Title: Going over Bonds with Apes to educate and point out major liquidity issues I see in the Fixed Income Markets... This will not end well...
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Hello Apes… My beautiful Apes and Appettes of the world… I wanted to do some digging on the US Bond market. I believe there will be major issues in the fixed income space that are not being properly addressed.

This is not financial advise and I am not a registered financial advisor...

1. How buying and selling a bond is very different to a stock?
2. How big is this issue?
3. What does this have to do with GME and my computerstonky donk?

SIFMA, is a fixed income research shop that has information on the bond market. https://www.sifma.org/resources/research/us-fixed-income-securities-statistics/

1. How buying and selling a bond is very different to a stock?

The bond market has **Always** been less transparent than the stock market. For example, when a broker sold a bond they would add a 2.50$ “markup” to each bond on the buy, and each bond on the sell. A $5 round trip (per bond) to go in and out or make a swap. As such, this was always a lucrative business for Wall St and remained more under the radar.

[http://news.morningstar.com/classroom2/course.asp?docId=5383&page;=5#:\~:text=Markups%20are%20usually%20from%20about,a%20small%2C%20additional%20flat%20fee](http://news.morningstar.com/classroom2/course.asp?docId=5383&page;=5#:~:text=Markups%20are%20usually%20from%20about,a%20small%2C%20additional%20flat%20fee).

The difference between a bond and a stock is liquidity - there is ALWAYS a buyer for your stock - but for your bond, you need to actually find a buyer. The difference is that stocks have small spreads, like 1-20 cents, whereas bonds have much bigger spreads. (The spread is the difference between the bid and the ask).

Let's take a look at one of my Favorites, **The Evergrande March 2022 bonds.**

[**https://www.bondsupermart.com/bsm/bond-factsheet/XS1580431143**](https://www.bondsupermart.com/bsm/bond-factsheet/XS1580431143)

[https:\/\/www.bondsupermart.com\/bsm\/bond-factsheet\/XS1580431143](https://preview.redd.it/vs3l8q5vnjc81.png?width=1314&format;=png&auto;=webp&s;=f74699c7c75862e7b7ab708057912d3c35541548)

Above we have an Evergrande Corporate bond, that pays 8.250% annually, and matures on the 23rd of March 2022.

Above, you can see the **ASK** is 18.5cents. And the **BID** is 11.5cents. This means the spread on the bond is about 7cents. *7 cents is $70 per bond

Bonds are issued in values of $1000, so a bond trading at 18.5 cents, is $185 a bond. These Evergrande bond’s were originally sold with the promise to buy back on the 23rd of March, 2022 at $1000 per bond.

The bag holders (looking at you large U.S Financial Institutions) are asking 18.5 cents per bond, but the buyer is only willing to pay 11.5 cents. If you check this daily there will be no movement or sale until the seller agrees to the price.

This Evergrande Bond is illiquid, and if you buy it today, and Evergrande does not go bankrupt by March 23rd of 2022 (Less than 3 months), you will make over 3500% on the bond. This is their most Senior Debt and with that type of Yield to Maturity, it looks like Evergrande is 100 pct going out of business.

I do believe that the Chinese played U.S financial firms, by selling them these “High Yield Junk Bonds” that are basically worthless.

An older reddit post showed some of the Evergrande bond holds, everyone owns them. See link below and keep in mind the data is older.

https://www.reddit.com/r/Superstonk/comments/pt57ol/who_are_evergrandes_bond_holders_here_are_the/

The point with all of this is that this bond is illiquid - the sellers won't accept less than 18.5 cents, and the buyers won't offer more than 11.5 cents - this bond won't sell unless the seller lowers their price. 11.5 cents is about 30% cheaper than 185 cents.

