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The Next \$Crash

Will be the First (Eurodollar University)





Basics of a US\$ Crash

(and related Treasury Market Destruction)

- 1. Wildly Inflationary Money Printing**
- 2. Fiscally Reckless Gov't**
- 3. (Dollar Exclusively) Foreign Rejection
leading to Alternative Reserve Currency**



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Bloomberg

Se

Deals

Paul Tudor Jones Buys Bitcoin as a Hedge Against Inflation

By Erik Schatzker

May 7, 2020, 12:55 PM EDT Updated on May 7, 2020, 3:46 PM EDT

- Becomes one of first big-name investors to embrace crypto
- Macro investor sees Bitcoin as hedge against inflation

Sections

The Washington Post
Democracy Dies in Darkness

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Economy

The Federal Reserve has pumped \$2.3 trillion into the U.S. economy. It's just getting started.

Wall Street is hungry for answers about how much more money the central bank is planning to deploy

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The Zero Canada Project provides resources to help you make the most of staying home.

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A global wave of money-printing awakens fears of inflation

IAN MCGUGAN

PUBLISHED APRIL 20, 2020

TRENDING

The New York Times

The Coronavirus Outbreak

LIVE

Latest Updates

Maps and Cases

States Reopening

Answers to Your Questions

Newsletter

TheUpshot

The Fed's Message: The Money-Printing Presses Are Fired Up and Ready to Go

Its actions Monday show it will do anything necessary to address a glaring shortage of dollars across the economy.



By Neil Irwin

March 23, 2020





The Boy(s & girls) Who Cried Weimar



Mr. Bernanke seems to know only two amounts: zero and trillions. Before 2008 there were only moderate increases in the Federal Reserve's aggregate balance sheet numbers, but since then the balance sheet has **exploded by trillions of dollars.**

The New York Times

OP-ED CONTRIBUTOR

Man Without a Plan

By Anna Jacobson Schwartz

July 25, 2009



AS Federal Reserve chairman, Ben Bernanke has committed serious sins of commission and omission and for those many sins, he does not deserve reappointment.

Let me begin with the former. It is standard practice for a central bank like the Federal Reserve to ease monetary policy to combat a

Anna Jacobson Schwartz

New York Times Op-ed

July 25, 2009

The Boy(s & girls) Who Cried Weimar

“ But now the large US fiscal deficits are being accompanied by rapid increases in the money supply and by even more ominous increases in commercial bank reserves that could later be converted into faster money growth. The broad money supply (M2) is already increasing at an annual rate of nearly 15 per cent. The excess reserves of the banking system have ballooned from less than \$3bn a year ago to more than \$700bn (€536bn, £474bn) now.

Opinion **US**

Inflation is looming on America's horizon

Martin Feldstein looks into the Fed's future

Martin Feldstein APRIL 19 2009



The US last week showed its first signs of deflation for 55 years, prompting inevitable fears of further deflation in the future. Yet the primary reason for the negative rate of US inflation is the dramatic 30 per cent fall of commodity prices. That will not happen again. Moreover, excluding food and energy, consumer prices are up 1.8 per cent from a year ago. That is the good news: the outlook for the longer term is more ominous.

The unprecedented explosion of the US fiscal deficit raises the spectre of high future inflation. According to the Congressional Budget Office, the president's

Martin Feldstein*Financial Times Op-ed**April 19, 2009*



The Boy(s & girls) Who Cried Weimar



The planned asset purchases risk **currency debasement and inflation**, and we do not think they will achieve the Fed's objective of promoting employment.

COMMENTARY

An Open Letter to Ben Bernanke

e21 Staff

NOVEMBER 15, 2010 FINANCE

To: Chairman Ben Bernanke Federal Reserve Washington, DC

Dear Mr. Chairman:

We believe the Federal Reserve's large-scale asset purchase plan (so-called "quantitative easing") should be reconsidered and discontinued. We do not believe such a plan is necessary or advisable under current circumstances. The planned asset purchases risk currency debasement and inflation, and we do not think they will achieve the Fed's objective of promoting employment.

We subscribe to your statement in *The Washington Post* on November 4 that "the Federal Reserve cannot solve all the economy's problems on its own." In this case, we

Economics21 (E21); a project of the Manhattan Institute for Policy Research
Open Letter to Federal Reserve Chairman Ben Bernanke
November 15, 2010



The Boy(s & girls) Who Cried Weimar



We're in the midst of **an international currency war**. This threatens us because it takes away our competitiveness. The advanced countries are seeking to **devalue** their currencies.



Currency 'war' warning from Brazil's finance minister

© 28 September 2010



Guido Mantega, Brazil Finance Minister
Speech, Sao Paulo, Brazil
September 27, 2010



The Boy(s & girls) Who Cried Weimar

“

MR. WARSH. The third argument that I've heard is about foreign exchange, and I think even those who do believe that there are real benefits in terms of net exports from weakening the **foreign exchange value of the dollar**, are hesitant and rightly so to say those words in public venues. They don't consider that to be politically correct. I think there's a good reason for that. I think it's a **dangerous policy**. I think it is risky pool playing in the foreign exchange markets, asking them to **do so much of our work** when the world's recovery is resting on this. I think this is a particularly risky strategy when you have the **world's reserve currency**.

November 2-3, 2010

1 of 238

Meeting of the Federal Open Market Committee on
November 2-3, 2010

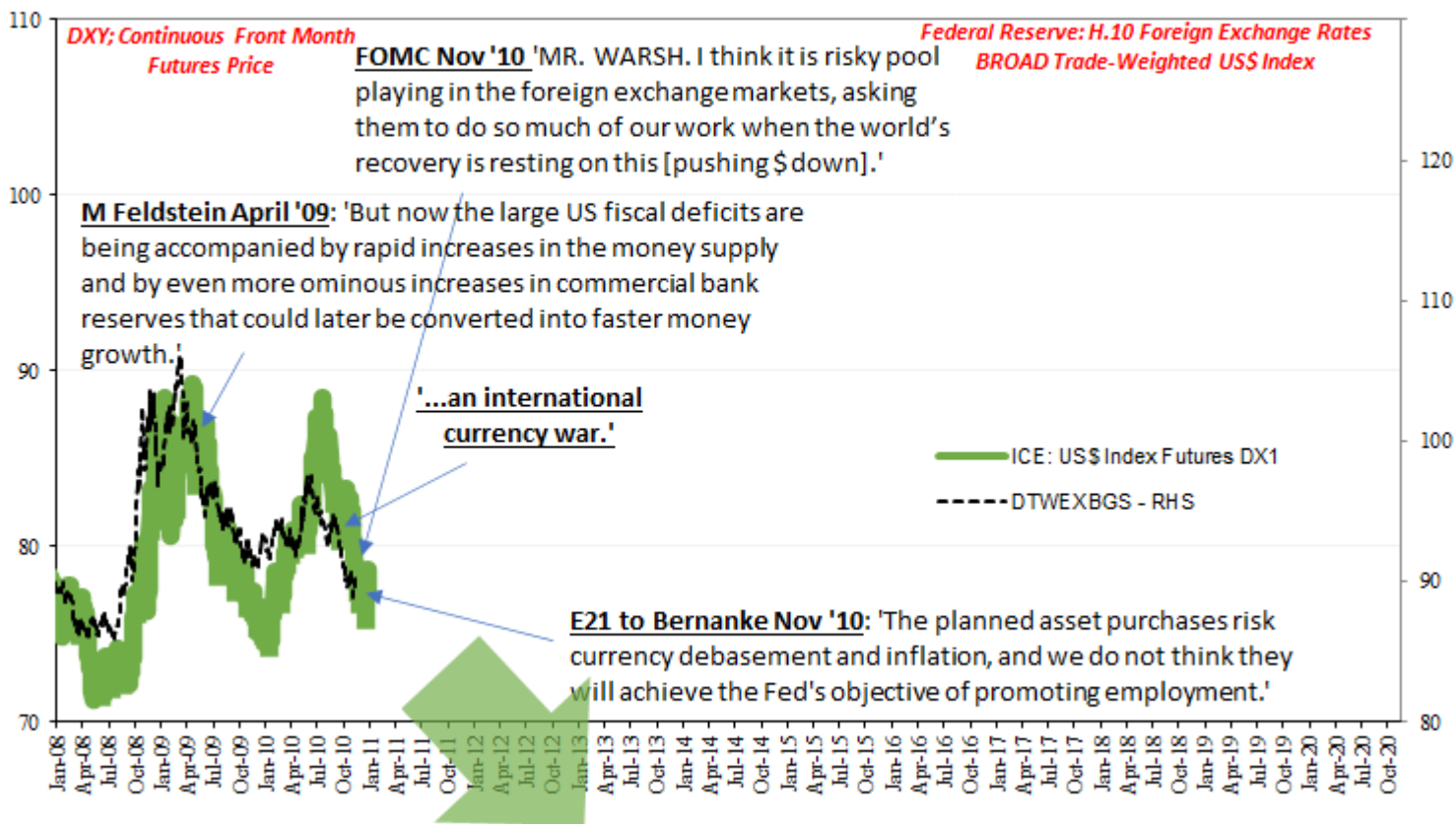
A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, November 2, 2010, at 1:00 p.m. and continued on Wednesday, November 3, 2010, at 9:00 a.m. Those present were the following:

