Certified Gold Exchange, Inc.

# ORE-VISION

Views and Analysis on the Economy and Precious Metals

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# It Turns Out That Hundreds of Banks Are at Risk

### By Peter St. Onge

It's the weekend, but our fresh Financial Crisis does not sleep. And a recent study says we've only seen the tip of the iceberg.

The Washington Post wrote: "If banks were suddenly forced to liquidate their bond and loan portfolios, the losses would erase up to 91 percent of their combined capital cushion." In other words, we were already right up against the edge.

The Post cites two studies that total unrealized losses in the system are between $1.7 trillion and $2 trillion. Total capital buffer in the US banking system: $2.2 trillion. That's about a 10 percent to 20 percent buffer. And now running into a market crisis where bank stocks have declined by about a third in the past few weeks, and are now at a P/E ratio of 7.35.


Meanwhile, the Wall Street Journal last week wrote about a brand new study (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4387676) from Stanford and Columbia finding 186 banks are in distress—possibly to the point of seeking a bailout. The study estimates that hundreds of banks are in worse shape than SVB: hundreds have larger losses than Silicon Valley Bank, and hundreds have lower capitalization buffers in case of distress than Silicon Valley Bank.

Continued on page 3

# ARCHEGOS & CREDIT SUISSE – TIP OF THE ICEBERG

### By Egon von Greyerz

Bill Hwang, the founder of the hedge fund Archegos that just lost $30 billion, probably didn't realise when he named his company that it was predestined for big things.

Archegos is a Greek word which means leader or one who leads so that others may follow.

**ARCHEGOS THE FIRST OF MANY TO COME**

This, until a few days ago, unknown hedge fund is a trailblazer for what will happen to the $1.5+ quadrillion derivatives market. I have warned about the derivatives bubble for years.

Continued on page 2

## Also Inside This Issue:

# Are Bank Failures a Sign of More Trouble Ahead?

### By Ron Paul

The failure of Silicon Valley Bank (SVB) on March 10 was the second largest bank failure in US history. Just two days following SVB's collapse, Signature Bank joined the record books as the third largest bank failure in US history.

First Republic Bank also seemed on the edge of collapse until Bank of America, Citigroup, and other big banks agreed to jointly fund a bailout for it.

Major Swiss bank Credit Suisse was also teetering on the brink when it received a 54 billion dollars line of credit from the Swiss UBS Group last week. Now, UBS is in the process of buying Credit Suisse.

Politicians, regulators, and financial "experts" all rushed to assure us these problems were all caused by factors unique to the individual banks and were not a sign of a systemic weakness in the banking system.

The bank failures and near failures caused nervous banks to borrow a combined 164.8 billion dollars in one week from the Federal Reserve's discount window and the Bank Term Funding Program, a new program created by the Fed to make loans to troubled banks.

The Fed created this program even though supposedly there is no systemic problem in the banking industry.

While SVB didn't receive a bailout, the Federal Deposit Insurance Corporation (FDIC) guaranteed the full amount of all deposits even though Congress set a standard FDIC guarantee on deposits of up to 250,000 dollars.

By covering all SVB deposits, the FDIC has created an expectation among depositors at major financial institutions (as well as the institutions themselves)

Continued on page 4

# ARCHEGOS & CREDIT SUISSE – TIP OF THE ICEBERG

Continued from page 1

Archegos has just lit the fuse and soon this whole market will explode.

I know that technically Archegos was a Family Office for favourable regulatory reasons. But for all intents and purposes I consider it a hedge fund.

Warren Buffett called derivatives financial weapons of mass destruction and he is absolutely right.

Greedy bankers have now built derivatives to a self-destructive nuclear weapon. Archegos shows the world that an unknown smaller hedge fund can get credit lines of $30 billion or more that quickly leads to contagion and uncontrollable losses.

