

Title: Bullet LCDS - Dog shit, Wrapped in Cat Shit, Wrapped in Bat Guano

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Ok so what's the 2021 version of financial Dog Shit?

That would be Collateralized Loan Obligations ([CLO](<https://www.investopedia.com/terms/c/clo.asp>)), securities comprised of bundled loans with junk credit ratings, which are currently experiencing [record sales](<https://www.wsj.com/articles/libor-transition-stokes-sales-of-risky-corporate-debt-11631451601>) due to the transition from LIBOR to SOFR.

And the financial Cat Shit?

That would be Loan-only Credit Default Swaps ([LCDS](<https://www.investopedia.com/terms/l/loan-credit-default-swap.asp>)). These are Credit Default Swaps specifically used in conjunction with [Syndicated Secured Loans](https://www.cftc.gov/sites/default/files/idc/groups/public/@swaps/documents/dfs submission/dfs submission_021711_535_0.pdf). Markit and Creditex, per the CDS Determinations Committee website [here](<https://www.cdsdeterminationscommittees.org/lcds-management/>) (which coincidentally references Toys "R" Us), manage the settlement of LCDS credit events (such as bankruptcy).

It's worth noting that Markit and Creditex are the only two non-bank defendants in the New Mexico class action lawsuit filed on June 30th, 2021. The Clearinghouse that owns Creditex is also the company that took over the administration of LIBOR (the benchmark interest rate now being deprecated in favor of SOFR) from the British Bankers Association in early 2014.

And lastly, the financial Bat Guano.

That would be the "[Bullet Loan-only Credit Default Swaps](<https://www.lexology.com/library/detail.aspx?g=4ba2f5cc-0b27-4bd5-bb09-ed6222a3521f>). These "Bullet Swaps" were referenced in the report published by Credit Suisse on Archegos Capital Management [here](<https://www.credit-suisse.com/media/assets/corporate/docs/about-us/investor-relations/financial-disclosures/results/csg-special-committee-bod-report-archegos.pdf>). These incredibly risky investments were used for two specific purposes:

1. Avoidance of "[Dynamic Margining](<https://www.bloomberg.com/news/articles/2021-04-08/credit-suisse-tightens-hedge-fund-limits-amid-archegos-fallout>)" because the contracts do not periodically "reset" to market value over time
2. The long duration of the contracts, known as "[Tenor](<https://www.investopedia.com/terms/t/tenor.asp>)," making them tax-efficient

The average tenor of Archegos' contracts was 24 months, which in my opinion, is likely why GME short positions could have never closed in January or February. This is bolstered by the fact that Bullet LCDS are non-cancellable.

Conclusion

So yes, just like 2008/2009, it seems the financial markets are currently digesting a glut of toxic financial excrement by companies like Citadel... which seems to make sense given their historical taste for similarly smelly assets like those of [Long-Term Capital Management](https://en.m.wikipedia.org/wiki/Long-Term_Capital_Management) and [Amaranth Advisors](https://en.m.wikipedia.org/wiki/Amaranth_Advisors) in years past.

Just a Retail Investor, not a financial advisor.