Ben Bernanke, Chairman
William C. Dudley, Vice Chairman
James Bullard
Elizabeth Duke
Thomas M. Hoenig
Sandra Pianalto
Sarah Bloom Raskin
Eric Rosengren
Daniel K. Tarullo
Kevin Warsh
Janet L. Yellen

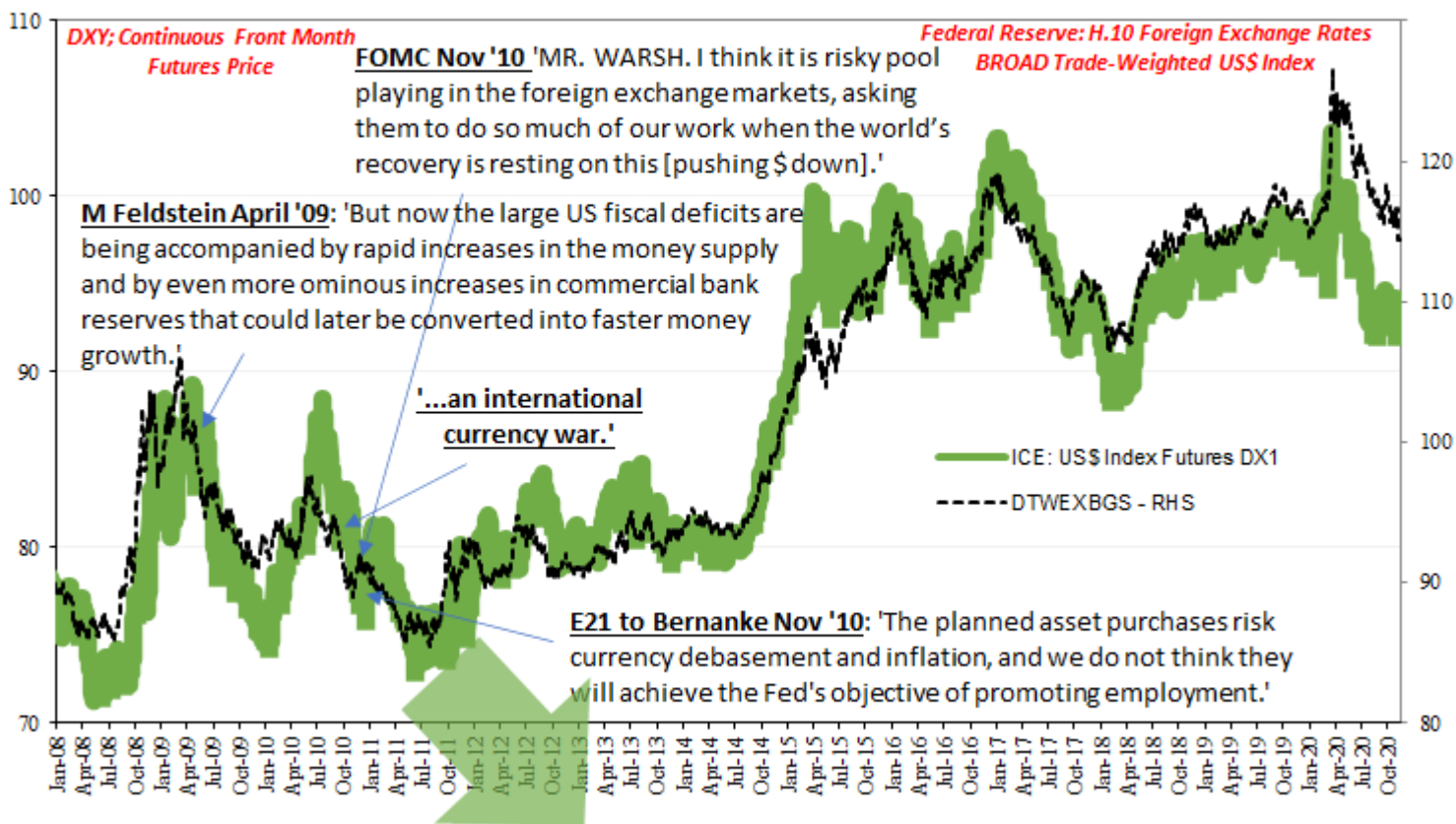
Christine Cumming, Charles L. Evans, Richard W. Fisher, Narayana Kocherlakota, and Charles I. Plosser, Alternate Members of the Federal Open Market Committee

Kevin Warsh, Governor, Federal Reserve System
FOMC Policy Meeting (transcript)
November 2-3, 2010

US\$ Exchange Value(s)