And when the hedge fund's bets go wrong, not only do the investors lose all their money, also the banks which have recklessly financed Archegos' massively leveraged speculation will lose around $10 billion of their shareholders' funds.

It obviously will not affect the bankers' bonuses which will only be reduced when the bank  has gone bust. Remember the Lehman crisis in 2008. Without a massive rescue package by central banks, Morgan Stanley, Goldman Sachs, JP Morgan etc would have gone under. And still the bonuses that year in these banks were the same as the previous year.

Absolutely scandalous and the very worst side of capitalism. But as Gordon Gekko said in the film Wall Street – Greed is Good! Well when it all finishes, it might not be as good as they think.

**DERIVATIVES – A MONEY SPINNER THAT WILL SPIN OUT OF CONTROL**

Derivatives have been a money spinner for the major investment banks for decades. Today virtually all trading is in the form of derivatives. Very few portfolios are in the underlying instruments. Instead, anything from stock portfolios, ETFs, gold funds etc (and even gold stored in banks: https://goldswitzerland.com/thinking-of-bank-stored-gold-think-again/) use derivatives or synthetic instruments. In addition the interest and forex markets are all derivatives. Archegos' portfolio for example was in Total Return Swaps.

As we just saw, when derivatives implode, and the underlying securities are dumped by the prime broker at any price, the losses are instantaneous and irreparable.

Still, contagion was avoided this time with the banks taking all the losses. But that will not be the case next time when not just $30 billion of derivatives implode but multiples of that sum.

**WHEN COUNTERPARTIES FAIL……… THE $1.5 QUADRILLION TIMEBOMB**

Defenders of derivatives which obviously includes all the investment banks and the BIS (Bank of International Settlement) in Basel, will argue that the net derivatives position is just a fraction of the gross which is estimated to be at least $1.5 quadrillion.

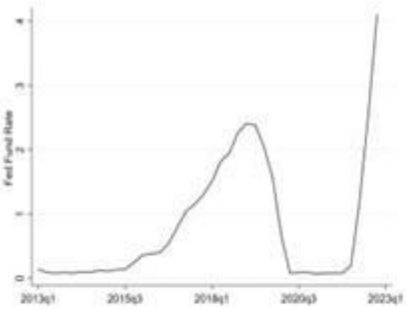
Yes, of course the net position theoretically is much smaller after netting. **But when counterparties fail, gross remains gross.** And this is what we are likely to see within the next few years.

Archegos is a very good example of what the world will experience on a much bigger scale – $1.5 quadrillion will not disappear quietly. The banks managed to stop contagion this time but they won't once it starts in earnest.

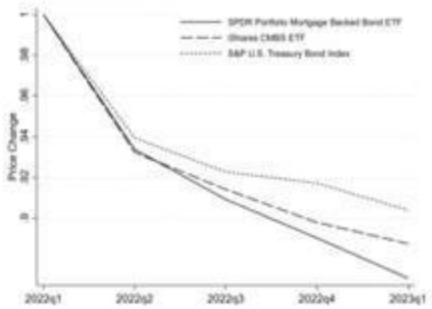
Continued on page 4

# It Turns Out That Hundreds of Banks Are at Risk

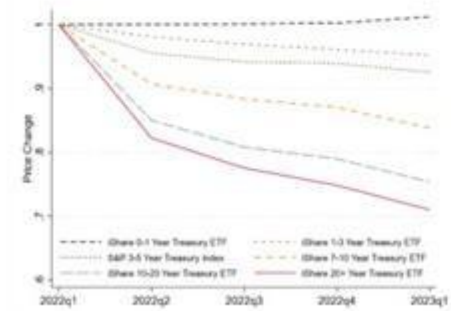
Continued from page 1



(a) Fed Funds Rate



(b) RMBS, CMBS, Treasury



(c) Treasury by Maturity

**How did it Happen?**

In short, while tech bros and loose bankers hog the headlines, what drives hundreds of banks to the edge is our crony banking system.

