BLACK MONDAY

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0. PREFACE

"Black Monday" events are Mondays which experience great market turbulence. September 29th, 2008, was one of these days which occurred the week OF a quarter end where there is even more strain on the system.

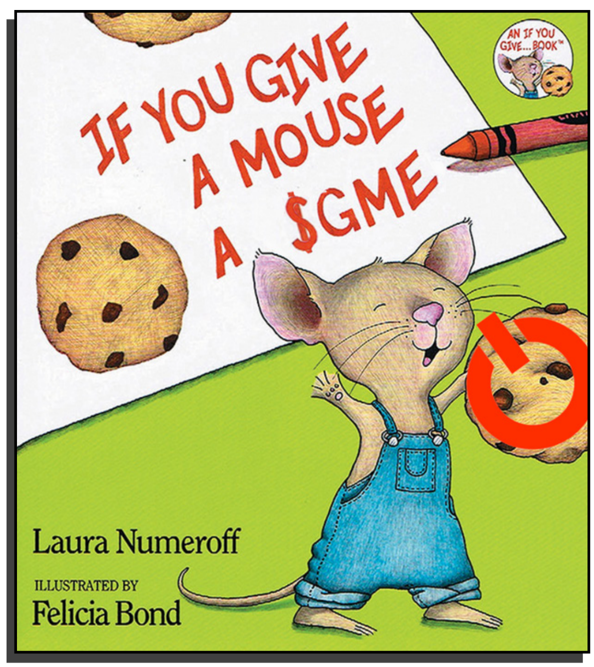
The markets have been boiling all quarter, and next week is a Quarter End (June 30th).

Macro economy posts! Horray! When ever you read these posts discussing the market potentially crashing - yes - that is relevant to $GME. Quite a lot, actually. Don't get hung up on other catalysts, because the main catalyst has already reaching a boiling point before our eyes. I think there are two main "catalysts" here:

➔ The markets boil up and crash, leading to mass defaults all around.

➔ GameStop creates an NFT dividend like Overstock did to nuke their shorts.

When shit hits the fan in the markets, that means entities can default. When entities default, especially banks, that means that their overleveraged borrowers (Short Hedge Funds) can go bust. This then, eventually, leads to them covering their short positions. And we know that with the DTC, ICC, OCC, NYSE, NSCC, FICC all pumping rules that were drafted up as early as 2017, they knew things were going to crash sooner or later.



Give A Mouse? Give An Ape?

I am not a financial advisor, and I do not provide financial advice. Many thoughts here are my opinion, and others can be speculative.

1. MONDAYS WITH SIGNIFICANT Market Turbulence; Some Happen The Week Of Quarter Ends

We're coming up on Monday, June 28th.

Pretty big day in my eyes. Don't freak out just yet though, I'm just posting my observations and it's up to you to judge for yourself on what could be coming.

It's a big day especially due to how turbulent the entire market has been since the start of April (hello Reverse Repo blowup) which is unusual. Why is it a big day? Well...

Per Wikipedia there are a few significant drops in the stock market (or just market turbulence) on Mondays:

- **28 October 1929** – Stock markets in the United States began to crash as part of the Wall Street Crash of 1929.
- **19 October 1987** – Black Monday (1987) Stock markets around the world crashed, shedding a huge value in a very short time.
- **29 September 2008** – Great Recession. Following the bursting of the Real estate bubble and the Financial crisis of 2007–08, stock markets worldwide crashed, leading to the Great Recession.
- **8 August 2011** - Black Monday (2011): A stock market crash from a credit rate downgrade of the United States' debt.
- **24 August 2015** – 2015 Chinese stock market crash. The SSE Composite Index declined by 8.45%.
- **16 September 2019** – The Federal Reserve begins intervening in the repo market five months before the start of the 2020 stock market crash after the overnight lending rate spiked above 8%.
- **9 March 2020** - Part of the 2020 stock market crash, the worst day for stock market losses since the Great Recession, fueled by investor panic over the COVID-19 pandemic and the oil price war between Russia and Saudi Arabia.
- **16 March 2020** - Larger falls than the previous week's fall during the 2020 stock market crash.