1. How big is this issue?

It's about $51 trillion big…If you include all the debt in the public markets in the U.S it is about $51 trillion…

[SIFMA.org](https://preview.redd.it/v0wsthg5ojc81.png?width=922&format;=png&auto;=webp&s;=687e957042b34daf9676c5f624d21b0b94f3126e)

[The Debt never stops...](https://preview.redd.it/vpekocaaojc81.png?width=1252&format;=png&auto;=webp&s;=7d5daae993db34302cf288916517d2652fa8d036)

The chart above is the latest I could find which shows how much Debt these crazy fools have been racking up. Last year,

Interest Rates have fallen since the 80’s…..

[Rates are down since the 80s...](https://preview.redd.it/219pp5chojc81.png?width=1198&format;=png&auto;=webp&s;=2a01798766d8affe67cff55d16d33350aaddbf8f)

When interest rates go down, the price of bonds increases, and bonds have rallied since the 80’s. Over 40 years! And now, the FED, wants to raise rates because inflation is crazy.

[Left shows treasury returns, right shows impact of rising rates on bonds...](https://preview.redd.it/l96b5w4wojc81.png?width=1288&format;=png&auto;=webp&s;=0deec8dd6f1f836528ccb828a09015e33df96cea)

Looking at treasuries for 2021, they all lost money (Except the TIPS bond which is not sustainable). 2, 5, 10 and 30 year bonds all lost money. And the further out you go, the more you lose.

The chart on the right shows the impact of a 1% rise in interest rates. A 1% rise in rates will push the 30 year bond down 18%. So a retail client with $1million in the 30 year bond, would lose $180k, every time rates go up 1 pct. Rates go up 5% and the 30 year bond is almost worthless.

So how many treasuries does the FED own?

[Just take a minute to look at how big these numbers are, look at 08...](https://preview.redd.it/bxm70ik3pjc81.png?width=1288&format;=png&auto;=webp&s;=052ac2d48c1ea4f6f0bee6554c255f2add9221a5)

The FED owns $5.5 Trillion of these Treasuries that pay a whoping 1.85 percent.

According to the interest rate changes published by J.P Morgan Guide to the Markets, the FED stands to lose probably more than anyone… When these rates rise, the FED is going to get whacked. In addition, who is going to buy these bonds?

(If anyone knows how, a fun analysis would be to break down the maturities of the treasuries that the FED owns, and actually map out losses of their pf against a 1, 2 and 3% rise in rates.

The Taper, is when the FED stops buying these Treasuries.

[Look at 19-21, It starts to really breakout...](https://preview.redd.it/moco21wepjc81.png?width=1264&format;=png&auto;=webp&s;=f03e29dd5b7bfc93e7da9f43d464b87f8a69ec45)

Inflation was reported at 6.9% (Nice) in November of 2021.

[Even non financial people are catching on...](https://preview.redd.it/0vwlegnlpjc81.png?width=858&format;=png&auto;=webp&s;=5e83579eb6126725d1357597fbb48d5ca48f6a51)

Why do I want to tie my money up with the U.S Government for ten years, to lose 4% to inflation, and that's with no rate hikes. (Some people will say its Transitory, I say it's here and real)

This was a quick overview of Treasuries. The only way the FED can print more money is to keep buying these Treasuries and Agency Securities (Even the FED doesn't want to hold this garbage).

[Rate Hikes are coming...](https://preview.redd.it/vmpb74nrpjc81.png?width=1306&format;=png&auto;=webp&s;=0d1eb549ed255bbd48a3cb32cfb44ef7cd27c55e)

[The Yield Curve is Flat!](https://preview.redd.it/sy87sz7wpjc81.png?width=1254&format;=png&auto;=webp&s;=9b42c371abfb1ad2cf90a2182be4ff8d418e9ed8)

The **YIELD CURVE** shows how interest rates and maturities correlate. The purple line is 2020, as you can see rates have dropped since 2013 and the curve is more flat - You make 1.19% if you hold the 30 year bond, .96% on the ten year bond, and so on. Is it really worth holding these 30 year bonds for a 2% coupon payment, and fluctuations of 18% every time rates move 1 percent. MOST people would rather be on the “short” (closer maturities) part of the curve - Now do you guys see why Christian Bale is Short U.S Treasuries…

