Title: Blockbuster, Sears and GameStop
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Is_self: True

Body:
Hello Autisticats! Several weeks ago I authored a piece titled “[Manufactured Defaults and the Sears Tweet](https://www.reddit.com/r/Autisticats/comments/p5hyss/manufactured_defaults_and_the_sears_tweet).” This was the only sub I originally posted in that allowed the writing to be published and remain visible - thanks!

With all the “zombie company” chatter across GME subs over the past 48hrs I felt a responsibility to re-post the piece on the subs where it seemed to be originally filtered out as “spam.” In effort to try and reduce the odds of the post being auto-moderated out I have gone back and:

1. Removed all implicating political elements
2. Names of specific individuals and businesses
3. Omitted information that could have been construed as divisive.

And… no luck. If you have some time today and feel like helping me identify the problematic portion of the post, it would be greatly appreciated.

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TLDR:

In my last few posts I have discussed a variety of topics all revolving around one central righteous theme - GameStop. In this post I intend to support and expand upon my previous observations, talk about some members of a [secret society](https://en.m.wikipedia.org/wiki/Skull_and_Bones) and provide one potential explanation for a tweet of Ryan Cohen’s.

https://twitter.com/ryancohen/status/1400492465442811904?s=21

Background:

For those of you unfamiliar with my previous posts, here is a timeline of events that (I think) are important:

1. October 29th, 2020 Bloomberg publishes an [article](https://www.bloomberg.com/news/articles/2020-10-29/quirk-in-europcar-credit-insurance-offers-lucrative-trade) which mentions two important events:
1. A $50m Credit Suisse Term Loan from 2019 was “novated” (replaced with a new contract) to distressed debt investors on October 25th, 2020
2. An index called LCDX, which specifically tracks Loan-only Credit Default Swaps, recently and “unusually” stopped trading because there “wasn’t enough liquidity in the underlying contracts”
2. [November 26th, 2020](https://www.reuters.com/article/uk-europcar-restructuring-idUKKBN2861US) distressed debt investors complete takeover of Europcar Mobility Group and lay groundwork for a short squeeze in the bond market
3. [January 11th, 2021](https://www.ft.com/content/69accf15-1ab7-426b-aadc-6f594d24dd65) there was a failed CreditEx auction for Europcar Mobility Group
1. The failed CreditEx auction resulted in a [Credit Event](https://www.cdsdeterminationscommittees.org/documents/2021/01/emea-dc-issue-2020120201-europcar-mobility-group-s-a-final-list-11-january-2021.pdf/) involving the $50m Term Loan made by Credit Suisse in 2019
4. The underlying loan likely represented a Loan-only Credit Default Swap https://www.bloomberg.com/news/articles/2020-10-29/quirk-in-europcar-credit-insurance-offers-lucrative-trade
1. “The DCs do not manage the credit event settlement process for loan-only CDS (LCDS) events but ISDA does facilitate the process by publishing auction terms on this website. The auctions for LCDS Credit Events are administered by…” (by a Clearinghouse)
www.cdsdeterminationscommittees.org/lcds-management/

2. A Clearinghouse likely assumed risk of the toxic assets as a result of this ISDA policy
5. [January 25th, 2021](https://www.wsj.com/articles/citadel-point72-to-invest-2-75-billion-into-melvin-capital-management-11611604340) Citadel and Point72 Capital “invested” $2.75b in Melvin Capital
1. Securities lending suspected https://www.investopedia.com/terms/s/securitieslending.asp
2. Possibly incentivized by a Stock Loan Rebate https://www.investopedia.com/terms/s/stock-loan-rebate.asp.
6. Morning of [February 23rd, 2021](https://mobile.twitter.com/secgov/status/1364225602493026304) investigation-related whistleblower announced
7. February 23rd, 2021 GameStop sees volume and sharp price increase during after hours trading
8. February 24th, 2021 after GameStop increases +$46.70 in 24 hours Ryan Cohen tweets ■ https://mobile.twitter.com/ryancohen/status/1364650709669601289?s=20
1. Possible reference the auctioning off toxic Greensill Capital LCDS-based positions
9. [March 1st, 2021](https://www.reuters.com/lifestyle/wealth/greensill-capital-trouble-credit-suisse-suspends-funds-2021-03-01/) Credit Suisse froze $10b in Greensill Capital funds
1. Per Wikipedia, “Greensill relied on loans provided by specialised supply-chain investment funds managed by Credit Suisse” https://en.m.wikipedia.org/wiki/Greensill_Capital
2. Explains the “frozen” soft serve accompanied by frog
10. [March 8th, 2021](https://www.reuters.com/article/us-britain-greensill-idUSKBN2B01WB) Greensill Capital files for bankruptcy
11. The week of March 8th, 2021, as recognized by another SuperStonk poster on April 22nd, 2021, was an interesting one for Robinhood
1. Robinhood substantially increases OTC activity on March 8th, 2021. OTC options suspected https://www.investopedia.com/terms/o/otcoptions.asp
12. March 12th - 26th, 2021 Archegos is liquidated (Per Credit Suisse report)
13. [April 1st, 2021](https://www.reuters.com/article/us-britain-greensill-credit-suisse-insig-idUSKBN2BO4VP) Tokio Marine decides not to renew $10b policy for Credit Suisse tied to Greensill Capital credit
14. [June 30th, 2021](https://wallstreetonparade.com/wp-content/uploads/2021/07/New-Mexico-State-Investment-Council-v-Bank-of-America-et-al.pdf) class action lawsuit with a Clearinghouse and Index provider as non-dealer defendents:
1. Suspected Archegos involvement (cooperation)

Context:

These events couldn’t possibly related, right? Too disparate, too far fetched. What about Occams Razor https://en.m.wikipedia.org/wiki/Occam's_razor? If you can believe it, I believe this is it, the simplest explanation - Manufactured Defaults.

