Title: The Invisible Short
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Created 2021-09-15 15:31:36 UTC
Permalink: /r/Autisticats/comments/posf8c/the_invisible_short/
Url: /r/DDintoGME/comments/pomr99/the_invisible_short/

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First real DD. Constructive criticism welcome!

It all began with a mysterious hint sent to u/wakka_420_ .

Seriously, what's with all the mystery at the moment? A clue here, a clue there… A gif of a boy in a pool floating to the surface by the buoyancy of his gonads. Some soldiers in 1950s Korea stood next to a big gun. Ryan Cohen (Hey RC I love you!) with chopsticks up his nose?

Come on. Just tell us what's happening!

I suppose, at least we know how it ends: with Kenny and Stevie C in a dungeon with a trillion green dildos rammed up their arses.

Hey Kenny? Stevie? FUCK YOU.

Anyway. The hint was to look at Credit Suisse's SEC filings. u/wakka_420_, quite understandably, thought that was a tad vague, so they asked for some clarification. He posted screenshots of the answers. He didn't understand, so in true ape fashion, he asked "wut mean?" to the retards on r/Superstonk and we came swinging down from the trees to peel this mystery banana open and feast upon its wrinkle-inducing goodness. You can see the thread [here](https://www.reddit.com/r/Superstonk/comments/pmwcnt/some_guy_started_messaging_me_some_mysterious/).

PREPARE TO BECOME WRINKLED.

TL;DR just read it. TA;DR banks have shorted the market.

What we found were "Contingent Coupon Callable Yield Notes". No. It didn't mean anything to me either. Fuck, I hate bankers and their endless jargon.

u/EXTORTER, that fine, fine ape, he did the digging. He found a derivative, a "coupon", with 3 bank stocks as the underlying assets. Citigroup, Comerica, and First Horizon. $1000 US for each coupon. This coupon looks a lot like a bond: it is always worth the principle and only pays out interest. This tranche mature in October 2026 and pay 12.5% per annum. That's higher than *real* inflation, which is definitely not 5.3%.

If I was a bank, and I'm *very* glad I'm not, I'd buy one. I'd buy a fucking million of them if they paid me 12.5% interest each year for 5 years.

Except the fine print contains some details.
The value of the coupon doesn't go up if the underlying assets appreciate in value. OK, that's the risk. Fine. I don't have to buy the bank stock.

But what happens if the underlying assets depreciate?

The value of the coupon is determined by the performance of the poorest-performing asset. You get your $1000 back if the underlying stocks stay above a loss of 40%. At >41%, you get $590. At 80%, you get $200. At 100%, it's all gone. No tendies for you.

But that's OK. It's not like bank stocks are going to fall by 40% is it?

Is it?

Right, guys?

…guys?

Those clever, cynical fucks.

They've shorted the market.

This is how it works:

A bank (in this case, Credit Suisse) buys a load of stocks they think will get hit hard by the crash but should recover. They don't want to open a short position on a market because that will spook the rest of the banks. EVERYTHING IS FINE, REMEMBER?

CS bundles these stocks into coupons and puts a big return on them to make them look like they'll beat inflation. Buying anything that yields less than 8-12% is going to lose money in real terms in this inflationary environment. Thank you, Fed.

12.5%. Yum yum.

A bank or institution that has far too much cash and needs high yielding, high quality assets (October 1st SLR? Is that you?) buys that delicious looking asset and their books look much healthier. *LOOK! FUTURE MONEY. MONEY GOOD*

Cue crash.

Oh god oh fuck. Where are my tendies?

The worst performing asset (Here's looking at you, Citigroup) shits itself and now it's worth… let's be generous, and say 50% of what it was. No more interest for the buyer. That disappeared way back at -30%.

Shit.

SELL IT. WE NEED LIQUIDITY TO BUY THE DIP

Even at 50%, it's worth $500.

Except it's not if Credit Suisse says it's not.

Oh, you didn't read the fine print? If you want to close the contract before it matures, we tell you how much it is worth.