I've highlighted a few of the above dates which had market turbulence:

- 29 September 2008
- 16 September 2019 [This corresponded with Fed QT. There was turbulence in the repo market not the stock market. Quick action by the Fed most likely saved the stock market from tumbling]
- 9 March 2020
- 16 March 2020

Something interesting about these highlighted dates is they all occurred during the month of a quarter end.

What's even more curious, is that the significant pulldown of 2008 started the week OF the Quarter End. The crash started Monday, September 29th, 2008. The Quarter End was September 30th, 2008. Side note: Did you know that the dot-com bubble also burst in the month of a quarter end, March of 2000?

Check out what happened to DJI on and after September 29th, 2008:

$DJI Behavior On and After "Black Monday" Event of September 29, 2008

And you're probably wondering, "what the hell is a quarter end"? The quarter end is a specific date spanning a time period of a Fiscal Quarter, where the year is split into four separate "quarters". It's a day where there is significant strain on the system due to the under workings of the market and the necessity to pump balance sheets.

What Is a Fiscal Quarter?

Fiscal quarters are consecutive, three-month periods within a company's fiscal year (also referred to as a financial year). Fiscal quarters are used by publicly-traded companies to schedule the release of financial reports and the payment of stock dividends.

https://investinganswers.com/dictionary/q/quarter-q1-q2-q3-q4

1. MONDAYS WITH SIGNIFICANT

Market Turbulence; Some Happen The Week Of Quarter Ends

2021 Fiscal Quarters

Q1 2021 Dates: January 1 - March 31
Q2 2021 Dates: April 1 - June 30
Q3 2021 Dates: July 1 - September 30
Q4 2021 Dates: October 1 - December 31

https://investinganswers.com/dictionary/q/quarter-q1-q2-q3-q4

As the markets enter and live within the quarters, things might not be too strenuous or volatile but rather stable. As the markets approach the date of the quarter end, and the quarter end itself, much more turbulence can be expected. Especially within the repo markets for the sake of pumping balance sheets.

2. EXPECT RRP TO SHOOT UP

Significantly More By Q2 End On June 30th

There's a big problem in the reverse repo market. And I'm kind of beating the dead horse here by bringing it up again. Not just because it's relevant to the topic, but there's still misconceptions on why RRP blowing up is a big problem:

1. The RRP has been pretty mellow for the past couple of years with little borrowing. The only two recent blow-ups have been March of 2020 when the markets were tumbling due to COVID and the entirety of Q2 2021 following the expiration of SLR protections.

2. The RRP has been blowing up throughout the entire quarter rather than at the quarter end. This is unusual behavior. There should not be this much strain on the markets when not even close to the quarter-end dates.

3. COVID caused a surge of bank deposits on both the bank and Fed's balance sheets. Now the banks are swimming in liquidity and will need many more treasuries to balance out their sheets.

4. There is most likely a T-bill shortage due to over a decade of QE which sucks $120 billion of treasuries out of the market each month and the US Treasury spending directly out of the TGA (Treasury General Account) which causes the Fed's balance sheet to require more treasuries. As of May 26th, the US Treasury still planned on spending an additional $279 billion by June 30th. This will cause more strain on the treasury shortage as approaching Q2 end

> In past years of large reserves following QE, banks shed reserves via reverse repos, reducing reserves on the balance sheet and increasing their Treasury holdings, to dress up their balance sheet at the end of the quarter, and particularly at the end of the year. Reverse repos declined after the Fed started reducing its assets during Quantitative Tightening in 2018 and 2019. But the current record spike is taking place in the middle of the quarter, a sign that the enormous amount of liquidity is going haywire:

https://wolfstreet.com/2021/05/27/fed-drains-485-billion-in-liquidity-from-market-via-reverse-repos-undoing-4-months-of-qe-even-as-qe-continues-total-assets-near-8-trillion/

> The Fed has discussed this liquidity issue during the last FOMC meeting and summarized some of the discussions in its meeting minutes. It noted that "a modest amount of trading" in the reverse repo market took place at negative yields, meaning that there is so much demand for Treasury securities, and so much liquidity chasing them, that the holders of liquidity were willing to lose money to obtain Treasury securities. This threatens to push related rates into the negative, such as SOFR (Secured Overnight Financing Rate) which is the Fed's reference rate to replace LIBOR.
>
> The Fed, sitting on $5.09 trillion in Treasury securities, has been stepping into the reverse repo market, selling Treasuries overnight to satisfy this demand for Treasuries and keep yields from meandering below zero.