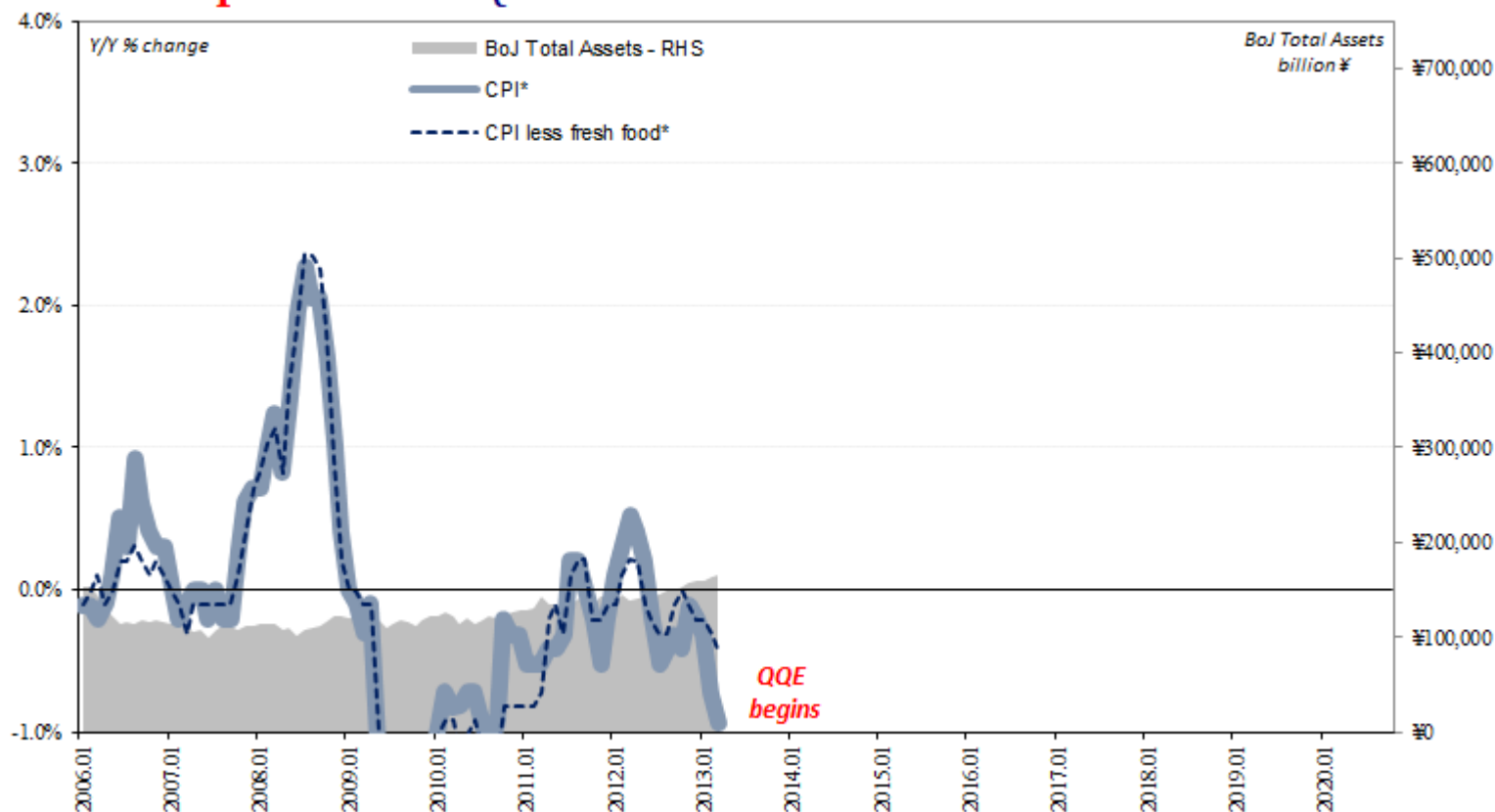


US\$ Exchange Value(s)