What are Manufactured Defaults? They are effectively the financial maneuver underlying “bankruptcy jackpot”-type scenarios whereby Hedge Funds intentionally saddle a company with debt with the goal of triggering Credit Default Swap payouts. These contracts and their associated payouts are often referred to as “Credit Insurance” because the policies are taken out under the guise of “protecting” businesses during times of uncertainty. 2020 saw the most CDS activity since 2009 https://ihsmarkit.com/research-analysis/2020--highest-credit-default-events-since-2009--what-about-202.html.

Hypothesis:

My theory is that Cohen’s tweet depicting Sears was not only in reference to the bankruptcy of the company but the Chairman of the company and his college buddies as well.

Sears’ Chairman graduated Yale in 1984, was a member of the famous Skull and Bones society (■) and remains at the helm of the company to this day.

The founder of a distressed debt firm also attended Yale between 1982 and 1986. This was around the same time as the Sears Chairman and another well-known Skull and Bones member, a recent public servant, who graduated Yale in 1985. The founder of this distressed debt firm also appears to be quite influential and is on the board of some high-profile organizations.

What’s interesting about these three is not only did they overlap in their time at Yale but also in their investments for, and arguably against, the survival of Sears Holding Co. https://mobile.reuters.com/article/amp/idUSKCN1NX2LI. While some have framed Sears Chairman and the founder of the distressed debt firm’s back-and-forth as a “fight” https://www.bloomberg.com/opinion/articles/2018-12-20/hedge-funds-fight-over-sears-swaps others seem unconvinced based on the preferential treatment the Sears Chairman and the distressed debt firm’s founder have provided each other with over the years https://www.wsj.com/articles/sears-bankruptcy-battle-tests-swaps-market-11545215401.

This distressed debt firm is no stranger to Manufactured Defaults and they appear to have already been accused of outright market manipulation alongside Blackstone (not BlackRock) dating as far back as [2014](https://www.wsj.com/articles/SB10001424052702304655304579549421388575600), [2016](https://www.ft.com/content/3c4b7754-1eee-11e9-b2f7-97e4dbd3580d) and [2018](https://www.ft.com/content/5e23e516-5cdc-11e8-ad91-e01af256df68).

I believe this is what has been happening to our favorite stores of yesteryear for quite some time now. Blockbuster, Sears, Sports Authority, RadioShack, Toys R Us, JCPenney, GameStop - probably companies all tracked by the [LCDX](https://www.isda.org/book/bullet-markit-lcdx-tranche-transactions-standard-terms-supplement/) index - all targeted by distressed debt investors looking to either hold the unemployment of thousands over the heads of bankruptcy judges in pursuit of preferable liquidation terms https://www.wsj.com/articles/sears-wins-liquidation-plan-approval-as-lengthy-bankruptcy-nears-end-11570494729 or tempt less-savvy investors into the purchase of CDS that might not be delivered into bonds during Credit Default Swap auctions.

If you paid close attention to my timeline of important events you might now be wondering - ok, what does this have to do with the collapse of Greensill Capital again? My suspicion is Greensill had taken the Manufactured Default model and operationalized it with “collateral” provided by Credit Suisse in the form of a $10b insurance policy underwritten by Tokio Marine. As the hustle began to unravel and a Clearinghouse assumed risk/ownership of Greensill’s underlying toxic LCDS targeting GameStop and other debt-distressed companies, the swaps were converted to risky security-based options positions which Hedge Funds like Melvin Capital could have been paid to take on the risk of via Rebates. I would imagine these Rebates were re-invested and then used to fund pump and dump schemes in effort to offset the risks associated with the toxic securities they could’ve assumed the risk of. The resultant volatility from such positions appears to have contributed to the Archegos Capital margin call and subsequent investigation of them by authorities.

Conclusion:

Wow - that was a lot. Now you might be wondering, why do I care about this so much? Simple - because of what this could mean for our securities markets - the hopeful return of organic price discovery that has been obfuscated by leverage for the past 10+ years by people intentionally extracting value and cannibalizing companies by way of Manufactured Defaults. This is at odds with what I care about - people, their jobs and equal opportunity.

All-in-all, if this story hasn’t convinced you of Ryan Cohen’s financial genius I’m not sure what else would. He courageously stood up to people in positions of power in ways very few others could.

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I’m just a Retail Investor with a few financial news subscriptions, not a financial advisor. Thanks for reading.