https://wolfstreet.com/2021/05/27/fed-drains-485-billion-in-liquidity-from-market-via-reverse-repos-undoing-4-months-of-qe-even-as-qe-continues-total-assets-near-8-trillion/

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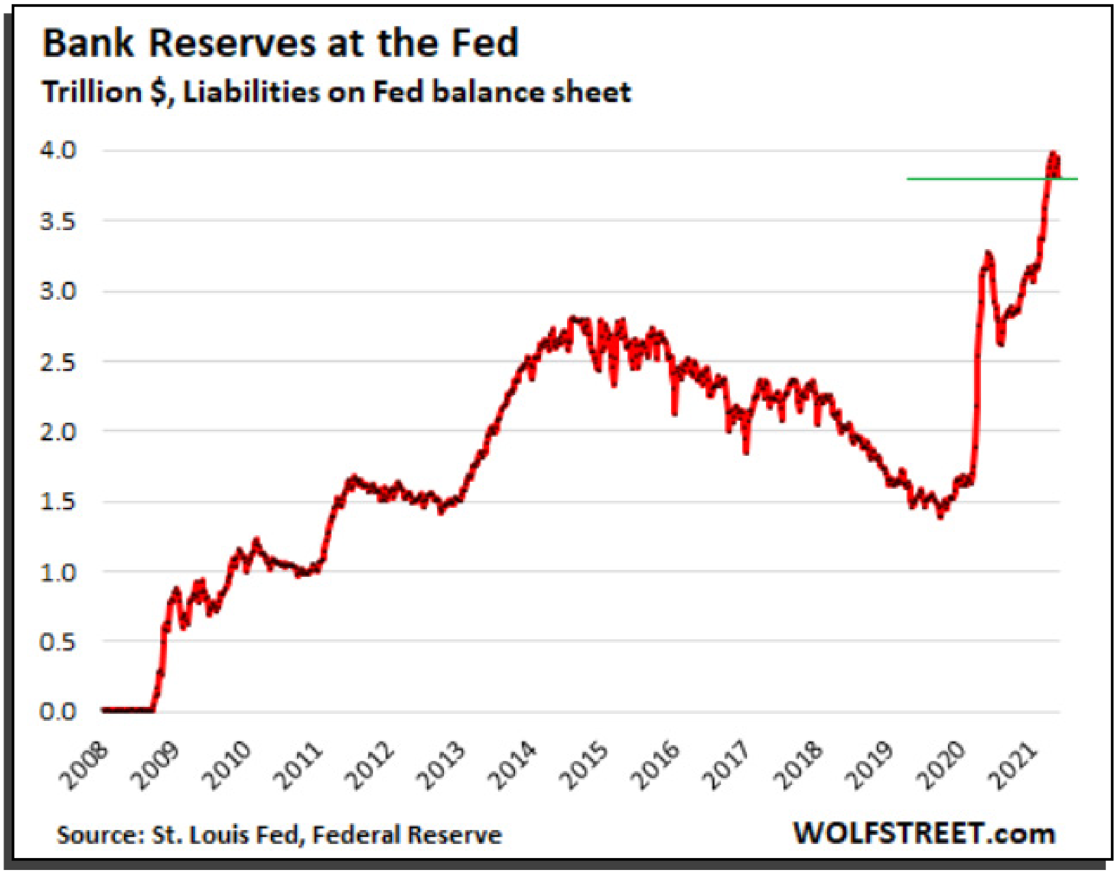