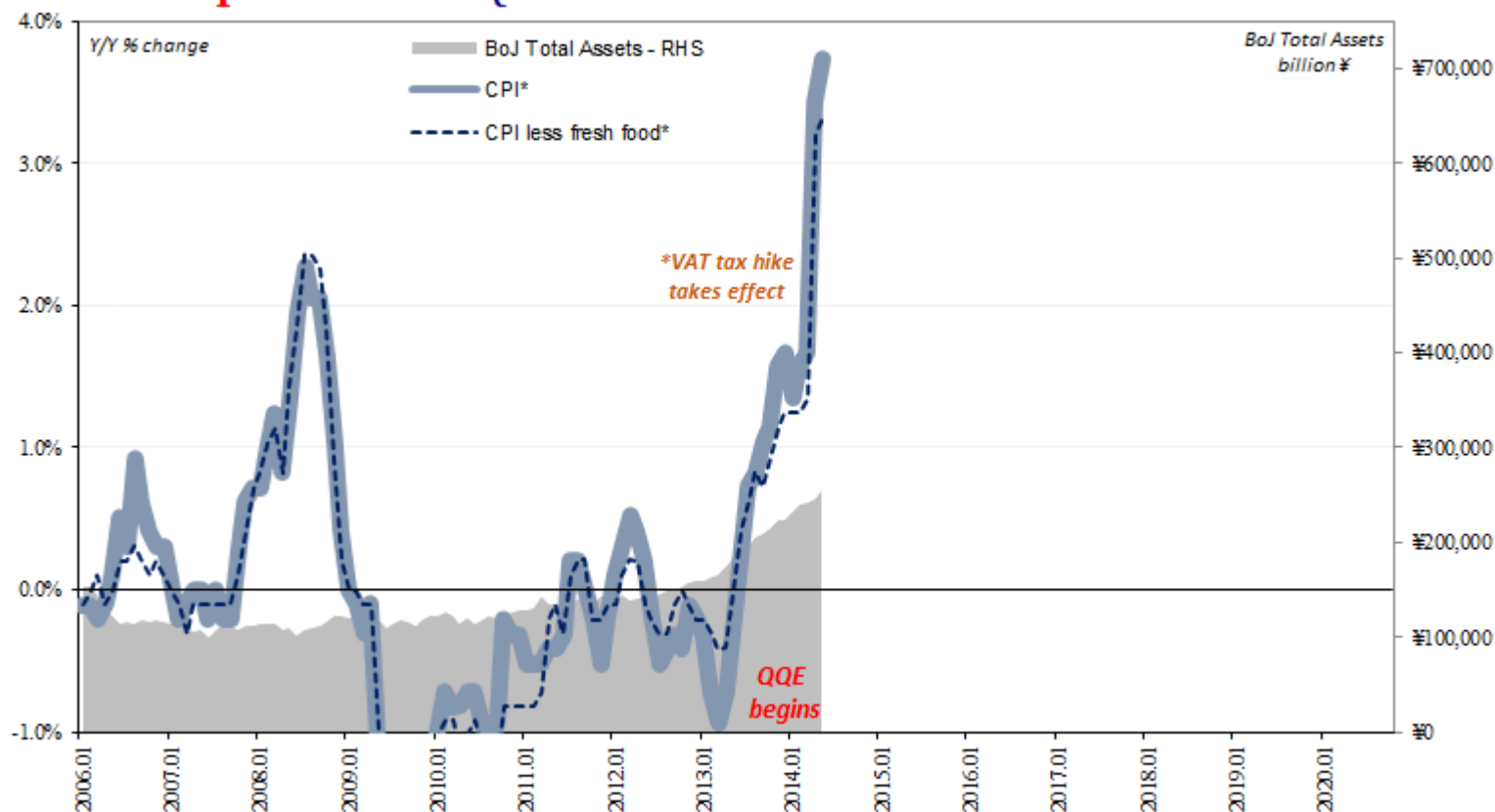


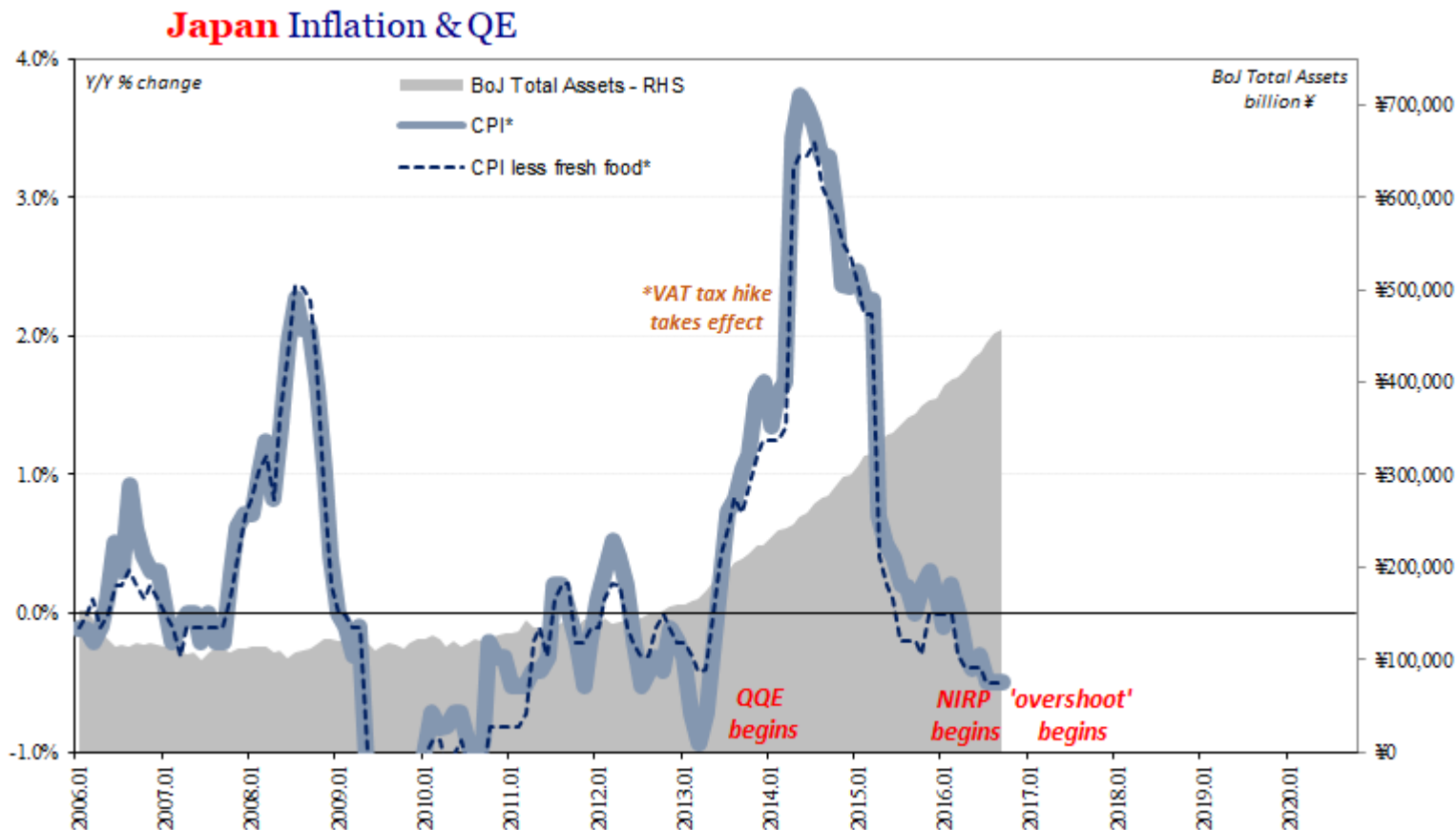
Japan Inflation & QE





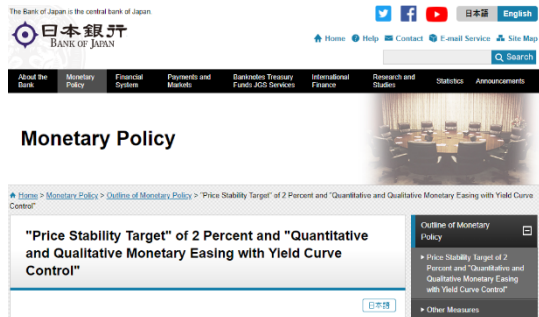
Japan Inflation & QE





The Boy(s & girls) Who Cried Weimar

“ The Bank will continue **expanding the monetary base** until the year-on-year **rate of increase** in the observed CPI (all items less fresh food) **exceeds** the price stability target of 2 percent and **stays above** the target in a stable manner.

