Title: The hole
Author: disoriented_llama
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Permalink: /r/TheGloryHodl/comments/pod6av/the_hole/
Url: /r/Superstonk/comments/npi3s7/thesis_si_is_between_3000_10000_assuming_30m/

Linked Post Content:
Thesis Statement

I believe a variety of shorting loopholes exploited by bona fide market makers have allowed GameStop’s circulating shares to reach a number in the billions with SI likely being somewhere between 3,000% - 10,000% (assuming the tradeable float is \~30M shares). Thus, it can also be concluded retail owns the float dozens of times over (a specific number seems irrelevant at that point). I estimate the current financial system is facing a greater than $1 quadrillion correction driven mainly by excessive naked shorting of GameStop's shares. I expect this correction to be an extinction level event for the US dollar as it will end with the dollar experiencing hyperinflation.

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Shoutout to u/Own-Instruction-5752 for reviewing this

Disclaimers

This is a thesis argument; thus, it is not financial advice.

This thesis is primarily based on math, data, history, and the conclusions that can be drawn from those three; thus, it should not be considered as factual.

I hope that by sharing these thesis:

* Apes will gain useful insights.
* Progress the knowledge within our community.
* It can serve as some entertainment and dat sweet confirmation bias porn we all love.
* Most importantly, the community can review and critique this argument allowing major holes in the logic to be discovered and the thesis altered as necessary.

Structure

* Statement 1: 3,000% - 10,000% SI
* The Anomaly Argument
* The Counting Argument
* The Zoom Out Argument
* Statement 2: Dollar is Facing ELE
* Reverse Repo Crisis
* Quick Bond Market Mechanics Recap
* Did Citadel Find an Infinite Money Glitch with Treasuries?
* Hyperinflation AKA Dollar ELE
* Final Thoughts

Quick Inhumble Brag

I would just like to say when I wrote [this](https://www.reddit.com/r/GME/comments/mewkf8/thesis_si_is_upwards_of_2000_gme_is_a_100/) there wasn't too much talk about our good ol' buddy the DTCC and many people seemed to think $100 trillion was madness. I'm glad to see there is more attention being paid to the DTCC now (shoutout to Atobitt's HOC1 for that), and I'm curious if $100 trillion still even raises people's eyebrows. Was I right about everything I said? Nope, but overall it seems to have aged fairly well. Only time will tell how this post ages, but I'm almost hoping it doesn't age well.....

Addressing A Previous Counter Argument

Previously, I had estimated a 2,000% SI minimum and based my written argument on the "glitches" we were seeing in TOS and the corresponding behavior in the stock price and volume. Within hours of posting it appeared there was a counterargument that invalidated my own argument.

Remember this?

[Jsmar18 Counterargument](https://www.reddit.com/r/GME/comments/mf1f6n/i_was_missing_a_key_piece_of_the_puzzel_this_is/)

It's a great DD and quite challenging to read. And in the words of my favorite internet arm chair critic Mr. Plinkett: "you might not have read the whole thing, but I did".

After reviewing it, I did not change my mind for two reasons:

1) These "glitches" were not the only reason I estimated the SI to be over 2,000%, they were simply what I believed to be the strongest argument at the time. Since I'm a slacker, why not just type up my best argument instead of all of them?

2) I disagree with with the imperative nature of the following conclusion from that DD: "Why this 'volume' **can’t** be used to calculate short interest, potential prices or whatever other". Rather I believe the more appropriate conclusion to be: "Why this 'volume' **can’t** ***necessarily*** be used to calculate short interest, potential prices or whatever other". This DD simply offers an alternative explanation for a phenomenon that currently has no definitive answer.

So let's go down this rabbit hole yet again. But this time let's go deeper, much deeper.

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Thesis statement 1: 3,000% - 10,000% SI (Assuming ~30M share float)

Since one argument wasn't enough last time, this time I'll give you three.