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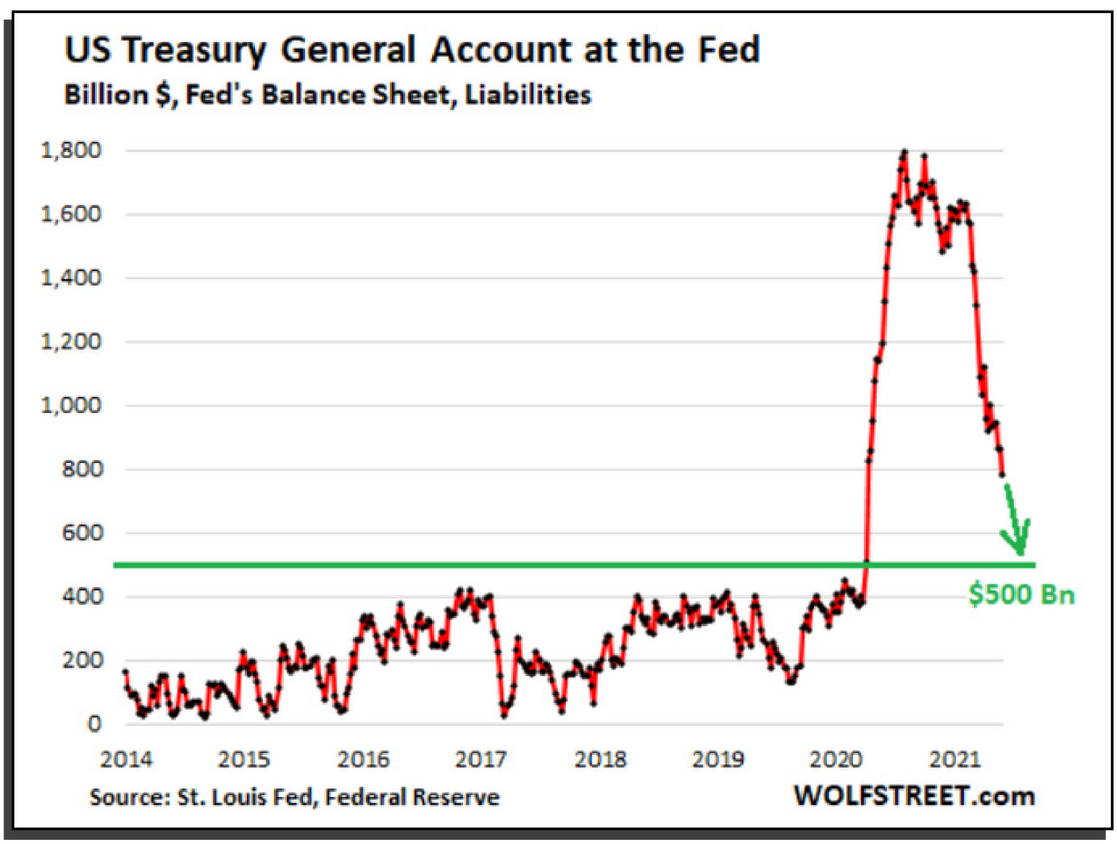

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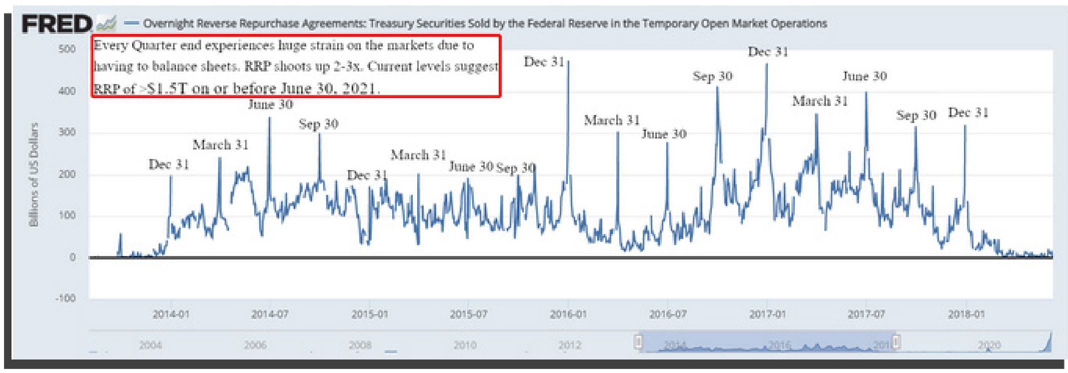
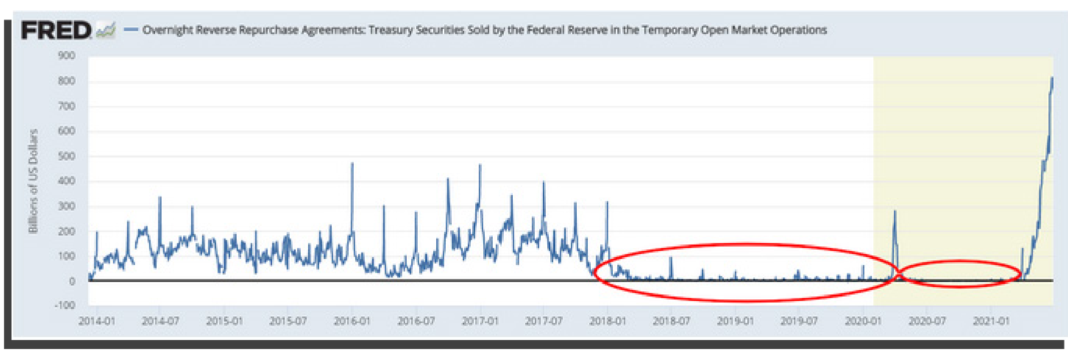
Number 2 is one of the greatest warning signs. That the RRP has been blowing up since the start of Q2. It historically has not done that the past few years, and this shows there has been strain on the system since the start of the quarter. There has been strain on the system since ENTERING Q2 and it isn't even the end of the quarter yet, at which there is even MORE strain on the system.