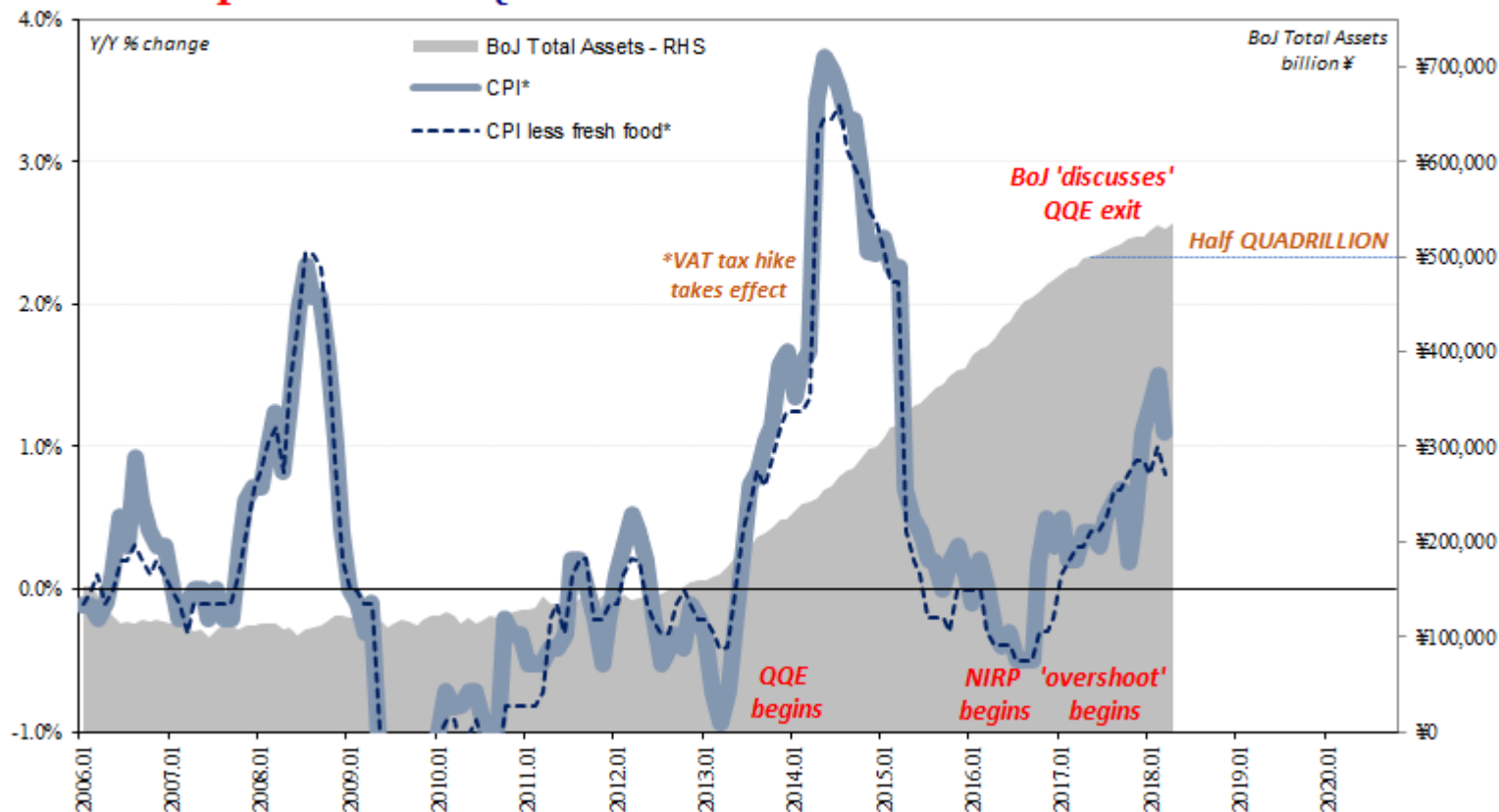


Bank of Japan

*New Framework for Strengthening Monetary Easing
September 21, 2016*

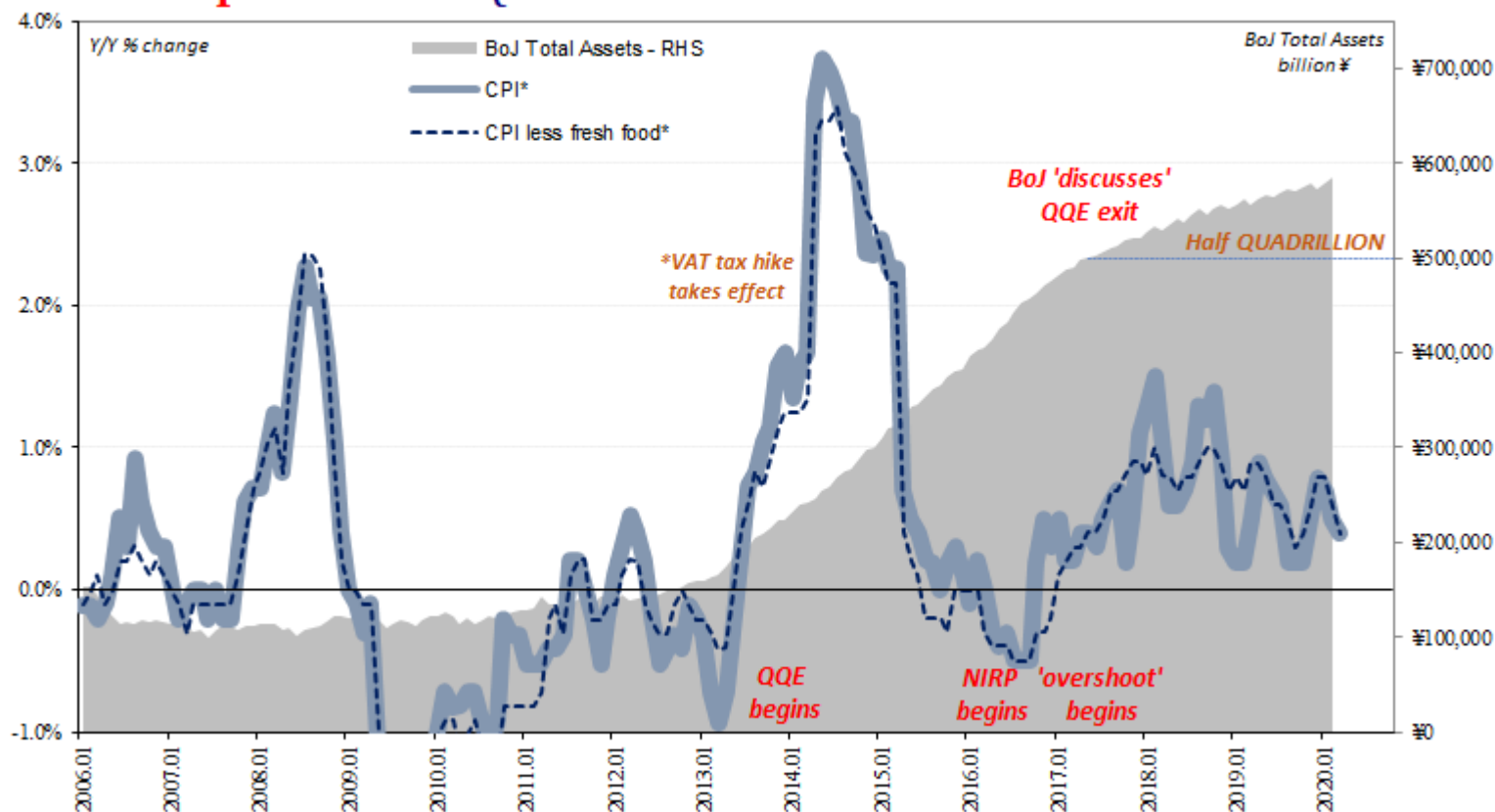


Japan Inflation & QE



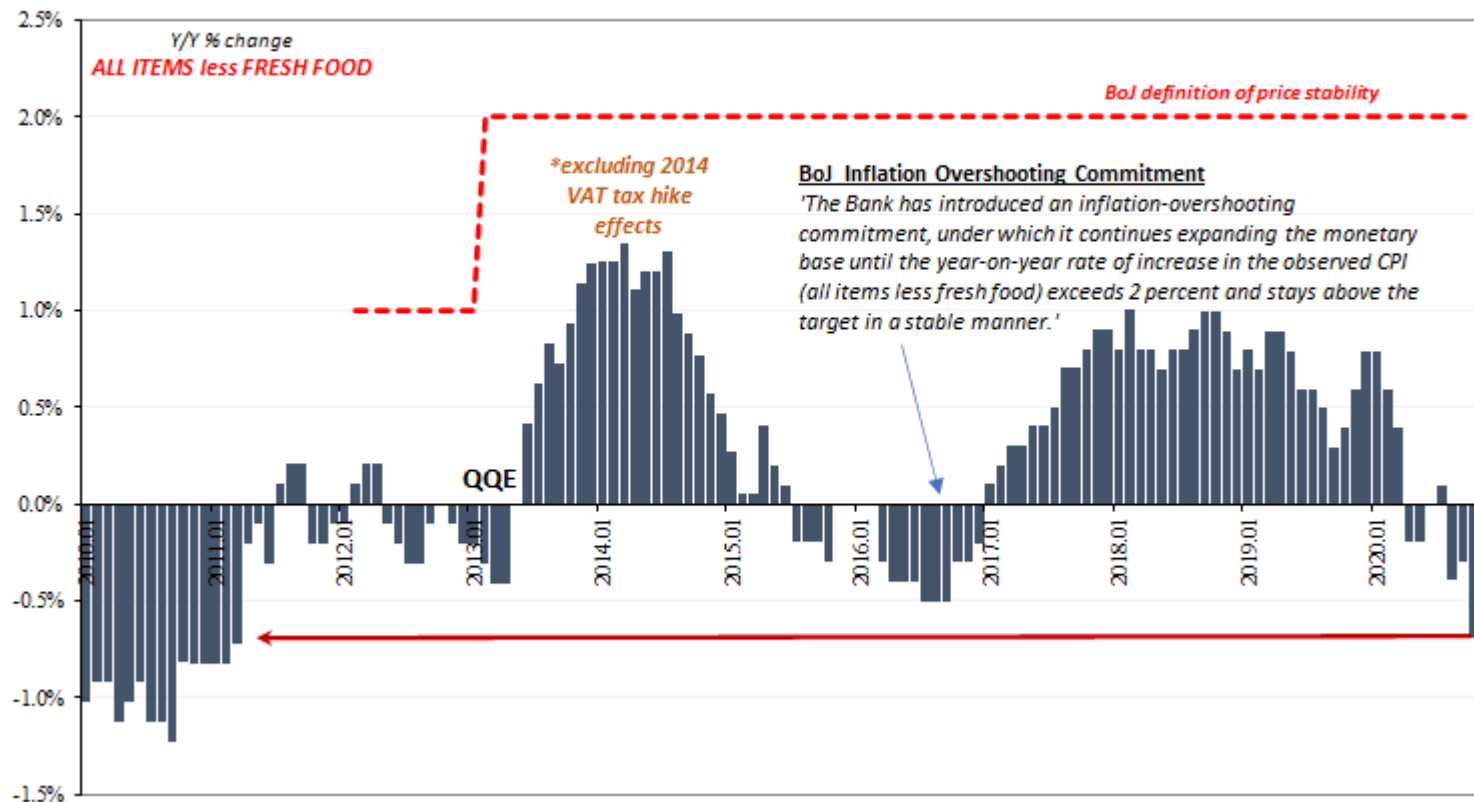


Japan Inflation & QE



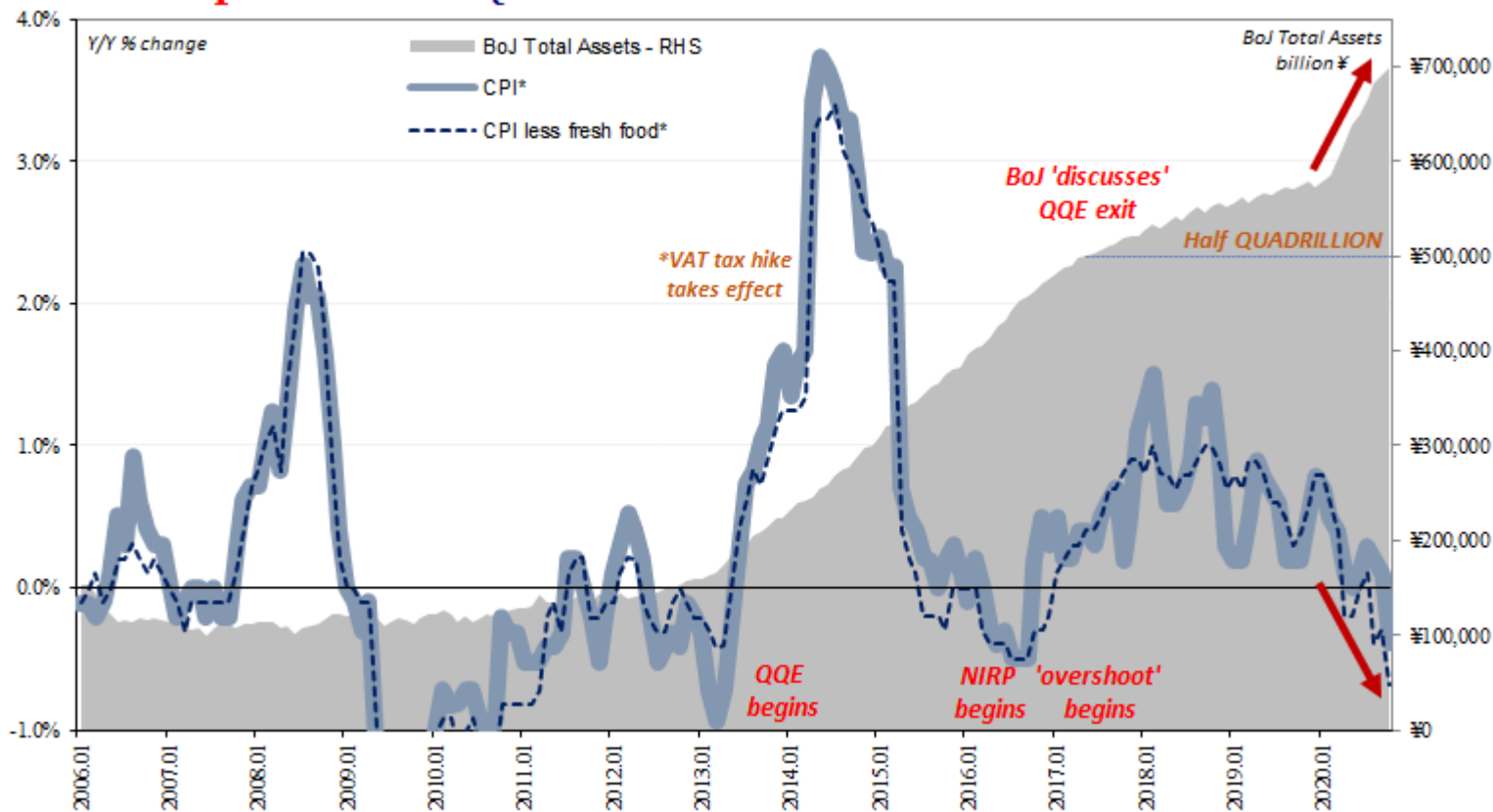


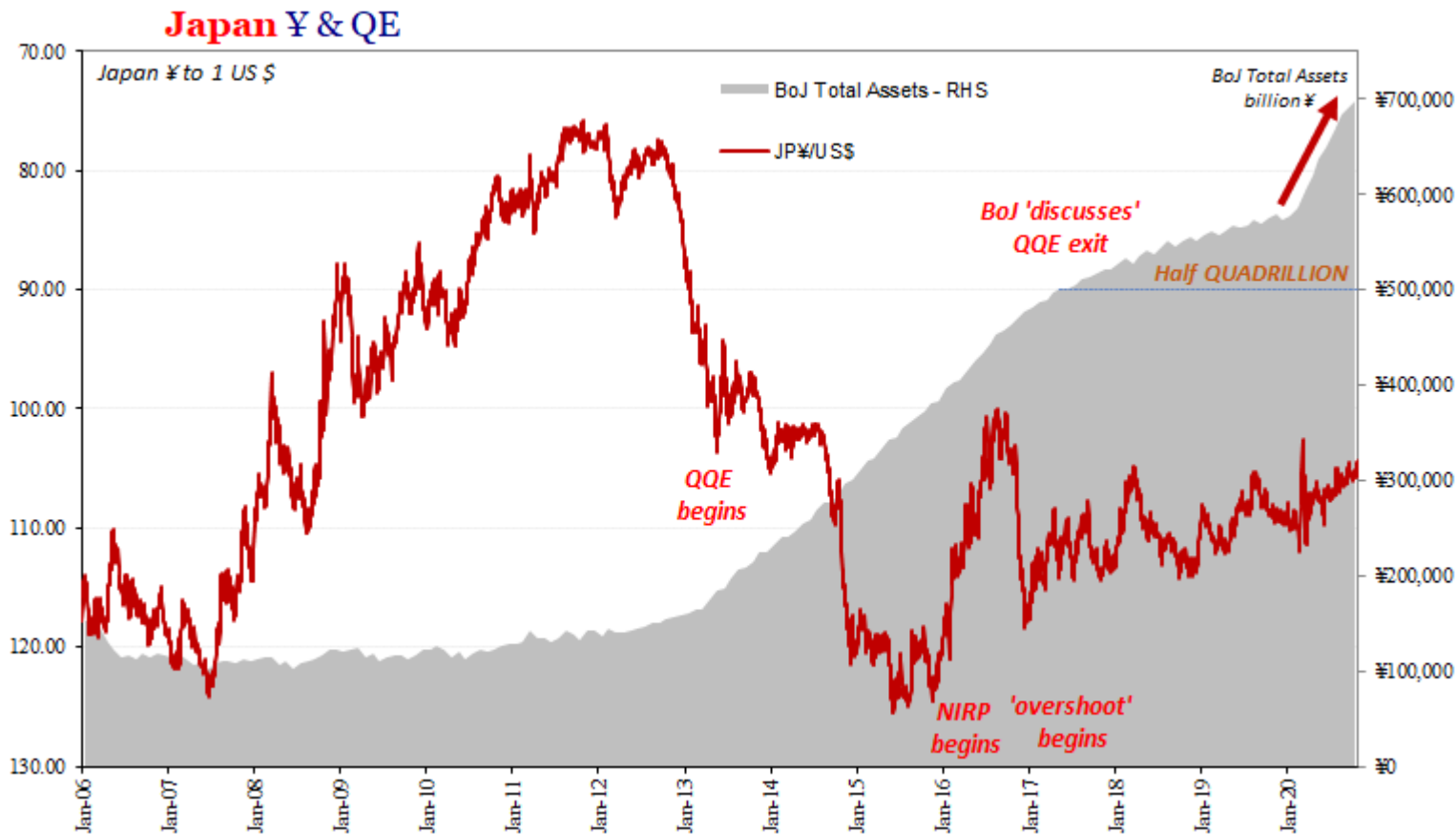
Japan CPI





Japan Inflation & QE







$$\begin{array}{ccc} \text{Quantitative Easing} & & \text{Money Printing} \\ \text{A} & = & \text{B} \end{array}$$

$$\begin{array}{ccc} \text{Money Printing} & & \text{Inflation} \\ \text{B} & = & \text{C} \end{array}$$

THEREFORE

$$\begin{array}{ccc} \text{Quantitative Easing} & & \text{Inflation} \\ \text{A} & \neq & \text{C} \end{array}$$



Bank of Japan

ZIRP (feb '99)

QE (mar '01)

QQE (apr '13)

Inflation Target Overshooting (sept '16)

NIRP (jan '16)

YCC (sept '16)



Federal Reserve

ZIRP (dec '08)