In this case, rapid Fed rate hikes crashed into a banking system that fractional reserve banking and the Fed's "Lender of Last Resort" (LOLR) permanent bailout have driven to permanently drive as fast as possible, as close to the edge of the cliff as possible.

Together, the moral hazard has given a green light to those reckless tech bros, to those loose bankers who hand out millions—it turns out hundreds of billions. And it drives the entire banking industry to use opaque accounting tricks to hustle sleepy regulators and innocent taxpayers and dollar-holders who get stuck with the bill. The bankers themselves sleep like babies because they know you'll cover their losses, but they keep their wins.

What turned this rigged casino into a crisis is in the past year the Fed hiked rates at the fastest pace in 50 years, from 0 percent last March to 4.5 percent to 4.75 percent today. They did this in a desperate bid to cancel the inflation they caused by financing $7 trillion in deficit spending and Covid lockdowns. Indeed, those of us who wondered why voters stood by meekly had only to look at the flood of money going out the door.

These reckless hikes savaged long bond prices, by far the most popular asset in bank vaults: Across the board, long bonds fell 20 percent, feeding an estimated 10 percent plunge in all bank asset values. In essence, the bank thought it had a dollar in the vault, but turns out it only had 90 or 80 cents. In the case of high-flyers like Silicon Valley and potentially hundreds more, it was more like 60 cents. Few banks can survive that.

Continued on page 5

# U.S. Banking System Faces Worsening Crisis in Confidence

**By Clint Siegner**

The national news cycle has careened from one extraordinary and alarming story to the next. The brewing crisis in banks remains front and center. Americans are watching a demonstration on how to take a crisis in confidence and make it worse.

Many Americans have already lost trust in the FBI and DOJ. They don't trust Janet Yellen and other bureaucrats in Washington, and they don't trust Wall Street bankers.

The ongoing erosion of trust may be the most fundamental of all problems the country faces. It is playing larger and larger roles in everything from elections, to the administration of justice, to finance.

The current troubles in banking may be a signal that confidence has slid past the point where it can be recovered.

Officials called an emergency meeting following the collapse of Silicon Valley Bank and extended the FDIC guarantee to cover bank deposits larger than $250,000.

Americans were supposed to think all deposits were safe, but they were not comforted. Bank stock declines continued, as did the deposit flight from small banks to big banks.

Meanwhile, Janet Yellen admitted in testimony before congress last week the program was really more of a selective guarantee. A committee will first have to determine whether a bank's failure represents a risk of contagion before deposits are 100% guaranteed.

The implication is that the wealthy, well-connected, and woke account holders of Silicon Valley Bank are covered. But ranchers, farmers, and small businesses working with community banks or credit unions are not.

Continued on page 6

# Are Bank Failures a Sign of More Trouble Ahead?

Continued from page 2

that the government will cover 100 percent of deposits.

This will cause both depositors and banks to make investment decisions they typically would not make, thus guaranteeing larger bank failures followed by more bailouts for wealthy depositors.

Some have blamed the current bank failures, along with other signs that the economy is on the verge of a major downturn, on the Federal Reserve's interest rate increases. It is true the Fed bears responsibility.

However, the rate increases are not the problem. The problem is the "easy money" and low or zero interest rate policies the Fed pushed since the 2008 market meltdown, which was caused by the bursting of the Fed-created housing bubble.

Federal Reserve manipulation of the money supply distorts interest rates, which are the price of money.

This distorts the signals sent to market actors regarding the true value of investing in particular industries. The result is malinvestments in those industries creating a bubble. The bubble will inevitably burst.

The economic downturn that follows the bursting of a bubble is necessary to cleanse the economy of the malinvestments.

The correction will not last long and the economy will emerge stronger if Congress, the Treasury Department, and the Federal Reserve refrain from "stimulating" the economy with federal spending and artificially low interest rates.