The Anomaly Argument

>A standard element of the scientific process, when you are confronted with an **anomaly**, you try to come up with conventional explanations. **But when these explanations have a problem, when you don’t see evidence for them or they contradict some evidence that you find**, then you have to come up with more innovative ideas, more imaginative ideas. And this is part of the scientific process.

\- Dr. Avi Loeb discussing the anomalous behavior and characteristics of Oumuamua in [this podcast](https://www.youtube.com/watch?v=rDZyI83Bj2w).

Nomenclature

First, let's look at some important words:

glitch \- a sudden, usually temporary malfunction or **irregularity of equipment**

In this context: if these volume numbers are truly glitches, they should be triggered by some faulty characteristic of the data reporting software itself (i.e. equipment); thus **they should be disconnected from any correlation of the stock price movement, trading volume, stock characteristics**, **etc**.

anomaly \- something that **deviates from what is standard, normal, or expected**

In this context: if these volume numbers are truly anomalies, they should be triggered by some factor external to the data reporting software; thus **they will likely have some correlation with the stock price movement, trading volume, stock characteristics, etc**.

The conclusion to be drawn here: We need to decide if these are actually glitches or rather anomalies that might be acting as one piece of a bigger picture. **If they are indeed anomalies, WE SHOULD NOT BE IGNORING THEM**.

The Glitch Bullet Points

[Oh they're not actually bullet points.....well I'm not changing section header now](https://preview.redd.it/b8goukl846271.png?width=715&format;=png&auto;=webp&s;=80b3b9367c9938d3f8b5c88d9491bb7fae370752)

If it's not clear already, I'm hella team anomaly. But I've also been quiet for a while, and I've yet to see anyone else make an argument against team glitch. And believe me, there is a good argument to be made. So here we go.

Bullet 1) Any ticker can have them

I don't see this point as being strong argument to draw conclusions in either direction by itself. If it's a software glitch/bug we should expect to see this behavior, and if there is some anomalous market behavior triggering the volume numbers we would still likely see this behavior.

Now bullet 1 and bullet 2 really go hand in hand, and bullet 2 is the far more interesting one here.

Bullet 2) They are relative to ticker volume

That's an interesting point to bring up because **it is a very strong argument for why they are anomalous in behavior and not glitches**. Being relative to ticker volume shows a **correlation to some characteristic (i.e. volume in the market) outside the software itself**. And **that is a STRONG argument for why we should not be ignoring them**.

Bullet 3) You can replicate them

This is the most convincing argument I see for why they are simply software glitches, although also the one I understand the least as I do not use TOS and have not repeated the glitch myself. If there is a video of someone doing this, I would love to see it. And I swear if I get a prank video sent to me of a banana going in some guy's ass... ... ...I'll probably laugh to be honest.

Bullet 4) Service Rep said they are bugs

I see this point as being completely irrelevant. If TD was a startup with like 20 employees, there's a **chance** the person answering the phones also knows the software to the code level, but that's simply not the case with a company like TD. With a company like TD, the person on the phone is likely just going to say whatever makes you a satisfied customer the quickest since they have 10 other people waiting to talk to them.

To conclude here: I got some big doubt over here of the conclusion these are simply software glitches. And in my little world it seems like very reasonable doubt to me.

The Two Numbers of the Anomaly

* They happen on other tickers and are relative to ticker volume (these points were so good I had to use them myself)

As I said before, this shows a **correlation to some characteristic (i.e. volume in the market) outside the software itself.**

Also, assuming GME is this oober manipulated stock with a ridiculous SI number **we might expect it would be an outlier when compared to these other tickers** in some fashion.

For no good reason at all let's plot the numbers showing in TOS divided by the shares outstanding for the tickers I have data on (which unfortunately is very few).

[OOOOOOOOO, green](https://preview.redd.it/six7qtxwh6271.png?width=1122&format;=png&auto;=webp&s;=e939dbf0dbfd5c402f1fe5f67f92adbcd80a7a8e)

Now this is a very small sample size, but I would be curious to see if this trend would continue with a larger pool of data.

