

Title: Rising interest rates are a third front in a war against GME

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Any hedge fund that is shorting Gamestop is fighting a war of three fronts:

Front 1: The Short Hedge Funds are placing bets using margin that is now subject to raising interest rates.

Front 2: Everything they hold as collateral (long Amazon, Microsoft, Tesla, etc) is hemorrhaging value, increasing the chances of failing a margin call.

Front 3: DRS is removing liquidity from the very instrument they are borrowing as they short it. As DRS continues, the cost to borrow will rise as the SHF cannot stop continuing to force the price down by shorting.

In his acclaimed book The Price of Tomorrow, Jeff Booth says,

"It wasn't housing itself that caused the 2008 bubble. If it hadn't been housing, it would have somewhere else that easy credit was flowing to." p22.

In 2008 failing mortgage loans didn't not just destroy liquidity in the mortgage market, it destroyed liquidity in all of finance because packaged mortgage debt acted as collateral for daily business-to-business loans. Need \$100k for payroll? Post \$100k of loans you hold and repay me tomorrow.

When an entire sector of debt suddenly being unusable as collateral, this caused everyone in finance to question all forms of possibly toxic debt.

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In 2008 we tried to put out the fire of one debt crisis by dousing it with more debt. Same with Covid. It takes \$4 of debt to increase GDP by \$1. (The Price of Tomorrow, p12) "...A bubble pops when people wake up and realize that the debt can never be paid off." (Same, p22)

When will boomers short GME realize that they have to pull out? They are subject to this same three-front war. It only takes one domino to fall. Contagion will inflame all bad debt.

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