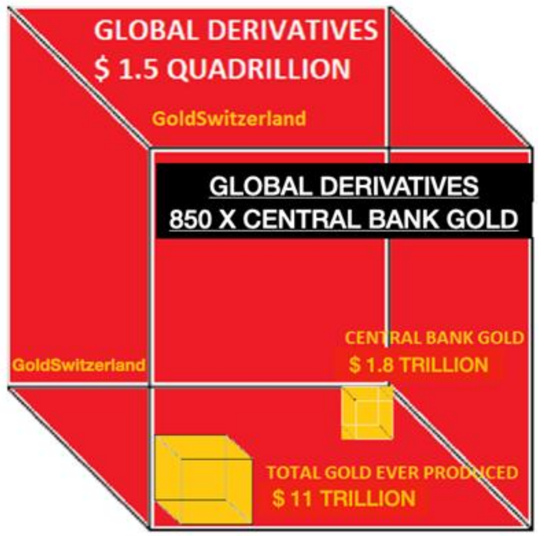
Continued on page 8

# ARCHEGOS & CREDIT SUISSE – TIP OF THE ICEBERG

Continued from page 2

The cube below represents all the known derivatives in the world of $1.5 quadrillion. The real number is probably considerably higher.

**The $1.5Q is 850X declared central bank gold.** What will the gold price be after the derivatives implode? Probably too high to fathom!




When the biggest financial bubble in history unravels the massively over-leveraged financial system, led by the implosions of the $1.5 quadrillion derivatives monster, will be paralysed as stock, bond and property values just evaporate in a cloud of smoke.

**WHEN ASSET VALUES DIE**

The world will then realise that all the printed money and all credit which backed these assets had ZERO value which some of us have been clear about for years.

**Despite the pipe dreams of the Keynesians and the MMT rubbish theories, money created out of thin air must always have ZERO value.**

**And when the world discovers that the debt has ZERO value, they will wake up from their sweet dreams and realise that the artificial wealth they have built up was all based on a lie.**

Starting with the closing of the gold window in 1971, the world has built up an edifice of grossly overvalued assets that will soon find their intrinsic value of nearer ZERO.

Many will argue that many of these assets will still have a value whether it is a sound business or a high quality commercial building with good tenants.

That argument is valid as long as the business has no debt and/or can service its debts from revenue.

Same with leveraged commercial property. Bricks and mortar have little value if it is not income producing. When tenants can't pay the rent, the bank will call in the loans and foreclose on the building.

Continued on page 6

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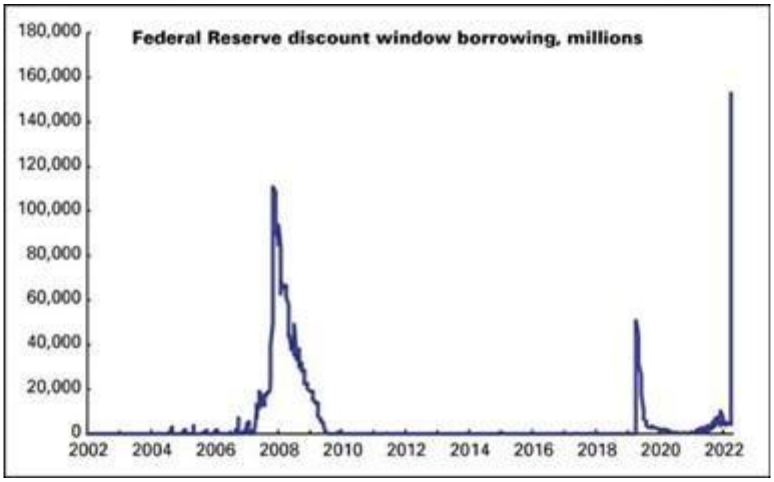
Continued from page 3




**What's Next**

This slow-motion train-crash is now making contact: Last week $152 billion in loans went out the Fed's discount window—the discount window is where desperate banks go when nobody else will lend, like a junkie selling the TV.