* There's a reasonable correlation between these volume numbers popping up and the stock's behavior in the market

Allow me to bring these back:

[DD of 94M Order](https://www.reddit.com/r/GME/comments/lq0lwu/why_is_there_a_94_million_share_buy_order_in_for/?utm_medium=android_app&utm;_source=share)

[4-hour chart](https://preview.redd.it/9ur2zys9l6271.png?width=1280&format;=png&auto;=webp&s;=b22b3612e618404053665a4c4279d7eb10c6788c)

Here we see a 94M volume anomaly on Feb 22 followed by increased volatility, increased market trade volume, and **an extremely convenient 94M cumulative volume after the sustainable buying pressure runs out** by 4pm Feb 24.

Here's some numbers.

Daily volume Feb 22: 19.2M

Daily volume Feb 23: 7.4M

Daily volume Feb 24: 67.4M

Total 94M

Feb 22 Anomaly: 94.2M

If it is a glitch, that's a mighty damn convenient glitch right there. Now if I was a betting man, which I am, I would bet there is some sort of link.

Furthermore, a 63M volume anomaly appeared on May 25. And it was followed by a significant increase in daily volume and price volatility. Did the volume add up to 63M at end of day May 27? No, but volume increase was quite significant, and it's hard to write that off as a coincidence especially when it's combined with upward volatility.

Conclusion

I don't see any definitive evidence to support any surefire conclusion right now. While I think it would be foolish to buy weekly calls based off these numbers in TOS, I think it would also be counterproductive to ignore them altogether. We simply don't know what they truly represent or what's causing them. And the theory they might be showing a glimpse of the FTD can being kicked down the road is extremely plausible.

The Counting Argument

[If it's good enough for him, it's good enough for me](https://preview.redd.it/6lh6yzn1s6271.png?width=1280&format;=png&auto;=webp&s;=1e6ee239f525573ac5a6e416b33a877c199fc469)

What Would an Engineer Do?

Well, engineers take numbers, apply the arcane arts of math and science to them, and shit out a solution to a problem. What do they do if there are no numbers handed to them? Make shit up.

They call it estimating but it's essentially just guessing what numbers make sense to use, solving the problem with those numbers, and slapping a confidence interval on the end result to cover their ass.

So let's do just that.

How Many Might People Own Shares?

[Reuters Article](https://www.reuters.com/article/us-retail-trading-numbers/factbox-the-u-s-retail-trading-frenzy-in-numbers-idUSKBN29Y2PW)

[Totals to 121.2 Million](https://preview.redd.it/1b110bo0v6271.png?width=475&format;=png&auto;=webp&s;=345ad81476b21fdb3d867e8f92cf56ac30a12a1f)

That's a lot, and not even all encompassing. So I'm guessing there's probably at least 150M people that could potentially be holding GME.

So what percentage of those people actually do hold GME? Well, we know Fidelity gained around 4.1M users in the first quarter of 2021, and that's actually significant percentage of their total user base. There could easily be 5M GME holders on Fidelity alone.

Also, we know there is an objectively inferior investment opportunity that has roughly 3M individual shareholders. GME would likely have multiple times the individual share holders of that stock.

I'm looking at all these numbers and I'm thinking there's probably **at least 15M - 25M individual shareholders worldwide**.

How Many Shares Does Each Person Hold?

This one is tough. I'll go mostly off myself and those in my immediate circle that I roped into this. Based on that data I would estimate the **average shares held are at least 20 - 50** **shares per person**. This might seem high when factoring in single digit share holders, but there's also people who have a steady income, put all their money in, withdrew their entire retirement account from their old job, took the maximum loan amount out from their retirement at their new job, took out a $20k personal loan from the credit union at 18% interest, and use the excess from every paycheck to buy GME because it's one of the few safe places to store money at this time.

Multiplication

So I'm getting a **minimum number of shares held by retail to be somewhere between 300M and 1.25 B** from the above estimates. While the lower end of this range is lower than 3,000% SI, the estimates for shares in existence are still in the 100s of millions/billions of shares. And this is only one piece of a larger puzzle, so let's look at my final argument.

