

(Since there was some new information, in the form of the new OCC quarterly derivatives report, that I felt was worthy of timely dissemination, I am publishing this review today rather than tomorrow as planned. I do plan on separate COT report comments after the report is released tomorrow).

Gold and silver prices rose over the holiday-shortened trading week ended Thursday, with gold ending \$11 (0.6%) higher and with silver up by 55 cents (2.5%). It was the highest weekly close for gold in 5 weeks and the highest silver has been in 3 weeks.

As a result of silver's relative outperformance, the silver/gold price ratio tightened in by a point and a half to 79 to 1, the strongest silver has been relative to gold in 5 weeks - although silver is still much closer to the most undervalued it has been compared to gold over the last year and a half - just one factor making silver a compelling value at this time.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses amounted to nearly 4.7 million oz for the 4-day work week, above the average weekly movement over the past decade when adjusted for shortened week. Total COMEX silver warehouse inventories rose 1.2 million oz to 356.5 million oz. Holdings in the JPMorgan COMEX silver warehouse rose by that same amount to 184.7 million oz.

Total gold holdings in the COMEX-approved warehouses fell by 0.3 million oz to 33.8 million oz, with a big chunk of that decline traced to holdings in the JPM COMEX warehouse, which fell to 12.81 million oz.

With deliveries winding down this coming week for the big December COMEX gold

and silver contracts, the most notable development to me was an apparent change of heart by Bank of America to turn stopper (taker) on gold and silver deliveries after being the standout issuer of said deliveries over the balance of the month. Still, BofA remains the dominant issuer of gold and silver deliveries for the month, after being a notable stopper for the year as a whole.

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

I'm sensitive to BofA's delivery patterns, for a number of reasons, including their size, the fact that all deliveries are, essentially, for its house or propriety account, the fairly stark change from stopper to issuer this month and from the new data in the OCC report, which I'll get into shortly. I also can't help but notice a fairly-pronounced pattern of tightening in the nearby COMEX gold and silver spread differentials, to the point of slight backwardation - one of the surest signs of physical tightness.

There continued to be some slight amounts of physical metal redeemed from the world's gold ETFs, around 100,000 oz or so, while holdings in the world's silver ETFs were about unchanged for the week, but with notable deposits and redemptions in the big silver ETF, SLV, which I can't help but feel were likely due to conversions of shares to metal and steady accumulation by a big buyer(s).

I'll deal with the new Commitments of Traders (COT) report tomorrow, but sense we are at a highly-critical juncture, with what the big 4 shorts do on the next silver rally (which may be unfolding) mattering more than ever. I'd be lying if I said I was anything but extremely bullish at this point. However, let me get into the new OCC derivatives report, which has prompted this rather sudden update.

## Another OCC Stunner

The new quarterly derivatives report from the Office of the Comptroller of the Currency, part of the US Treasury Department, was released earlier this past week covering Over-The-Counter (OTC) derivatives positions of US banks, for positions held as of September 30. There have been commentaries about the stock derivatives position of JPMorgan, the leading player in such derivatives, but no mention of precious metals derivatives that I am aware of.

Some background data on this report. Always excluded are derivatives positions held by US banks on listed exchanges, so futures contract positioning on the COMEX is not included in this report. Also, the OCC report is incredibly non-specific in terms of whether OTC positions are net long, short or neutral - only the total notional value of the contracts held are provided. Compared to the remarkably-detailed COT report on COMEX positioning, the OCC report is like a Model T of yesteryear compared to Tesla. Finally, the OCC report is always published with a three-month delay, compared to the usual three-day delay of the COT report.

Due to a change in methodology a few years back, gold derivatives holdings were removed from the precious metals category and put into the foreign exchange category, thereby rendering the gold derivatives positions of the US banks worthless, at least to me. However, one of the unintended (I'm sure) consequences of gold's removal from the precious metals category was that the change made much more specific the silver component of the precious metals category (which also

includes platinum and palladium).

About the only redeeming feature of the OCC report is that it identifies the 4 leading US banks by name and how much of the total derivatives pie the 4 largest banks hold in each derivatives category by dollar amount. A standard feature of the report, which I have followed for 20 years or so, is how JPMorgan dominates each and every derivatives category - often to the tune of 70% to 80% of each category. I've always labeled JPM as the largest and most important bank in the US, and a quick perusal of any OCC report drives that fact home - it's almost incredible how large JPMorgan is in every derivatives category. A quick look at any OCC derivatives report confirms this. Over the years, the precious metals category most often included JPM and only one other bank.

