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Canadian PPT hard at work

Background: the sky is not falling. Subprime woes will be confined to the subprime market, the contagion will not spread to other financial sectors. In fact, this is a non issue, there is even this video of Jim Cramer telling you as much last month, so it must be true.

Oh, then what happened?

Bear Stearns didn't get the memo. Weasels went and tried to sell off their subprime sludge /CDO's on an open auction market and found their paper wasn't worth the numbers printed on the paper! Oh my. The president get's fired for his troubles, two of their hedge funds seize up and then the same thing goes and happens in France.

Suddenly...everybody is going ballistic, Cramer has his own meltdown on CNBC and the Plunge Protection Teams the world over SPRING into action, pumping over 330 billion dollars into the markets under the guise of "stability facilitating operations". And after tall that, the markets barely broke even, today they're down again.

There is a headline on Reuters that the Bank of Canada is declining to comment on their stability operations (see: Bank of Canada mum on commercial paper troubles), so I called them up.

A very nice lady directed me to Bank of Canada monetary policy operations page which updates in realtime. She told me this page describes the BoC operations over a 5-day window and to find those emergency injections of "liquidity" to keep a lid on a full-on market meltdown, to look at the section labelled Daily Target Rate Intervention and the first line, SPRA (par value) is the amount of overnight repos that our central bank used to intervene in the markets during this subprime debacle:

DateAmount
Aug 7/07410 million
Aug 9/071.64 billion
Aug 10/071.68 billion
= 3.73 billion

So yes, it appears as once again the central bankers and teevee pundits have "called it" with sagacity and prescience worthy of an oracle, drink the koolaid and repeat after me: subprime woes are contained, subprime woes are contained, all is well, all is well.

In spite of the fact that my long term PUTs on the DIAMonds moved well into the money through all this, I was disappointed that Canada's central bankers played right along with this madness.

We live in dark times, where monetary policy is set by a gaggle of Central Bankers who are card carrying members of that Death Cult known as Keynesian Economists, against which a tiny band of jedi knights known as Currency School Economists chirp from the fringes of irrelevance "this will end badly, this will end badly". Surprise, now we're soaking in it. This is just the beginning.

Once again I must point people toward The Monetary Elite vs. Gold's Honest Discipline by Vincent LoCascio, and this excerpt may have been tailor made for this financial storm:

"[P]eople fail to consider that federal guarantees make bank failures more likely by artificially encouraging people to choose the highest interest rates available, which in turn causes bankers to seek riskier, higher-yielding loans and investments".

I have a new mantra, I doubt it will take hold, everybody now "bailouts are bad", the hucksters of pseudo financial instruments like collateralized debt obligations denominated in deadbeats have gotten more than enough rope to hang themselves...let them hang.

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Posted by Mark Jftovic in Venture Crapital at 11:38