The Zoom Out Argument

Finnerty Formula - Overtime it takes exponentially more shorts to drop the same delta in price

thanks u/sososhibby

Pictures

Let's look at a zoomed out chart of GME with weekly candles and a log scale.

[I think we need an enhancement](https://preview.redd.it/3mnbqwnfh7271.png?width=1675&format;=png&auto;=webp&s;=33d7d30cce6d2a18d060d1d7205e8cafbb738c43)

Still log scale, daily candles now.

[Surely if I put enough shit on the image they'll think I'm right](https://preview.redd.it/sthgzul0g7271.png?width=1684&format;=png&auto;=webp&s;=bb4863e6c0b67ed51e62612448bf55b52c2a3503)

And here's the SI reference.

[Gotta love that 1 week free trial](https://preview.redd.it/7rdosf6rg7271.png?width=635&format;=png&auto;=webp&s;=27e51e753054af1a2c112924d4ae0e7b067015be)

What's the potential narrative here?

It seems likely GameStop experienced natural trading patterns until around early 2019. We see a pretty sharp increase in volatility around the holidays that ends with a fairly sudden crash. In the first couple months of 2019 it appears there is steady downward pressure on the stock. With the above SI data we can see the downwards pressure was likely due to shorting. **Around early June 2019, the SI is already around 100%**.

Then things get really crazy.

Gamestop cancels their regular dividend. The price crashes hard, but OBV and the jump in SI makes me think the crash had a little extra push.

[Jim Bell starts as CFO.](https://www.businessinsider.com/gamestop-cfo-jim-bell-about-30-million-exit-package-bloomberg-2021-2)

Conveniently **right after Jim Bell starts, the price experiences considerable downward pressure** while SI goes down and OBV really doesn't support that should be happening.

BARK BARK BARK

Good boy smells fraud.

Anybody watch the Wes Christian AMA?

Well, put on your tinfoil hat for this one, I'm thinking...

it might be possible...

that the SI data...

...

...

is fraudulent.

Also, Gamestop hit 100% SI by June 2019, so to make it move even further down would have required **exponentially** more shorting.

Is it crazy to think SI was approaching multiple hundreds of percent by fall 2019? Doesn't seem like it.

But Gamestop also [bought back 35M shares in 2019](https://www.fool.com/investing/2019/12/10/gamestop-just-bought-back-a-crazy-amount-of-stock.aspx).

Uh oh, that's certainly not good if you're irrecoverably short. But with trillions of dollars at your disposal, there's still plenty of time.

But then the biggest bailout of all time happens in the form of a global pandemic. Surely a brick and mortar store would not survive that. Who really needs risk management anyway? Might as well go all in. Judging by the OBV, they did just that. But remember, **exponentially more shorts are required**.

So as **early as summer 2020, you're probably looking at SI figures well above 500%**.

Why didn't they cover in January?

They couldn't.

So Mr. Finnerty, how high is SI after that move down from $300 to $40 in February 2021?

Thesis Statement 2: Dollar is Facing ELE

We all know a crash is coming, but why is this one different?

Reverse Repo Crisis

I have so little to say, and so much time to say it.

https://preview.redd.it/yp483savic271.png?width=274&format;=png&auto;=webp&s;=d1fd911a9e4a9bbe31aa2d8c2747f8a2f1028e7b

Reverse-what?

Where to begin? Ah yes, let's start with where ***it*** will likely begin: the reverse repo crisis.