And now, the SEC wants to sue CoinBase for offering a solid liveable interest payment on a product. No Bullshit… [https://www.nytimes.com/2021/09/08/business/coinbase-sec.html#:\~:text=Coinbase%2C%20the%20largest%20cryptocurrency%20exchange,interest%20on%20digital%20asset%20deposits.&text;=1%20that%20its%20Lend%20product%20could%20violate%20securities%20laws](https://www.nytimes.com/2021/09/08/business/coinbase-sec.html#:~:text=Coinbase%2C%20the%20largest%20cryptocurrency%20exchange,interest%20on%20digital%20asset%20deposits.&text;=1%20that%20its%20Lend%20product%20could%20violate%20securities%20laws).

The FIXED income markets are dead after years of lower rates. Inflation is hundreds of basis points higher than any safe fixed income investment out there. The DTCC, the FED and the Street does not want you to know this.

1. What does this have to do with GME and my computerstonky donk?

The Major Major Issue in the bond market is the illiquidity of the ETF’s. I think this is one of the most dangerous parts of the market that is being overlooked by the Financial Institutions. The truth is, there are no more reasonable income plays currently (I'm not talking about Crypto).

[Just $1 Trillion in Dog Shit Wrapped IN Cat Piss](https://preview.redd.it/uerb0zd3qjc81.png?width=1256&format;=png&auto;=webp&s;=b40411638176f65cf196a1a19cd777a602f672c1)

[**https://www.ishares.com/us/insights/etf-trends/us-bond-etfs-1-trillion#:\~:text=Now%20with%20a%20U.S.%20marketplace,potential%20benefits%20to%20many%20investors**](https://www.ishares.com/us/insights/etf-trends/us-bond-etfs-1-trillion#:~:text=Now%20with%20a%20U.S.%20marketplace,potential%20be nefits%20to%20many%20investors)**.**

Why am I pointing out ETF's?

When buying Fixed Income, I would always advise a Mutual Fund over an ETF. The reason, the Mutual Fund has a team of analysts and traders. The Mutual Fund has a portfolio manager.
If the mutual fund is redeemed the Fund Manager can go to the fund and sell the bonds they like. They can pick and choose and take the best bid available. The difference between and ETF is that its a computer buying and selling a blanket index when the fund is bought and sold.

Remember, ETF's are open end funds - so the ETF provider has to buy/sell the bonds in the ETF everytime an ETF is purchased.

The "AGG" is one of the biggest broad market bond ETF's and its total value is over $90Billion.

[AGG ETF](https://preview.redd.it/r6gfevldqjc81.png?width=1268&format;=png&auto;=webp&s;=268f05d3a261e23bd72679b4daffe1fb977161f0)

If the FIXED INCOME markets start to decline, if people really do shy away from the negative total returns in bonds… These bonds along with the treasuries will be dumped in the market.

With a computer doing the buying and selling, it could be a catastrophic liquidity event if the FIXED INCOME markets went thru a major sell off. This FUND ABOVE, the "AGG", has no discrimination - Remember in part 1, Bonds need a buyer and a seller - **My Fear is that there are no buyers for most of the debt out there.** Once people wake up and start liquidating their Bond ETF's the computer will sell the bond to the high bidder… they have to, to return money to the investor.

So if your ETF owned Evergrande, you would be forced out at 11.5 cents on the dollar for a 89.5 cents loss from Par (face value).

If the computer is forced to dump these bonds, they could trade very low, and that will affect margin in the same way the stocks do. While the Stonks are a major focus, the Fixed Income Markets pose real liquidity issues that the Street has no answer for.

My Final Thoughts…

Fixed Income Investments are practically worthless. With Yields so low, and Inflation so high, these investments are not practical and will pose major liquidity issues to the bond and equity markets once the selling really begins.