That dwarfs even the worst of the 2008 crisis at $111 billion. Keep in mind back then was months into the alleged financial crisis of the century. Here we passed it at week one.

What's next? Probably a lot of pain and a lot of inflation. We the People will survive—after all, the real assets don't vanish: the food, cars, and electricity are all there. It's a paper crisis, but unfortunately that paper crisis has sucked real Americans in, suckered them into putting their life savings into the care of a bunch of degenerate gamblers in expensive suits. And it can bring enormous collateral damage to the wider economy that, yes, provides that food, cars, and electricity if government steps in, as it usually does.

Concretely, I'd expect trillions of dollars in bailouts, driving inflation back towards last year's highs, perhaps even into double digits. This while the economy careens into recession, indeed into stagflation. The Fed will abandon the inflation fight it started, opting instead to bailout the bankers who it serves. And We the People, as always, will pay the tab: for the bailouts, for the inflation, for the stagflationary crisis that's looking increasingly likely.

How to protect yourself? If we're headed for a crash, you want hard assets—Bitcoin if you understand it enough to hold in a storm, gold if you don't. Periods of chaos drive big swings in markets and prices, so you'll be tempted along the way into equities and bonds. But going by the principle that the first goal of investing is being able to sleep at night, I'd probably keep the powder dry until the smoke clears.

What do you guys think—how will this pan out? Does it get to the cat food stage or just down-budgeting from Beyond Meat to dog food? And let me know what you'd like to hear in future posts https://www.youtube.com/@Profstonge.

See you next time!

[This article first appeared on Peter's Substack page https://stonge.substack.com/p/wapo-large-number-of-banks-are-terrifyingly]

Article by:
Peter St. Onge
March 21, 2023
Courtesy of https://mises.org/

# U.S. Banking System Faces Worsening Crisis in Confidence

Continued from page 3

Last week, a group of large banks volunteered to deposit $30 billion in First Republic Bank. Investors were not reassured by this show of confidence. Shares in the troubled bank fell another 30% on Friday and another 20% this morning.

The story is similar for Credit Suisse. The bank got an emergency loan of almost $54 billion from the Swiss National Bank. Bank executives said they were accepting the loan only out of an abundance of caution, and it really wasn't needed. But once again investors called BS, and the stock price for the banking giant collapsed.

Last week, overnight borrowing at the Fed's discount window hit a new record, far surpassing the prior peak set at the height of the 2008 financial crisis. Many experts consider this to be one of the best indicators of how uneasy bankers themselves are about the state of their industry.

The efforts to backstop the banks and placate investors don't appear to be working. The people behind them must be surprised and frustrated. Throwing loads of money at the problem has worked reliably in the past.

Money can help banks weather a liquidity crunch and shore up the deposit base. It doesn't address a solvency problem that may exist, and it can't put a stop to the skepticism people now have toward bankers, politicians, and bureaucrats.

Investors are increasingly seeking safe-havens with zero counterparty risk such as physical precious metals. The gold price, nearing $2,000 per ounce, is on the verge of an historic breakout to all-time highs.

Article by: Clint Siegner
Author & Director @ Money Metals Exchange
March 21, 2023

# ARCHEGOS & CREDIT SUISSE – TIP OF THE ICEBERG

Continued from page 4

In a world with $300 trillion of debt, most assets are heavily leveraged. Debtors with no profits or income will quickly become insolvent and the bank will become holders of major assets that collapse in value. The banks cannot afford to hold on to these assets and will sell them in ongoing fire sales.

Very few people will have liquid and marketable assets at that point. And the debt financing will become non-existent.

**HOLDERS OF REAL MONEY OR GOLD & SILVER WILL FIND BARGAINS**

As in every period of crisis in history holders of liquid real assets like gold and silver will be able to pick assets for 5 cents on the dollar. This sounds impossible today but people familiar with for example the Weimar Republic will know that this actually happened then and also in other times in periods of major crises.

