 21 on page 26. I suggest you start out by downloading two reports – the most current and the report from the first quarter of

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2020.

<https://www.occ.gov/publications-and-resources/publications/quarterly-report-on-bank-trading-and-derivatives-activities/index-quarterly-report-on-bank-trading-and-derivatives-activities.html>

Boiling this all down, what you'll find is that Bank of America's precious metals derivatives position was \$173 million (total notional amount) on March 31, 2020 and grew to \$18.266 billion as of Sep 30, 2021. That's greater than a 100-fold increase or 10,000%, which has to be considered extraordinary by anyone's standards, particularly since BofA's total derivatives position didn't grow at all over this same 18-month period. The precious metals category in question excludes gold and only includes silver, platinum and palladium. I believe it's almost all silver, but am open to official comments to the contrary.

If you divide the total notional amounts by the price of silver on those dates, March 31, 2020 (\$14.15) and Sep 30, 2021 (\$22.20), in terms of silver ounces, BofA's position grew from 12.2 million oz to 822 million oz. Either in dollar terms or ounce terms, the increase is so extraordinary so as to beg the question as to what is behind the increase? As I hope I made clear, I'm open to any official explanation that answers this question, but as you know, no such explanations have been forthcoming.

Therefore, I have taken it on my own to fill the void and outline what I think the massive increase in BofA precious metals holdings is all about (I do tend to think deeply about silver). My most plausible explanation is that the massive increase involves Bank of America engaging in a silver lease, whereby it borrowed up to 800 million oz of silver over this 18-month period, and immediately sold it (short) in order to convert the physical metal into cash (\$18+ billion). After all, BofA wouldn't just borrow the silver to simply hold it, as that would serve no legitimate economic purpose — the borrowed silver needed to be converted into cash by selling it on the open market.

Now, BofA appears to be short 800 million oz of silver to me and if it is, I can't see how that doesn't represent an existential threat to its financial condition in the event silver spikes in price. Remember, the data are coming from the same banking regulator, the Office of the Comptroller of the Currency, which monitors US bank soundness and is publishing the data that seems so alarming, so one would think it would address this issue forthwith.

Finally, the effect of the flood of physical silver coming from BofA over this time dovetails completely with the extraordinary situation in silver over this time, including the massive physical flows of silver into and out from the big silver ETF, SLV, and all the other extremely bullish developments against a backdrop of falling prices.

As far as why I would conclude BofA borrowed the silver from interests affiliated with JPMorgan, that's easy — it was the only one holding enough silver to lend — although the crooks at JPM are clever enough to cover all tracks and proving this is next to impossible — even if the regulators were interested in getting to the bottom of this.

No, if BofA has borrowed and sold short the 800 million oz of silver, it would be wrong to double the position. Aren't 800 million oz enough? (Just kidding).

As far as why can't BofA re-short this borrowed silver, that's impossible — once it's sold, it can't be sold again. I suppose BofA could borrow additional silver to sell, but I doubt any such silver

is available and besides, I think BofA was as dumb as a bag of rocks for doing this in the first place and should have only now discovered just how dumb it was and has no appetite for doing more.

I'm still an agnostic on Basel 3 considering the price action in the New Year and looking at what I think BofA has done through the end of the third quarter, it certainly hasn't been affected by Basel 3.

All good questions

Best regards,

Ted

Trying to put all this into proper perspective, please allow me a stroll down memory lane. In my now-near 37-year experience in silver (I was 38 years old when the journey began, younger than my son is now and half a lifetime ago), there have been several mile markers of profound personal significance. Most often, the mile markers involved true eureka moments — when a lightbulb literally exploded in my head.

The first such lightbulb moment occurred almost exactly one-year after Izzy Friedman challenged me to explain how silver's price could be so low in the face of a documented physical deficit. After a year of pondering the challenge, I remember distinctly where I was and what I was doing when studying the Wall Street Journal commodity tables, when I realized the answer was that the unusually large commercial short position in silver was completely out of line with every other commodity in real world terms. Despite my discovery (which even Izzy doubted), I had close to zero success in convincing others for many years to come. Today, I would say most participants accept silver has been manipulated by COMEX commercial positioning. To be sure, I took the "high road" in this discovery, writing and contacting every official remotely connected to commodities regulation from the get go.

