

Url: /r/GME/comments/mgucv2/the_everything_short/

4/4/2021 EDIT: Just got done watching [this review](<https://www.youtube.com/watch?v=6pnK7W4b0Ro>) (2:09:37) from George Gammon and Meet Kevin. As pointed out by George, the link I posted below talking about the submitted repo amount was ONLY showing the NY Fed's total for that day. According to his own research, he suspects that \$4 TRILLION is pumped through this market, EACH DAY.

The first one being the WSJ article covering BlackRock, where the fed has tapped them to purchase bonds for the government. These bonds consist of mortgage backed securities and corporate bonds- NOT TREASURIES. While this does not destroy the concept within the post, it DOES remove a link between the speculative relationship of BlackRock and Citadel. Citadel is still shorting bonds, other hedge funds are shorting bonds, BlackRock just isn't buying treasuries from the government. There are plenty of other financial institutions lending out their treasury bonds.

STAY TUNED!

THIS is why the DTC and FICC are requiring an increase in SLR deposits. The madness has officially come full circle.

After writing [Citadel Has No Clothes](https://www.reddit.com/r/GME/comments/m4c0p4/citadel_has_no_clothes/?utm_source=share&utm_medium=web2x&context=3), I couldn't shake one MAJOR issue: *why do they have a balance sheet full of financial derivatives instead of physical shares? Even Melvin keeps their derivative exposure to roughly 20%...(*whalewisdom.com)* , Melvin Capital 13F - 2020)*

Let's break this into 4 parts:

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Step 1: Repurchase & Reverse Repurchase agreements.

Why do they matter?

A few years later, [MF Global](https://fas.org/sgp/crs/misc/R42091.pdf) would suffer the same fate when their European repo exposure triggered a massive margin call. Their foreign exposure to repo agreements was nearly **4.5x** their total equity.. Both Lehman and MF Global found themselves in a major liquidity conundrum and were forced into bankruptcy. Not to mention the other losses that were incurred by other

Palafox Trading is a market maker for repurchase agreements. Initially, they appear to be an innocent trading company, but their financial statements revealed a little secret:

longer attractive compared to cash? That means there wasn't enough liquidity in the system.** Well this time the OPPOSITE effect is happening. Ever since March 2020, the short-term lending rate (repo rate) has nearly dropped to ***0.0%....***

https://www.newyorkfed.org/markets/treasury-repo-reference-rates[https://preview.redd.it/ui9welkg9q61.png?width=330&format=png&auto=webp&s=fbd5b9501f7bbc386fa62e152ca2b090173692a2]

So the fed is printing free money, the repo market is lending free money, and there's basically NO difference between the collateral that's being lent and the cash that's being received.. With all this free money going around, it's no wonder why the price of the 10 year treasury has been declining.

In fact, hedge funds are SO confident that the 10 year treasury will continue to decline, that they've ****SHORTED THE 10-YEAR BOND MARKET.**** I'm not talking about speculative shorting, I mean shorting it to oblivion like they've shorted stocks.

Don't believe me?

Hedge funds like Citadel Advisors must first locate the treasury bond in order to swap them for cash in the repo market. It's extremely difficult to do this with the fed because they're tied up in government BS, so they locate a lender in the market. These consist of other commercial banks and hedge funds.

****NOTE: I MADE A COMMENT ABOUT BLACKROCK SUPPLYING TREASURY BONDS AND THIS IS NOT TRUE. UPON FURTHER REVIEW (CREDIT** u/dontfightthevol **) THESE BONDS CONSIST OF MBS AND CORPORATE BONDS. WHILE THE US TREASURY DEPARTMENT IS INVOLVED, THEY ARE NOT SUPPLYING TREASURY BONDS.****

So financial institutions keep treasuries on reserve for hedgies like Citadel to short. Citadel comes along and asks for the bond, they throw it into Palafox Trading and collect their cash. So what happens when they need to pay for their repo agreement? Surely to GOD there are enough bonds floating around, right? ****Not unless hedge funds like Citadel have shorted more bonds than there are available.****

Here's the evidence.

There have been 3 instances over the past year where the repo rate dipped below the "failure" rate of -3.0%. On March 4th 2021, the repo rate hit [-4.25%](https://www.reuters.com/article/usa-bonds-repo/explainer-u-s-treasury-sell-off-spills-over-to-repo-market-idUSL2N2L32FR) which means that investors were willing to PAY someone ****4.25%**** interest to lend THEIR OWN MONEY in exchange for a 10 year treasury bond.