In fact, what makes the new OCC report for positions held as of Sep 30 so stunning is the shocking reduction in derivatives positions in the precious metals category held by JPMorgan from June 30 and over the past couple of years - along with the shocking increase in holdings by Bank of America.

Unfortunately, the OCC derivatives report is not an easy report to access and on top of that, the format was changed somewhat from prior reports in which the precious metals category table was always table 9, but the new report changed that to table 21 (on page 26). Here's the index for all OCC reports going back to 1996, starting with the most recent report. You'll need to first download whatever report you wish to view -

<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>

Please allow me to present the new data in my own words, but as always, if you have any questions, please don't hesitate to contact me. JPMorgan's share of precious metals derivatives has been shrinking for the last couple of years, I believe as a result of its decision to abandon its dominating control on the short side as a result of it having amassed the largest physical (non-derivative) position in silver (and gold) in history

As of Sep 30, JPMorgan's share of precious metals derivatives had dropped to \$27.6 billion, down from \$38.3 billion on June 30. At the same time, Bank of America's holdings as of Sep were \$18.3 billion, up from \$10.2 billion on June 30. As recently as two years ago, Bank of America held no OTC derivatives positions in precious metals. Other key findings in the new OCC report were the emergence of Goldman Sachs as a precious metals derivatives (\$0.9 billion) holder for the first time in history.

Interestingly, the precious metals derivatives position of Citibank on Sep 30 was \$9.7 billion, down from \$12.9 billion on June 30. Still, for the first time ever, the combined derivatives positions of Bank of America and Citibank on Sep 30, \$28 billion, exceeded the holdings of JPMorgan for the first time in history.

Please understand that the price of silver (the largest component of the precious metals category) was \$22.20 on Sep 30, down just over 15% from the June 30 close of \$26.20 - so, were all things the same, the nominal dollar amount of holdings of precious metals derivatives would be expected to have dropped by that same 15%. This makes the near 28% reduction in JPM's holdings and the near 80% increase in BofA's holdings even starker. JPMorgan's holdings went down much more than the price of silver declined and Bank of America's increase was so much larger as to be astonishing.

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The actual numbers are there for you to review, but please allow me to tell you what I think the data mean. From my perspective, it means that JPMorgan is making a beeline to rid itself of precious metals derivatives as rapidly as possible and Bank of America is making a beeline to being the silver (and perhaps gold) chump of all time. Since I've long contended that JPMorgan was pulling off the largest double cross in history, in slithering out of its silver and gold short positions, I can't express any surprise about this latest OCC report.

As far as Bank of America, while I'm a bit surprised at the extent of the increase in its OTC derivatives position, I had previously labeled it as the chief double cross dupe, so no big surprise. In practical terms, I am now convinced that Bank of America has now borrowed (and gone short) at least 500 million oz of physical silver (from affiliates of JPM), which just about assures that BofA will be the biggest bag holder as and when silver explodes in price.

As far as what prompted Bank of America to put itself in such a vulnerable position, I confess to thinking first of some deep dark conspiracy theories, but if I've learned anything over the years, it is not to eliminate stupidity as a probability. After all, the history of banking is basically a history of blunders and bad decisions. I can't help but believe that Bank of America was hit with the stupid stick before embarking onto this silver journey. Of course, I suppose other explanations are possible, as long as they abide by the facts in the OCC report - although none come to mind.

The bottom line on all this is a setup so bullish in silver so as to defy words. I still stick by my contention that if the big 4 COMEX shorts don't add aggressively to short positions on the next silver rally, we will be off the races. This new OCC data only adds more bullish fuel to the fire.

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At the trading week's end (Thursday), the 8 big COMEX gold and silver shorts were down an additional \$400 million from the previous week's close, bringing their total losses to \$8.9 billion. Next report will be tomorrow's COT report comments.

Ted Butler

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Silver - \$22.91 (200 day ma - \$24.50, 50 day ma - \$23.52, 100 day ma - \$23.44)

Gold - \$1810 (200 day ma - \$1795, 50 day ma - \$1801, 100 day ma - \$1790)