# Plunge Protection Fails

## October 7 2022

Though it did manage two groundless good days before the bottom fell out on Friday because, though the jobs report was less then the previous two months, it was probably not low enough to induce the Fed to cut back on interest rate hikes. Both the Fed and Treasury have the tools in place to interfere with the will of traders should a civilized contraction show signs of a landslide. The New York branch of the Fed has its own complete trading desk, and it also has an operation in the Chicago commodity exchange to deal with futures, like those relating to the S&P 500. In addition, Treasury has its own [slush] fund, The Exchange Stabilization Fund, to insert itself like the Dutch boy should there be any breaches in the financial dike. And well they should be prepared as there are ominous indications that financial transactions mirroring what preceded the 2007-2008 crash are back for a return engagement.

Credit Suisse has now assumed the role played by Citigroup in 2008 because of carelessness in making over optimistic deals. Last Friday it closed in New York at $3.92 -- a few cents from its all time low. It is an important counterparty to top banks and insurance companies in the derivative market. It was on the hook for $5 billion of the $10 billion lost in the Archegos Capital Management fiasco. At least it has warned investors. In its 2021 Annual Report it admitted to having billions in derivatives that it cannot accurately price -- "...the Group holds financial instruments for which no prices are available and for which we have few or no observable inputs...For these instruments, the determination of fair value requires **subjective** assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument." Good luck on trusting those financial wheeler dealers making decisions on what they think is correct.

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## <u>Briefs</u>

-- The national debt surpassed $31 trillion inching closer to its currently established ceiling of $31.4 trillion. Seems like yesterday when it was only a few trillion. The nation took 200 years to reach the 1 trillion mark. Since the pandemic it’s been adding a trillion about every quarter.

--  If the Bank of England didn't have enough to do feeding their sick economy a slow stream of 65 billion pounds to make up for the new novice government bonehead 45 billion (of borrowed money) tax cut they now have to deal with a spike in long term bond (gilts) yields caused large increase in margin calls to cover the gap.

-- The winter fiasco that confronts Europe because of the destruction of the two Russian gas pipelines has been casually accepted without complaints from European states because it's virtually certain that it was the US that contracted their destruction. Europeans may memorialize 9/26 the way Americans honor the dead of 9/11.

-- Probably the most serious cause of our world wide stagnant economy is the decline in real wages. The common assumption is that wage growth is a prime cause of inflation when the actual source is rooted in fiscal policies. OECD Secretary-General Angel Gurria: *"This trend of wageless growth in the face of a rise in employment highlights the structural changes in our economies that the global crisis has deepened, and it underlines the urgent need for countries to help workers, especially the low-skilled…"* The power of capital to screw the working class sometimes has the effect of doing as much damage to the system of capitalist enrichment.

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