**That will be the time when a property that is today worth say $1.1 million or 20 kilos of gold can be acquired for $1 kilo which is a 95% discount, measured in gold.**

This obviously sounds totally unrealistic today **but history proves that it happens time and time again.**

**FIRST TIME IN HISTORY A DEBT COLLAPSE IS GLOBAL**

This time the debt bubble is bigger than any time in history. But not only that, this is the first time ever that a debt collapse is global.

Every corner of the world is in the same situation – North America, South America, Europe, Africa, China, Japan and even Russia. Some countries like China might be able to deal with their debt internally but every single country in the world will suffer as the financial system implodes and world trade collapses.

**THE DARK AGES**

The biggest economic collapse in history so far is probably the fall of the Roman Empire which happened gradually but the final fall of Rome was in 476 AD when the Germanic leader Odoacer disposed of Romulus Augustulus. From then on no Roman emperor would ever rule from Rome.

The late 5th century is considered the start of the Dark Ages that lasted 900 years until the Renaissance or late 14th century. Other historians define it as a 500 year period. The Dark Ages was a period of cultural and economic decline. But there was clearly not a 900 year solid decline. Many areas prospered much earlier.

So whether we will get an extended period of decline after the current economic and financial bubbles, only future historians will know. What is certain though is that a debt and asset implosion of the magnitude that the world is now facing will have devastating effects for our children and grandchildren. But whether it will last 50 years or 500 years, only history will tell us.

**CREDIT SUISSE AND THE WILD BUNCH OF PRIME BROKERS**

Hedge fund leverage can only happen with the total cooperation and backing of major banks. Archegos had Prime Brokerage relationships with Goldman Sachs, Morgan Stanley, Nomura and Credit Suisse.

These foolhardy banks extend trading lines of billions of dollars so that hedge funds can leverage themselves to a level which will not just jeopardise the hedge funds but also the banks themselves and eventually the financial system.

Continued on page 7

# ARCHEGOS & CREDIT SUISSE – TIP OF THE ICEBERG

Continued from page 6

Swiss banks used to be a bastion of prudence and conservatism. But they are now at the very top of risk taking banks (don't store your gold with them or any other Swiss bank: https://goldswitzerland.com/dont-hold-your-gold-in-a-swiss-bank/).

Switzerland has a major problem due to the size of its banking system which is 5X Swiss GDP. **Thus in case of a major contagion the Swiss financial system is too big to save.**

**SWISS NATIONAL BANK – THE WORLD'S BIGGEST HEDGE FUND**

The additional problem is of course the Swiss National Bank – SNB – which is the largest hedge fund in the world with assets of CHF 1 trillion (USD 1.1trillion) which is 145% of Swiss GDP. For comparison, the Fed's balance sheet is 27% of US GDP.

The majority of the balance sheet is in foreign exchange speculation and held in dollars and euros. The SNB also has major positions in US tech stocks – $8.5 billion in Apple, $6.b in Microsoft, $5.2 in Amazon plus a lot more.

**So not only is the Swiss banking system too big for the country but the Swiss national bank is extremely vulnerable to a decline in the dollar and euro plus US tech stocks.**

None of this could have happened in the late 1960s and 1970s when I was in Swiss banking. But when both the Swiss National Bank and the commercial banks leverage their positions to the hilt in derivatives and currency speculation, the whole Swiss financial system is at risk.

**Nobody should hold major assets in a national banking system which is as exposed as the Swiss one.**

**CREDIT SUISSE – IS IT INCOMPETENCE OR JUST BAD LUCK**

So let's look how Credit Suisse (CS) which is Switzerland's second biggest bank has fared lately.

CS has gone from bad to worse, both in risk management and losses. In Q4 2015 they lost CHF 6 billion in write offs and trading losses. In late 2016 CS agrees to pay $5.3b to resolve a probe by the US Department of Justice for mis-selling mortgages.