The RRP market is historically squeezed upward upon these quarter-end dates almost 100% of the time going all the way back to 2014. The Quarter Ends tend to push the cumulative RRP amount up 2-3x its current amount. Notice the spikes of RRP between 2014 and 2018:



RRP Movements Relative to Quarter Ends 2014-2018

Now check out how there hasn't been strain on the RRP for a long time until March 2020 (COVID crash, end of Q1) and then the start of 2021 Q2. The system has been quite mellow for some time until COVID dumped in tons and tons of liquidity, amplifying the issue of the treasury shortage with way too much liquidity chasing after it:



RRP Strain On Markets 2018 to 2021; Insignificant Movements Until March 2020 (COVID) and Q2 of 2021

2. EXPECT RRP TO SHOOT UP

Significantly More By Q2 End On June 30th

The latest numbers of RRP are $770 Billion as of June 25th. If the historical strain continues where it shoots 2-3x the current amounts, we could see >=$1.5 Trillion worth of treasuries borrowed in RRP. Maybe it will be even worse than a simple 2-3x. It's difficult to tell if the Fed can handle it since there is evidence they are already trying to hide the t-bill shortage:

RRP Current Levels

The markets can hit a situation where there is simply not enough treasuries to balance the books of those who need them. Which leads to defaults, which can eventually lead to SHFs defaulting, the auctioning of assets through the DTC, ICC, OCC, and then covering of short positions.

3. $DJI DID A WEIRD "RECOVERY"

Week Just Like March of 2020 Prior To Its Monday Crash

There's something interesting I noticed looking back at March 9th, 2020 and March 16th, 2020 as identified in the list of "Black Mondays" with significant market turbulence.

The week of February 24th, 2020, $DJI began to tumble.

Then, the week of March 2nd, $DJI began to do a recovery. Almost like a "last gasp for air".

Until the following Monday, March 9th, 2020, things began to fall off a cliff, which continued into the week of March 16th.

From February 24th, 2020 to its bottom on March 23rd, 2020, the $DJI had lost more than 30% of value. This was a total of 20 trading days.

The first $2.2 Trillion Stimulus was passed and signed into law on March 27th, 2020. The markets began to recover in anticipation of this - but this started just one of many stimulus bills to be added to the pile of liquidity that's now chasing the short treasury supply

$DJI Behavior As Approaching Q1 End of 2020 In Response To COVID

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Week Just Like March of 2020 Prior To Its Monday Crash

Now check out what $DJI has done since the week of June 7th, 2021.

The week of June 7th, 2021, $DJI began to tumble.

It continued to pull down, much more, the week of June 14th, 2021.

Then, the week of June 21st, 2021, $DJI began to recover.

It's also worth noting that during this time, $DJI had wiped out the entire gains of the quarter at its low point on June 18th:

$DJI Behavior As Approaching Q2 End of 2021

There is the potential for things to get real turbulent, real fast. But of course don't expect anything. This does not necessarily mean anything significant will happen to either GME or the markets tomorrow/next week. These are just my observations.

Quarter end is upon the financial markets and there are only three days until Q2 end. Collateral is needed to pump balance sheets, which there is a short supply of. Good luck banks. Good luck money-market funds. Good luck to the Fed.

Fasten your seatbelts.

https://www.youtube.com/watch?v=RLwaM-tTiXo

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