There's not much for me to say here that hasn't already been said, so I'll just make sure everyone is one the same page. [This post](https://www.reddit.com/r/Superstonk/comments/nmzxot/why_does_the_overnight_reverse_repo_market_exist/) contains the following images summing everything up:

[I still have no idea why some pictures are huge](https://preview.redd.it/r929bg2nlc271.png?width=640&fo

rmat;=png&auto;=webp&s;=0be19004eaa359cc64fc1f8d8fe6ff3b64921641)

[Yep keep scrolling](https://preview.redd.it/lha01titlc271.png?width=640&format;=png&auto;=webp&s;=833bf8028eb939da8fed5607858a918aadde3626)

[You made it](https://preview.redd.it/sp2njmvvlc271.png?width=640&format;=png&auto;=webp&s;=2c9f5e84d60e3c5a893cee6c7b3354530f4e7528)

So what conclusions can be drawn from this? Well the reverse repos with the Fed are happening at 0%, so at the macro level, the **financial system desperately needs treasuries**. We can also conclude that **the Fed has a lot of treasuries**.

I would also add there might be one other factor driving the increased demand for treasuries.

Is it possible they were shorted into oblivion by our friendly neighborhood sociopath Kenny G?

[This guy seems to think so.](https://www.reddit.com/r/GME/comments/mgucv2/the_everything_short/) And I tend to agree.

But why would even Kenny G want to short more treasury bonds than even exist?

Well I think I might know why, and it's not pretty.

But first we need to make sure everyone knows the exact mechanics behind bond trading.

Quick Bond Market Mechanics Recap

"Ever heard of the bond market? Well it's the redheaded step-brother of the STONK market." - Atobitt

WTF Actually Are Bonds?

They're essentially loan contracts that can trade in a "free" market (you'll see why the quotes are there soon).

Since I know ya'll love pictures, I made one.

[There's more to bonds, but this is all that's important in this context](https://preview.redd.it/xhi484jtrc271.png?width=1899&format;=png&auto;=webp&s;=d42d51cfbe53b9a2b5d1283b25ba532f7de31c10)

So there's really only three things that we need to understand in this context:

1. The face value
2. The maturity date
3. And the money printer

The **face value** is simply the amount of money the bond holder (i.e. loan contract holder) will receive receive at the bond's **maturity date**. It is important to note, **the face value can differ from the market value** for a variety of factors.

Well look at that we got two birds stoned at once. That just leaves the money printer.

In short, the money printer shits out a specified amount of money at a specified interval in time (I don't care about the time interval for this context). The amount of money it shits out is determined by the **interest rate at the time the bond is issued** and **the face value**.

So, let's say the above face value $1000 bond was issued when the market interest rate was 5% annually. That would make the the annual money printer payout $50, and **the money printer payout does not change according to the bond's market value**.

So if the above bond is trading for $500 on the open market, it's interest rate is considered to be 10% since it's still popping $50 out every year. Simply put **bond market value and interest rate are inversely proportional**.

What Does This Mean for the State of the System?

Remember that reverse-repo thing that nobody in the world cares about? From that whole mess it appears **the financial system is largely staying solvent via treasuries on the balance sheet**.

But what happens **when interests rates go up on** the treasuries? Well that occurs when their market value goes down, meaning **bye bye solvency everybody**.

Thankfully, your friend and mine, Jerome Powell, has a solution for that. It's called ~~fucking with the free market~~ **yield curve control**.

WTF is Yield Curve Control?

First it must be addressed the Fed has never stated officially they are performing yield curve control. They are simply purchasing treasuries in a strategic way to keep interest rates low and maintain control...over the curve...illustrating the expected yield..... Anywayyyyyyyy, [this is a good explanation](https://www.youtube.com/watch?v=sjeno5ytOS0).

Here's what a yield curve looks like.

[This is just to show the general trend](https://preview.redd.it/c1zoq3cidd271.png?width=1227&format;=png&auto;=webp&s;=cb26edd2262435d6fd28beabbc0b9ac8eee055ff)

Oh, so the longer dated a treasury is (i.e. longer time until face value is paid out), the higher the interest rate. This is generally how treasury yield curves look.

Normally this yield curve would be determined by the free market, but not during yield curve control. In yield curve control, the **Fed is agreeing to purchase treasuries at prices significantly above the market value;** thus keeping the interest rate low and market value high.