In 2020 CS faces another $680m in relation to US mortgage securities. In 2021 CS has so far taken a $450m write down on investment in the hedge fund York Capital. A massive $3 billion is expected to be lost on the collapsed Greensill Capital. That sum is equal to Credit Suisse's net income in 2020.

And the next disaster for Credit Suisse is Archegos. The losses are likely to exceed $6 billion.

The amount of losses that CS has had is clearly not just bad luck. It is based on incompetence combined with a level of greed which rewards success for individuals whilst at the same time jeopardising the bank and the system.

Although Credit Suisse has already lost over $20 billion in recent years, there is probably a lot more hidden in this once venerable Swiss bank. Whatever the management declares has little validity since they don't seem to have a clue of the real risk picture of the bank.

**So is Credit Suisse a real disaster waiting to happen?** Time will tell (but in the meantime I wouldn't store gold with them or any other bank).

What is fairly certain is that the Archegos & Credit Suisse disasters are just the tip of the iceberg.

CS is just one of the banks losing unacceptable amounts of money. Nomura, Morgan Stanley, Goldman Sachs and several more gamblers.

**So Credit Suisse is clearly not the only bank taking these shameless bets. The whole banking world is in the same predicament. And due to the total interdependence of the financial system, even sound banks will not survive.**

**BANKS FACE SHOCKWAVES OF LOSSES**

All these casinos that are called banks are every day making bets that put the bank at risk. In an orderly and controlled market, they make enormous amounts of money for themselves.

Continued on page 8

# Are Bank Failures a Sign of More Trouble Ahead?

Continued from page 4

Government interference, however, can create yet another bubble, setting the stage for another crash.

The new wave of bank failures is an indication that the US economy is either in or on the verge of another serious Fed-caused recession.

With nations seeking to end the dollar's status as the world's reserve currency, the end of America's disastrous experiment with fiat money, and with it the welfare-warfare state, could be on the horizon.

The collapse can be accompanied by civil unrest and greater restrictions on liberty. However, the spreading authoritarianism can also spur a growth in the movement for individual liberty, a free market, and limited government that could make the dark night of authoritarianism a prelude to a new dawn of liberty.

Article by:
By Ron Paul
March 22, 2023
Courtesy of https://mises.org

# ARCHEGOS & CREDIT SUISSE – TIP OF THE ICEBERG

Continued from page 7

But when the tide turns and they no longer can manipulate the market to their advantage, there will be shockwaves of losses.

When stock and bond markets fall at the same time, the collateral of the banks will not even reach fire sale levels. And that will be the way that the derivatives market disappears for good or at least for many, many years.

Anyone who believes that their assets held within a bank will be safe should think again. I am not just talking about money but also all the securities held by the bank as custodian. Under pressure the bank will use these assets as collateral for their trading loans. This has happened many times before like in 2007-8.

**When you put your assets in the financial system, it is like putting them in a timebomb which has already been lit. It is only a matter of time before it all explodes. And you will have a hard time finding anything of value among the rubble.**

**RISK NOW GREATER THAN ANY TIME IN HISTORY**

As I have spelt out many times, I am not a pessimist, nor a prophet of doom and gloom. I just analyse risk and then look at the potential consequences if/when things go wrong.

**I consider risk greater now than in any time in history. And please don't believe that more worthless debt in the form of MMT, QE etc will solve the problem. It will just make the explosion bigger.**

**In every crisis in history, physical gold and silver has been the best form of insurance. Don't believe it will be different this time.**

Article by:
Egon von Greyerz
April 8, 2021

**The Outstanding Public Debt**

National Debt:
**31,632,844,314,302**
The estimated population of the United States is **334,534,844**
US citizen's share of this debt is
**$94,532.00**
The National Debt has continued to increase an average of
**$3.8 billion per day**
Business, Government, Financial and Unfunded Liabilities Debt exceeds
**$100 Trillion**

**ORE-VISION**

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