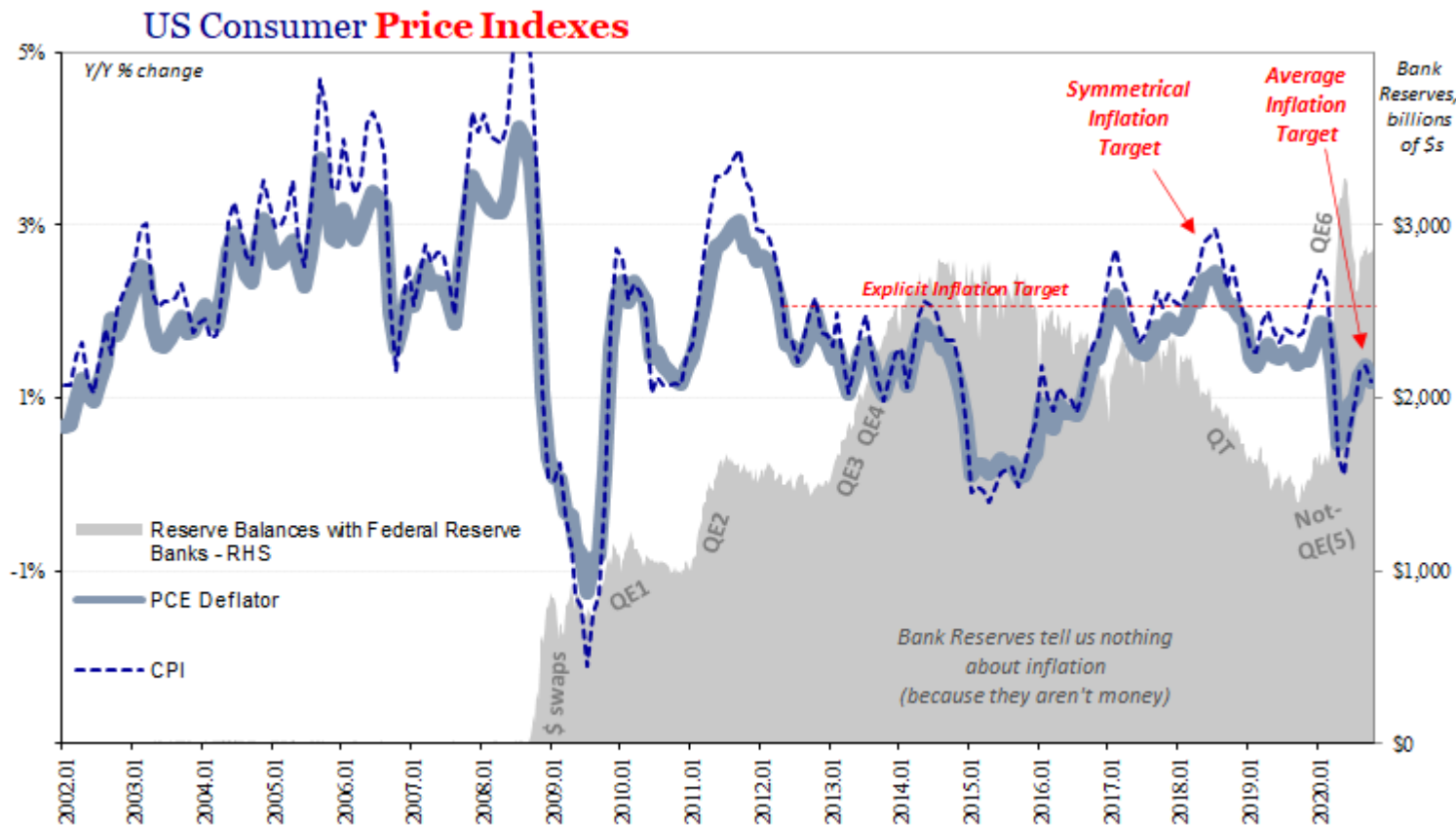
QE (dec '08)

Expanded QE (mar '20)

Symmetrical Inflation Target (may '18)
Average Inflation Target (aug '20)

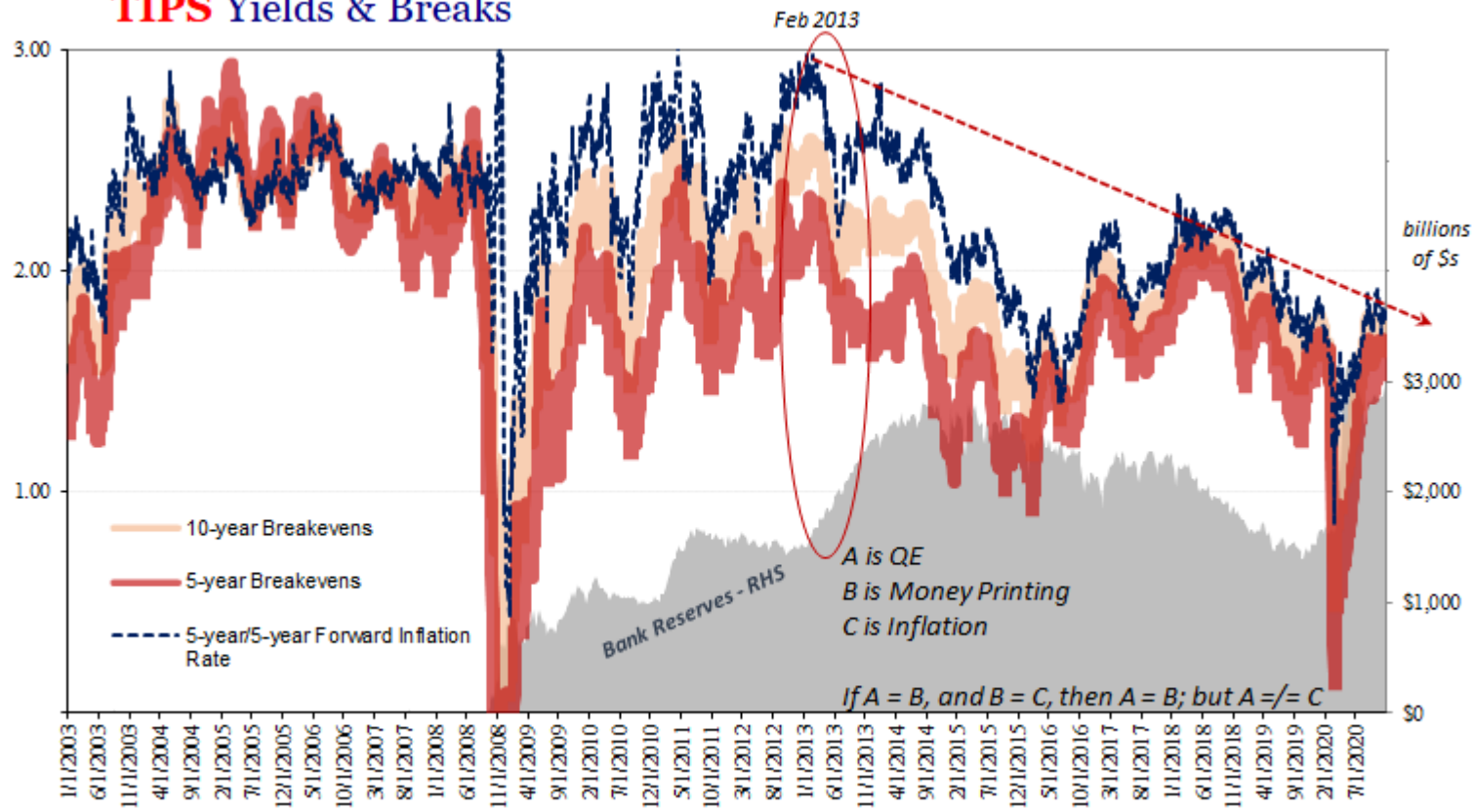
Rumored (various times '20)