Let's be generous and say Credit Suisse gives them $500 for it. Where does the other $500 go?

Straight into Credit Suisse's pockets at a time when it's very helpful to have liquid cash to buy the dip.

It's a short.

They sold the asset, its price went down, they got the asset back and closed it, pocketing the difference.

But wait, there's more

Credit Suisse *still has the underlying assets.*

They didn’t have to sell them to short them. If they make a loss, they can offset tax with it. If the bank stocks go to 0, they get a liquidation dividend. If they recover, they’ve got an appreciating asset that pays dividends.

Win. Win. Win.

THESE DERIVATIVES ONLY MAKE CREDIT SUISSE MONEY IF THE MARKET CRASHES MORE THAN 40%

They’ve sold a lot of them.

So have Citigroup. So have Goldman Sachs. Barclays. HSBC. Everyone

What’s in them?

AMD. Capital One. Salesforce. Mining ETFS. Fucking everything, apparently.

https://www.sec.gov/Archives/edgar/data/1053092/000089109211003558/e43780fwp.htm
This is how they hedge the crash.

I am just a simple ape. I have few wrinkles. If wrinklier apes than I would go and look at what’s in the rest of these, I think the community would benefit.

What I can’t find is who is buying them. If it’s other banks, then it’s game over.

It’s other banks, isnt’ it?

Or it’s your pension fund. Or your 401k.

How does this relate to the MOASS? This is how the members of the DTCC can have enough liquidity to pay for the short hedge funds’ criminal stupidity and greed.

I might be missing something here. Please, tell me if I am, because this scares me.

Edit: I forgot to mention, these securities are not available on securities exchanges. Hence them being "invisible". Have a look [here](https://www.sec.gov/Archives/edgar/data/1053092/000095010321005794/dp149639_424b2-t2047.htm)

EDIT 2: some wrinkly apes in the comments are rightly pointing out that this is a regular hedging technique (yes it's legal). They've been around for a long time. Credit Suisse started issuing these in 2010 as far as I can tell.

In the context of a crash they act like a short hedge against the long (holding the underlying securities).

Is that right? I am smooooooth.

Edit 3: [Some DD from someone who actually knows what they're talking about](https://www.reddit.com/r/Superstonk/comments/pn6ol1/cool_dates_regarding_the_contingent_coupon/)

Edit 4: HOLY CRAP CHECK OUT THIS [POST](https://www.reddit.com/r/Superstonk/comments/pn0gha/wrinkle_brain_needed_possible_variation_of_cdos/)

EDIT 5: [More from the above poster with much more detail](https://www.reddit.com/r/Superstonk/comments/pmtqig/cellar_boxing_cme_citadel_citi_apex_apollo_and/)

~~I didn't get this right, I don't think~~. Read edits 4 and 5 for better understanding. I'm going to do much more reading and come back with a clearer picture for you lot.

BTW the wrinkliness of the apes in this community is inspiring. Thank you all for your help.

EDIT 6: it looks like these things are being used to bundle very risky stocks (stuff Shitadel has large stakes in, interestingly) and these instruments are available for sale on 29/9/2021. They look like a direct bet against the market instead of a standard hedge. Thanks to u/tikkymykk for the wrinkles.

EDIT 7: u/Asleepnolong3r posted some useful
[info](https://www.reddit.com/r/Superstonk/comments/pomrms/-/hcy5omx)

EDIT 8: these look like bets against Shitadel. When they get liquidated because of the MOASS, they have all their shares sold in the market to pay us. That crashes the price. The sellers of these assets collect.

I knew it'd come back to Shitadel somehow...

EDIT 9: This [post](https://www.reddit.com/r/WallStreetbetsELITE/comments/pomqi3/-/hcy0leu) indicates the risk is being sold to the unsuspecting public. 20% annualised returns? Too good to be true.

EDIT 10: please contact me with any information regarding recenf offers from brokers of coupons or notes that yield above 12%. Looks like they're dumping the bag on the public. People need to know. Thank you.