That discovery brought me only grief for the next ten years because if the price of silver was artificially suppressed as I alleged by an excessive commercial short position, then why wasn't the artificially-depressed price resulting in a pronounced physical shortage, as the law of supply and demand required? No matter how hard I tried to explain this (to myself), I just couldn't come up with the explanation, despite thinking of little else over this ten-year stretch.

Then one day in 1995, again while reading the Wall Street Journal, divine intervention struck me like a lightning bolt. The story was about precious metals leasing, which I was unfamiliar with until that point, but I came to quickly realize that this was the answer to my search for how there wasn't a physical shortage of metal in the face of continued suppressed silver and gold prices. It immediately occurred to me that precious metals leasing was causing physical metal to be dumped on the market and was, therefore, completely manipulative and guaranteed to end badly.

The first thing I did was write to the then-head of the Federal Reserve, Alan Greenspan and the then-Treasury Sec Robert Rubin, just as I had done with the COMEX manipulation. Despite my clear warnings about the fraud of precious metals leasing, the practice prevailed for another near-ten years, but eventually ended exactly as predicted, with tens of billions of dollars of losses and worse (bankruptcy) for those miners left holding the bag. One positive effect of my writing about leasing was that I believe it led to Warren Buffett's historic purchase of silver in 1997.

The next big discovery was that JPMorgan took over the role of chief COMEX short seller and manipulator as a result of its takeover of Bear Stearns and revealed in the August 2008 Bank Participation report, which did lead to a formal investigation by the CFTC, that unfortunately, ended inconclusively. That BPR report in August 2008 was another eureka moment.

Finally, I discovered that JPMorgan had begun to use its manipulative control of silver and gold prices to accumulate a massive amount of physical silver and gold starting in 2011, although it took me until 2013 to uncover what JPM was up to. I wrote about JPM's accumulation for the next near-decade.

While there were many other discoveries, those were the big ones as I look back. I didn't go through this exercise to pat myself on the back but rather to set the stage in concluding that the recent revelation in the OCC report regarding Bank of America is right up there in significance with the other mile markers. And while I was thunderstruck when I studied the latest OCC report, I began writing about it last April, when the OCC report for the fourth quarter of 2020 was published, revealing BofA had borrowed and sold short 300 million oz of silver. The new report for the third quarter 2021 strongly suggests that BofA's silver short position is as high as 800 million oz.

Again, perhaps I'm wrong in some way and there is some alternative explanation quite different from what I concluded. That's why it's imperative that those in a position to know, such as the OCC/Treasury Dept, SEC, CFTC, and Bank of America/Merrill Lynch speak directly to this issue. A 100-fold increase in a highly specific derivatives category in 18 months demands an explanation. Heck, a doubling or tripling of such a position would require an official explanation - a 10,000% increase is way beyond the pale. The next step, of course, is to request elected officials on the US Senate and House banking committees which have direct oversight over the OCC to ask it what the heck is going on. That process has already commenced.

A new thought has occurred to me. As you know, I don't believe that Bank of America would knowingly and deliberately put itself in potential harms' way, as it appears to have done - just as Barrick Gold or AngloGold and many other miners didn't intend to put themselves in harms' way 20 some-odd years ago. But it's not required that there be intent to do really dumb things, even for large and sophisticated corporations and that is my sense about BofA in this instance.

My new thought is that the facts indicate that only Bank of America of all US banks has singularly plowed into precious metals derivatives over the 18 months in question and not any other bank. This suggests to me that only BofA was foolhardy enough to do such a thing and that all other US banks had no inclination to do what BofA did, further suggesting a specific failure on the part of senior management and risk-control officials at BofA. This makes it even more imperative that official explanations are immediately provided.

Again, I'm not looking to inflame a situation where there is no reasonable basis for concern, but a

10,000% increase in one specific derivatives category by one specific bank in an 18-month period more than qualifies as a reasonable concern. After all, the sole purpose of the OCC and its derivatives report is to identify situations that undermine the integrity of the financial system and any specific bank. I can't imagine how the reported data on BofA wouldn't meet (and exceed) any such thresholds of concern.

The sharp declines in gold and silver prices this week shaved \$1 billion from the 8 big shorts' total losses, reducing those losses to \$8.5 billion as of yesterday's close.

Ted Butler

January 8, 2022

Silver – \$22.39 (200 day ma – \$24.75, 50 day ma – \$23.30, 100 day ma – \$23.33)

Gold – \$1796 (200 day ma – \$1799, 50 day ma – \$1805, 100 day ma – \$1794)

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