So free market look like this:

[Market](https://preview.redd.it/1xzkrxvmfd271.png?width=1774&format;=png&auto;=webp&s;=6dc8f57a28c373d3b8876c834bebf389d8954c14)

~~Fucky~~ Yield curve control market look like this:

[Ooof](https://preview.redd.it/0padtmq4gd271.png?width=1795&format;=png&auto;=webp&s;=07d0df00dca3db4e479d40c585b1c66af3096362)

So what happens if the Fed every stops buying? Well, we're likely going to see, eventually.

Can't wait.

Did Citadel Find an Infinite Money Glitch with Treasuries?

"Chaos is a ladder" - Littlefinger, GOT

Sell Low Buy High

Say your friendly neighborhood sociopath comes up to you and says "there's a guaranteed way we can make a whole lotta money, and it only comes at the expense of billions of people worldwide dropping below the poverty line and struggling to be able to afford basic needs". Well, sounds like a no-brainer amirite?

How does it work?

* You know the Fed will buy any treasury that hits the market since they need to keep interest rates low (and the entire financial system solvent).
* You are a market maker in the bond market so you can likely naked short bonds practically indefinitely (I'm not 100% sure on this one, but when it comes to the US markets I think it's safe to assume fraud).
* You know **shorting treasuries to the Fed directly decreases the value of the underlying asset** (dollars). Why? Because the **Fed is buying them by printing more real dollars** (this is different than stocks because the shorted shares ultimately are not real shares).
* Additionally, there was already so much printer brrrr'ing recently shorting the dollar seems pretty tasty even without naked shorting it into oblivion.

Hey Kenny G might be a sociopath, but he's not completely stupid.

Will this Snafu Ever End?

Yes, if the Fed stops buying treasuries. Then the markets go boom, GME go BRRRRR, and Citadel disappears overnight. So that's one way.

Would Citadel choose to stop? Probably not, but they might be forced to. The Fed might start cracking down on bond market trades, especially if there are bad actors mucking things up. So let's see if there's any information on this.

Houston Wade links a twitter account in [this video](https://www.youtube.com/watch?v=VwjJ41KSAfs) that has some interesting things to say regarding this. It took a couple clicks to find the source material but it appears [**this is the source material**](https://www.theinstitutionalriskanalyst.com/post/fed-prepares-to-go-direct-with-liquidity) written May 2021 by [this guy](https://www.rcwhalen.com/) with no chin. [Seriously, he got no chin](https://www.cnbc.com/video/2019/07/18/chris-whalen-explains-why-he-doesnt-expect-a-fed-rate-cut-until-late-2019.html).

Here's a quote:

>Third and most significantly for the large banks, the Fed and FSOC are going to push for **central clearing of all Treasury securities**, killing the predominantly bilateral market for US debt and also eviscerating the monopoly of the primary dealers on financing collateral.
>
>“This gives the Fed direct control over leverage,” \[Ralph\] Delguidice tells *The IRA*. “Today, 80% of the bond market trades bilateral. **The Fed has decided rightly that the market for Treasury debt is too important to leave up to the whim and caprice of the large primary dealers.** Many of these banks will get out of providing repo financing once the Fed steps into the market.”

Ahhh, looks like the Fed might be sinking their tendrils into the treasury market even more than they already have. Interesting that they seem to be doing it to protect the treasury market from "the whim and caprice" of institutions.

[This is interesting](https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr964.pdf). Looks like total central clearing was being evaluated back in April 2021. Here's a quote:

>Market disruptions in response to the COVID pandemic spurred calls for the consideration of **marketwide central clearing of Treasury securities**, which might better enable dealers to intermediate large customer trading flows.

