Title: US Defaulting and Market Imploding.
Author: ChiefNorske
Created 2021-07-25 05:26:44 UTC
Permalink: /r/TheGloryHodl/comments/or5pq4/us_defaulting_and_market_imploding/
Url: /r/DDintoGME/comments/or5ob9/us_defaulting_and_market_imploding/
Is_self: False

Linked Post:
Body:
Preface:

I am not a financial advisor. Everything you are about to read is fact along with some thoughtful speculation.

I will try my best to thoroughly explain and provide thoughtful analysis on the below topics, along with giving my opinion as to what is going to go down. All of this information is publicly available, it's just a matter of where to find it and how to connect the dots. I will link every source that I use. Sit back, grab a snack, and enjoy this terrifying read of what is to come.

Glossary:

1. History of US Debt Ceiling
2. Recent Letter to Congress from Yellen
3. Timeline
4. Why We Should Be Worried
5. How Everything Connects
6. Other Market Crash Indications
7. Conclusion

1. History of US Debt Ceiling

The United States debt ceiling is a legislative limit on the amount of national debt that the U.S. Treasury can take on. It limits how much money the federal government can borrow. It is important to know that it can only restrain the treasury from paying for expenditures and other financial obligations after the limit has been reached. When, in the past, the debt limit has been reached, the treasury resorts to "extraordinary measures" to temporarily finance government until a resolution in congress is reached. The treasury HAS NEVER reached the point of exhausting all the "extraordinary measures", which would result in default, BUT on some occasions it did appear as though congress would allow a default to take place. [More info on Debt Ceiling](https://en.wikipedia.org/wiki/United_States_debt_ceiling)

2. Recent Letter to Congress From Yellen

On Friday, July 23, secretary of the treasury, Janet Yellen sent a letter to congress essentially stating the following:

1. The currently suspended statutory debt limit expires on Saturday, July 31.
2. On Sunday, August 1st, after the debt limit is no longer suspended, the United States will be at the Statutory limit.
3. The Treasury will suspend the sale of State and Local Government Series (SLGS) securities at 12 p.m. on July 30th. Will continue until the debt limit is suspended or raised.
4. IF nothing is done by August 2nd, then the treasury will certainly need to start taking additional "extraordinary measures" to prevent default"
5. Then the letter goes into some legal formalities and a brief history lesson as to why congress needs to

do something blah blah blah
6. And then lastly, it talks about how they aren't able to give an accurate timeline as to when they will run out of money and potentially default, BUT could be as early as October-November.

[Yellen Letter to Congress](https://home.treasury.gov/system/files/136/Debt-Limit-Letter-to-Congress-20210723-Pelosi.pdf)

So, there are a lot of different interpretations that we can make from the letter and the none-conforming answers to a timeline.

The first interpretation is that things are really bad, they're burning through money and in so much debt, that they know congress won't approve anything, but default is imminent.

The second interpretation is that things are really unknown at the treasury. Given the pandemic, current market conditions, and the "new" delta variant, any estimate given could be alarming and provide imminent conditions for a default.

Both scenarios are bad, but I will get to WHY this is bad later on. Thanks for making it this far.

3. Timeline

The timeline here is what raised my eyebrows.

[Here](https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit) is the link to all the letters to congress from the Treasury from the past 10 years.

I have read most, if not all of these letters and the biggest thing that I notice is the VERY expedited timeline of Yellen's announcement to suspend SLGS securities and her letter vs when the statutory debt ceiling expires. I am comparing it to the 2011 letters from Secretary Geithner. Please bare with me as I try my best to spit out and convey this quantity of information.

First, on January 6th Geithner predicts that the debt ceiling will be hit between 3/31/2011 and 5/16/2011. [You'll find that info in the third paragraph of the letter.](https://www.treasury.gov/connect/blog/Pages/letter.aspx) But, I think the big takeaway is that there is around a 3 month gap between the letter and the earliest estimate of the debt ceiling being reached.