This is a major signal of a squeeze in the treasury market. It's MAJOR desperation to find bonds. With the federal reserve purchasing them monthly from the open market, it leaves room for a shortage when the repo call hits. If commercial banks and hedge funds haven't purchased more treasuries since first lending them out, short sellers simply cannot cover unless they go into the market and PAY the bond holder for their bond. It's literally the same story as all of the heavily shorted stocks.

Still not convinced?

At the end of 2020, Palafox Trading listed ****\$31,257,102,000 (BILLION)**** in GROSS repo agreements. ****\$30,576,918,000**** (BILLION) were directly related to repurchasing treasury bonds....

https://sec.report/CIKV0001284170[https://preview.redd.it/m3lg8nzog9q61.png?width=726&format=png&auto=webp&s=747e1f671323227be9c0220aec18f8ec245d3cf1]

But what about their Reverse Repurchase agreements? Don't they have assets to BUY treasury bonds? SURE.. Take a look..

https://sec.report/CIKV0001284170[https://preview.redd.it/wt8fbrlg9q61.png?width=371&format=png&auto=webp&s=72f939a98e0dc34a08b8a58e89ef68045a8e78a7]

SeE tHeRe? I tOLD yOu ThEy HaD iT cOVeREd..

Yeaaaah... now read the fine print.

[I know the totals are slightly different than the balance above, but they're both from 2020. It's just how they are presented. Check for yourself. [\\(\https://sec.report/CIK/0001284170/\\)](https://sec.report/CIK/0001284170/)](<https://preview.redd.it/5enfigytg9q61.png?width=354&format=png&auto=webp&s=ab613f3bf46064c674bce68766a90e2b2613a2ec>)

So no, they don't have it covered. Why? Because our POS financial system allows for rehypothecation, that's why. It's a big fancy word for using amounts owed to you as collateral for another transaction. In the event that the party defaults, ****SO DO YOU****.

This means that the securities which Palafox is waiting to receive, have ALREADY been pledged to pay off the bonds they currently OWE to someone else.

Does this sound familiar? Promising to repay something with something you don't already have? Basically you need to wait on Ted, to repay Steve, to repay Jan, to repay Mark, to repay you, so you can repay Fred, so Fred can.... Yeah, REAAAAL secure..

OH, and by the way, the problem is getting WORSE.

Here's Palafox's financial statements in ****2018:****

https://sec.report/CIK/0001284170[https://preview.redd.it/lrtryfivg9q61.png?width=720&format=png&auto=webp&s=d850854f0fbcf0a5d701374ed5634d6eaf036919]

****And 2019:****

https://sec.report/CIKV0001284170(https://preview.redd.it/zjxda0swg9q61.png?width=721&format=png&auto=webp&s=4c124bfd8b4f4a9162b2a2b65ade4b690b4dfadd)

The amount in ****2020**** is STILL +100% greater than 2019, AFTER netting (which is even more bullish*t).

https://sec.report/CIKV/0001284170(https://preview.redd.it/xjss7dzxg9q61.png?width=714&format=png&auto=webp&s=9ff71bf6631f9e665378a0f4a623a95e3aebc264)

All of this made me wonder what the FICC's balance is for treasury deposits... For those of you that don't know, the FICC is a branch of the DTCC that deals with government securities.

Just like the updated DTC rule for supplemental liquidity deposits being calculated throughout the day, the FICC also calculates this amount as it relates to treasury securities multiple times throughout the day.

Would you be surprised that the FICC has \$47,000,000,000 (BILLION) just in DEPOSITS for unsettled treasury bonds? **\$47,000,000,000?!?!?!!**

****CAN YOU IMAGINE HOW ASTRONOMICAL THE ACTUAL MARGIN MUST BE?!****

<https://preview.redd.it/zrkpzd1h9q61.png?width=710&format=png&auto=webp&s=64f6b10aca2566bcf9b5d560967af3715104b839>

There is TOO much evidence, from TOO many separate events, pointing to the imminent default of something big. That's all this is going to take. When Ted can't repay Steve, it means the panic has already

started. Just look at how easy it was for the repo rate to spike overnight in 2019..

We are already starting to see the consequences of the SLR update with Archegos, Nomura, and Credit Suisse. This is just a taste of what's to come.. and now we know the bond market represents an even BIGGER catalyst in triggering this event.. and it's happening already.

With that being said, things finally started to make sense... Citadel doesn't NEED shares if their investment strategy to go short on EVERYTHING instead of going long. Why bother owning shares? Financial institutions and other asset managers simply lend them to you when you need to pony up a margin call for stocks and bonds..

Their HFT systems allow them to manipulate the market in their favor so there's NO way they could fail.... unless.... a bunch of degenerates all decided to ignore taking profits...

But that would NEVER happen, right?

...wrong...

we just like the stonks

DIAMOND.F*CKING.HANDS

This is not financial advice