[This is interesting too](https://www.newyorkfed.org/medialibrary/Microsites/tmpg/files/CS-DraftPaper-071218.pdf). Here's a white paper from July 2018 on how clearing has previously worked:

>Each participant also makes a determination as to whether a trade is eligible to be submitted to a CCP for novation and netting (centrally cleared) or if the trade should be bilaterally cleared. **There is no regulatory requirement that U.S. Treasury security trades be centrally cleared, and many are cleared bilaterally**

So does Citadel/Palafox even fit in to all this? [It appears so](https://www.dtcc.com/news/2019/june/24/key-milestone-in-treasury-market-clearing-with-citadel-activity).

>**Transactions completed by Citadel in both cash and repo highlight the potential of the Sponsored Service to significantly increase centrally cleared US Treasury activity**, reducing the risks of bilateral clearing referenced in the TMPG white paper on clearing in the Treasury market

>The Depository Trust & Clearing Corporation (DTCC), the premier post-trade market infrastructure for the global financial services industry, today announced its subsidiary **Fixed Income Clearing Corporation (FICC)** has achieved yet another milestone in the transformation of the U.S. Treasury market toward central clearing as Citadel successfully executed and cleared both cash and repo trades via FICC’s recently expanded Sponsored Service model.
>
>**The 2019 expansion of the Sponsored Service broadened the category of market participants who can participate as sponsors**, and enabled sponsor member clients to transact in clearing with market participants other than their sponsors (i.e. “done-away” activity). **It is through this expansion that Palafox LLC, part of the Citadel organization, became the first sponsor to facilitate centrally cleared “done away” cash and repo trades on behalf of its affiliated sponsored member client, Citadel’s Global Fixed Income Master Fund Ltd**.

So what I'm I taking from this quote dump? It appears there are some big changes on the horizon that concern the very backbone of the treasury market (i.e. how treasuries are cleared). Currently, it appears many trades are cleared bilaterally (meaning no central institution to assume the risk of counterparty default), and there is a strong push for central clearing (same idea as DTCC assuming the risk of all stock market trades in the case of counterparty default).

It also appears that Palafox is a major player in the treasury and repo markets through the FICC's Sponsored Service. This is probably what gives Palafox market maker (or whatever the bond market equivalent is called) privileges in the treasury market.

And what if bilateral clearing is a central cog in the potential treasury market snafu machine for Palafox? Well that would make this push towards exclusively central clearing the DTCC-2021-005 equivalent of the treasury market.

Point being, this whole treasury clearing business might be something we should keep our eyes on.

Hyperinflation AKA Dollar ELE

[Agreed.](https://preview.redd.it/couuwy2luh271.png?width=554&format;=png&auto;=webp&s;=88d41009601614cbe1cfa408f0a649dc4484e1a5)

It is Inevitable

Don't believe me? [Watch this](https://www.youtube.com/watch?v=jdYhB-_RLbc). [And this](https://www.youtube.com/watch?v=oW3URYWYNsU). Here George Gammon explains the exact mechanics in the market that drive hyperinflation, and why both The Dr. Michael Burry and Stanley Druckenmiller predict the dollar rapidly losing value. I'll give a quick summary.

* When the US announced there would be stimmys, there was a **mass exodus of foreign investors/governments holding US treasuries** (meaning market value went down).
* This exodus was driven by the **expectation that inflation (which averages roughly 5% historically) would outpace the interest gained** from holding treasuries.
* To keep interest rates low (and market value high), the **Fed starts buying treasuries with printed money** because why should they give a shit if inflation outpaces interest yields. They can always print more.
* This act of **printing money only worsens the gap between inflation and expected interest yields.**

Already we have established **there is a positive feedback loop** that can only be broken if the Fed stops buying treasuries (and perhaps this problem is made worse by certain institutions shorting the treasury bonds into oblivion).

What happens when the Fed stops buying treasuries? Well the interest rate will go up. Using the estimates from the second George Gammon video I linked:

* **If 10 year treasuries go to 4.9% interest, the annual interest expense alone will be 30% of US GDP** (meaning 30% of what the country is worth every year).
* Interest expense in 2018 was roughly 8% GDP.
* This increase in interest expense will require more government debt.
* Even **at 4.9% interest, there will likely still not be sufficient buyers for the debt.**
* Thus **the Fed will need to print more money** to buy more treasuries so the government can go further into debt.
* Printing money will further devalue treasuries.