Next, on April 4th Geithner gives an exact date in the [second paragraph](https://www.treasury.gov/connect/blog/Documents/FINAL%20Letter%2004-04-2011%20Reid%20Debt%20Limit.pdf) of when the debt limit will be reached (5/16/2011). Then he later talks about in the third paragraph of extraordinary measures that the department will take temporarily postpone the date that the US would default. The measures would be exhausted by around 8 weeks. Lastly, in this letter Geithner states that the more that congress fails to act, the more the US risks proving to investors around the world that the US becomes a riskier and riskier investment.

Lastly, Geithner writes on [5/2/2011](https://www.treasury.gov/connect/blog/Documents/FINAL%20Debt%20Limit%20Letter%2005-02-2011%20Boehner.pdf)confirming that the debt ceiling IS going to be reached on 5/16/2011 and that on 5/6/2011 it is going to suspend SLGS treasury securities. Then he talks about how congress better get their shit together or stuff is going to hit the fan.\\

4. Why We Should Be Worried

This part is speculative, BUT I don't think you should glance over it because ideally it will get you thinking about why things went down the way they did.

There is absolutely no coincidence of the timeline this time around in comparison to 2011. I think that the reasoning the timeline is so "sudden" this time around is because they know that Congress isn't going to mess with the debt ceiling, that it's already high enough.[(Already 28.5 TRILLION)](https://www.cbo.gov/publication/57371) That there's no point in sending numerous letters to congress months leading up to the end of the suspension because they know nothing is going to change. Rather, it's more efficient to begin "extraordinary measures" and show congress what effect these measures are going to have on the markets and government and prove to them that default shouldn't be an option.

5. How Everything Connects

It is known that everything in the market is connecting. It's an ugly spiderweb that is disgustingly intertwined and connected. SO, here is how I imagine everything playing out and how it is connected to our favorite little video game retailer.

First I think that foreign investors are going to begin their pullout of the US markets, especially when it becomes realized that a new debt ceiling isn't going to automatically pass (next week, 7/31).

Next, I think big tech stocks and crpyto will begin their decent down, I imagine it'll begin with a couple slightly red days, then people will realize that the peak was poked and the Bear market begins.

Then those slightly red days turn into bloody red days, where we see the SP 500 drop a few percent intraday.

That's where the fun really begins, where the over-leveraged SHF start to feel the pain of their positions.

Then moon. That's it, simple eh?

6. Other Market Crash Indications

I went to my trusty ''ol Google and searched ["Market Crash Indicators"](https://www.managementstudyguide.com/indicators-predicting-stock-market-crashes.htm) and if you're not able to right off the bat check-list every single one of those indicators, let me help you.

Rampant Speculation: I don't think i've gone a day where there isn't some big tech stock hitting an all time high, or when there's a certain pandemic that pumped so much money into the markets that stocks are at 30%+ higher levels than pre-pandemic but their fundaments and financials are exactly the same. yay.

Low Growth Rates: Something that assists in Low Growth Rates in the economy... unemployment.. labor shortages, those things that are occurring and you hear about every day on the news? Yeah. nice.

Peak Valuations: Soooo as of 7/24 the SPY closed at an all time high after dropping 2% earlier in the week because it had a case of the "mondays". Seriously? A case of the monday's is an actual excuse for the most looked at stock market index to drop 2%? wtf?

Low-Interest Rates: Seriously? Do I have to explain this one? Biggest example, interest rates < Inflation. Nuff said.

Well well well... check, check, check, and check. If that doesn't scream market correction and crash, then i'm not entirely sure what will.

7. Conclusion

Everything is fucked, the market is fucked, the government is fucked, gg wp.

It's damn near 1 am and I kinda want to post so that I can wakeup to some big brained responses and other thoughts to build off my own. A better conclusion could be that:

Everything is connected in the market and once the first domino falls, the end is near.

Thanks everyone that made it this far in my analysis and rant. I look forward to reading your comments and analysis of the information I present. Have a great rest of your weekend and obligatory Buy and Hold.