And again, we see **another positive feedback loop**. Don't you just love the U.S financial system?

Now, could the Fed just let interest rates rise until there are sufficient buyers of the debt? Yes they could, but **that would require a larger portion of GDP to be devoted to paying the interest on our current debt**. And what happens if that percent GDP would eclipse the total revenue of annual taxes? Well that turns the US into a form of investing (that is illegal in the US) known as a **pyramid scheme**. But don't take my word for it, [**listen to this guy talk about it**](https://www.youtube.com/watch?v=fx2ClTpnAAs).

And I haven't even factored in the massive bailouts that will be necessary for the entire system and whatever amount of money the Fed needs to print to correct the GameStop situation.

So is there anything that can be done to prevent this?

No, **we are past the point of no return**.

And if that gives you FUD...oh well, because **math doesn't give a single fuk about feelings**.

But "knowledge is power" \[Littlefinger\], and knowing hyperinflation is coming gives you the power to to precautions and potentially even set yourself up to profit from it.

Conclusions

So why is this crash different? It can be simplified into the following:

* Between the 2019 Repo Crisis and COVID the Fed had to reduce the interest rate on loans it gives to banks down to 0%.
* This gave banks more wiggle room on balance sheets and forestalled economic failure when it should have probably happened in late 2019.
* You can't go lower than 0% reasonably.
* Thus the only other way to help the sinking ship was excessive money printing (AKA yield curve control).
* **The excessive money printing is what makes this crash different, and puts the dollar on an inevitable path towards rapid devaluation, AKA hyperinflation.**

Oh yes, and the dollar is considered the world reserve currency. I have no idea what that means but it sounds like an important tidbit to throw in here.

I'm sure there are many questions in people's minds (mine included).

* How will this look?
* What should I do?
* Will we even get our tendies?

And many more I'm sure.

Here's some thoughts I've thunk on the matter.

How will this look?

Typically a currency reset follows hyperinflation. [Here's some information on that](https://www.youtube.com/watch?v=A2S4Y01iB5Y).

What Should I Do?

Referring to the above video, different assets perform very differently against inflation. Land, metals, stocks, and I would add crypto typically would at least track inflation. However, bonds have a ceiling as they will likely not go below 0% interest, and fixed income doesn't account for inflation at all. A little bit of research could go a long way here, it would seem well worth the time spent doing it.

Will we even get our tendies?

Given that value stocks historically perform relatively well during market corrections and stocks in general at least track inflation, perhaps we need to evaluate what a tendy actually is. Perhaps the true tendies are not the dollars we can trade our shares for, but rather the shares themselves. As for me, I can't see myself parting with more than the necessary amount of shares needed to live within my desired means, regardless of the dollars I can get per share. But that's simply because I prefer a low risk investment style. To each their own.

Final Thoughts

"A good education is something no one can take from you" - My Grandfather

As a result of research, I have convictions that I will not be easily swayed from. Those convictions are:

* The financial system, the US markets, and likely many other markets around the world are almost inherently fraudulent and fueled by greed, a hunger for power, and just plain stupidity. The GameStop situation is one way to call BS on the entire system.
* Hyperinflation of the US dollar will occur and the timeline for it doing so will be sped up by the GameStop situation unfolding.
* GameStop at the current price of a $16 billion market cap is a sinfully undervalued stock considering the GameStop's imminent transformation to a tech company as indicated by Ryan Cohen's Nov 2020 letter to the GameStop board.

Choose to agree or choose to disagree, but these are the convictions I have based on the math, data, and history I have studied.

This got me thinking...

Perhaps what those in power fear most isn't just "buy, hodl, vote", perhaps they fear the **information sharing** and **financial education** that is achieved through our community.

Perhaps they fear becoming the dumb money on the block.

Needless to say...

I like the stock

GG and Goodnight