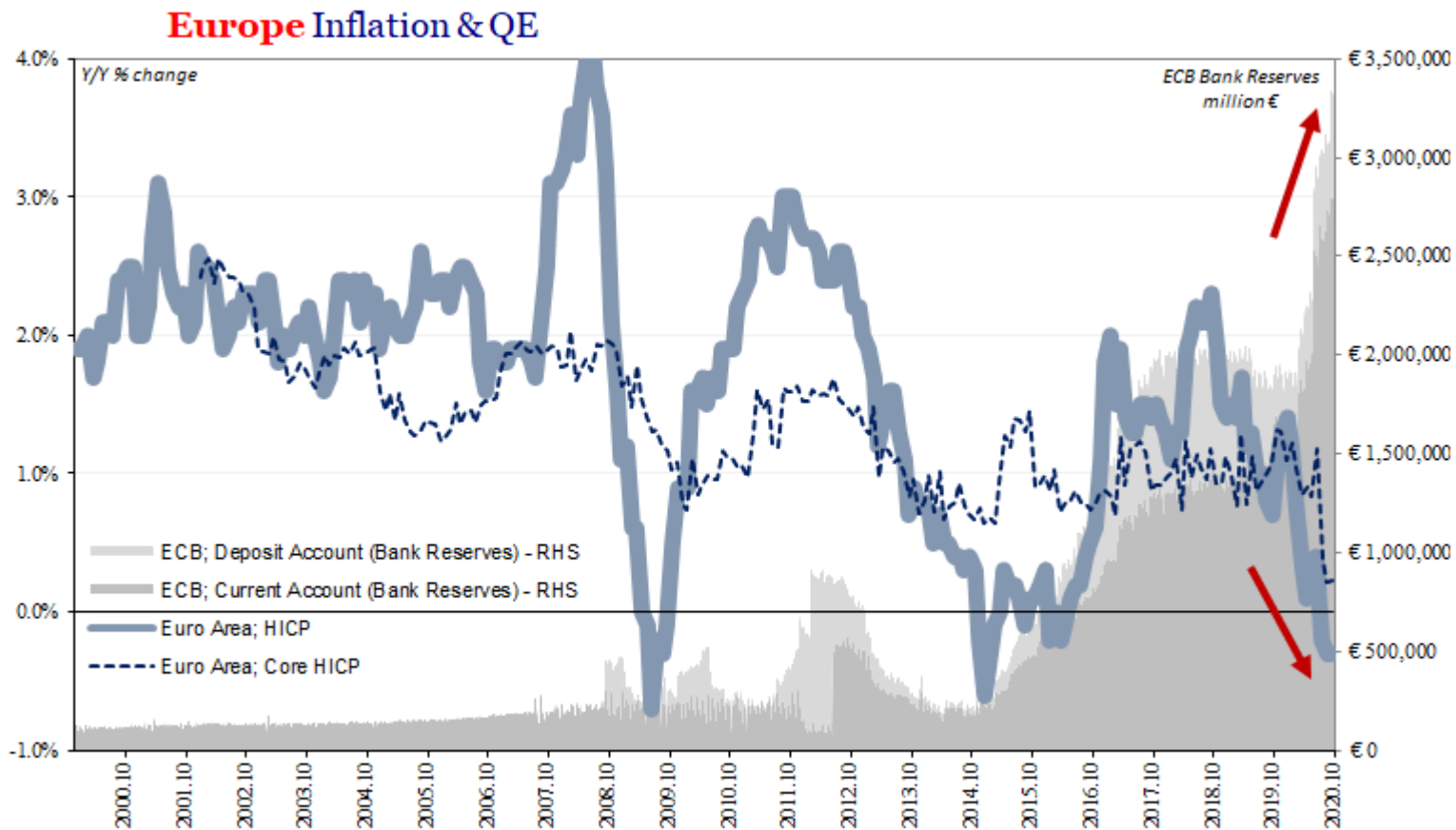
Discussed (various times '20)





TIPS Yields & Breaks







Basics of a US\$ Crash

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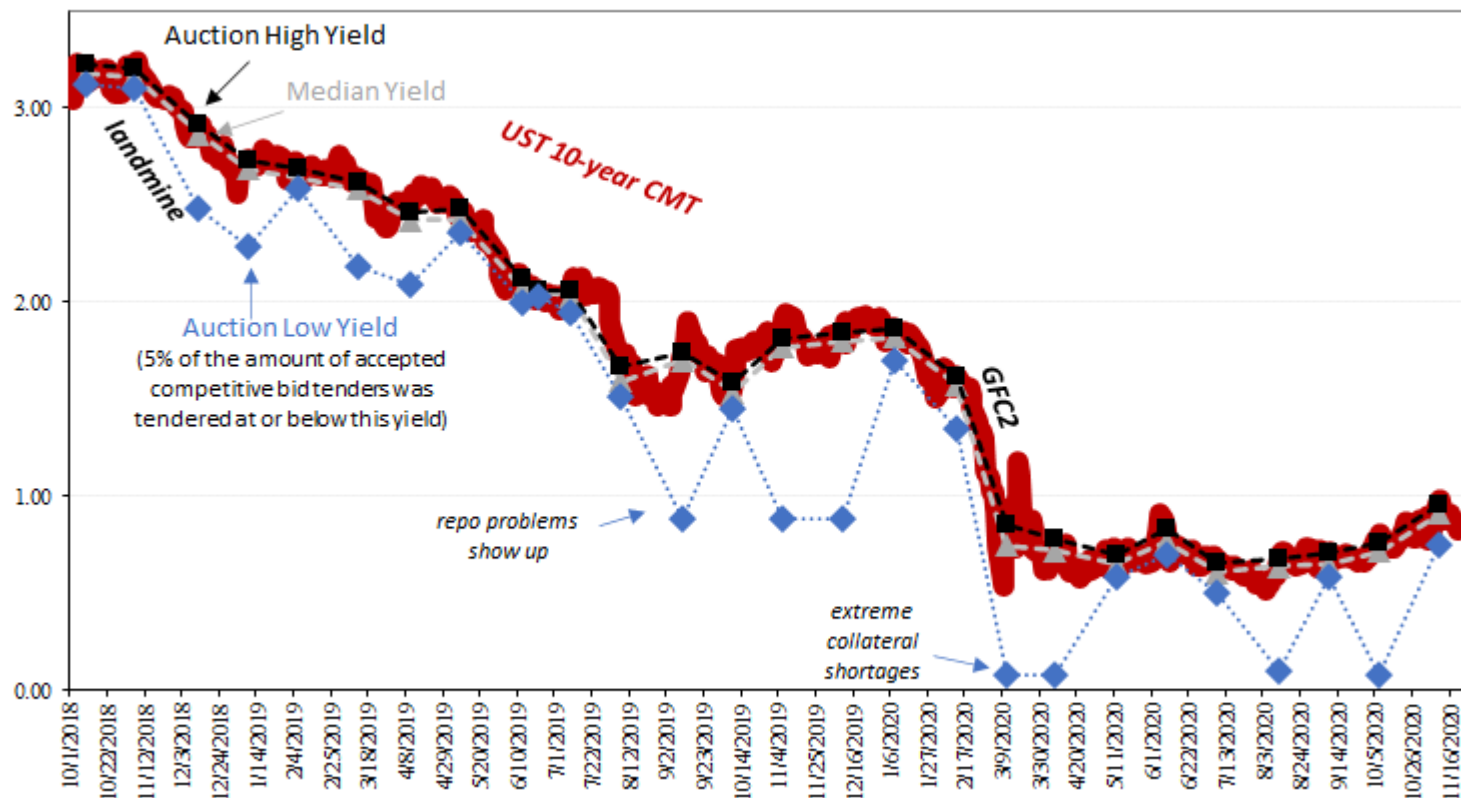
QE creating bank reserves
≠ money printing

1. ~~Wildly Inflationary Money Printing~~

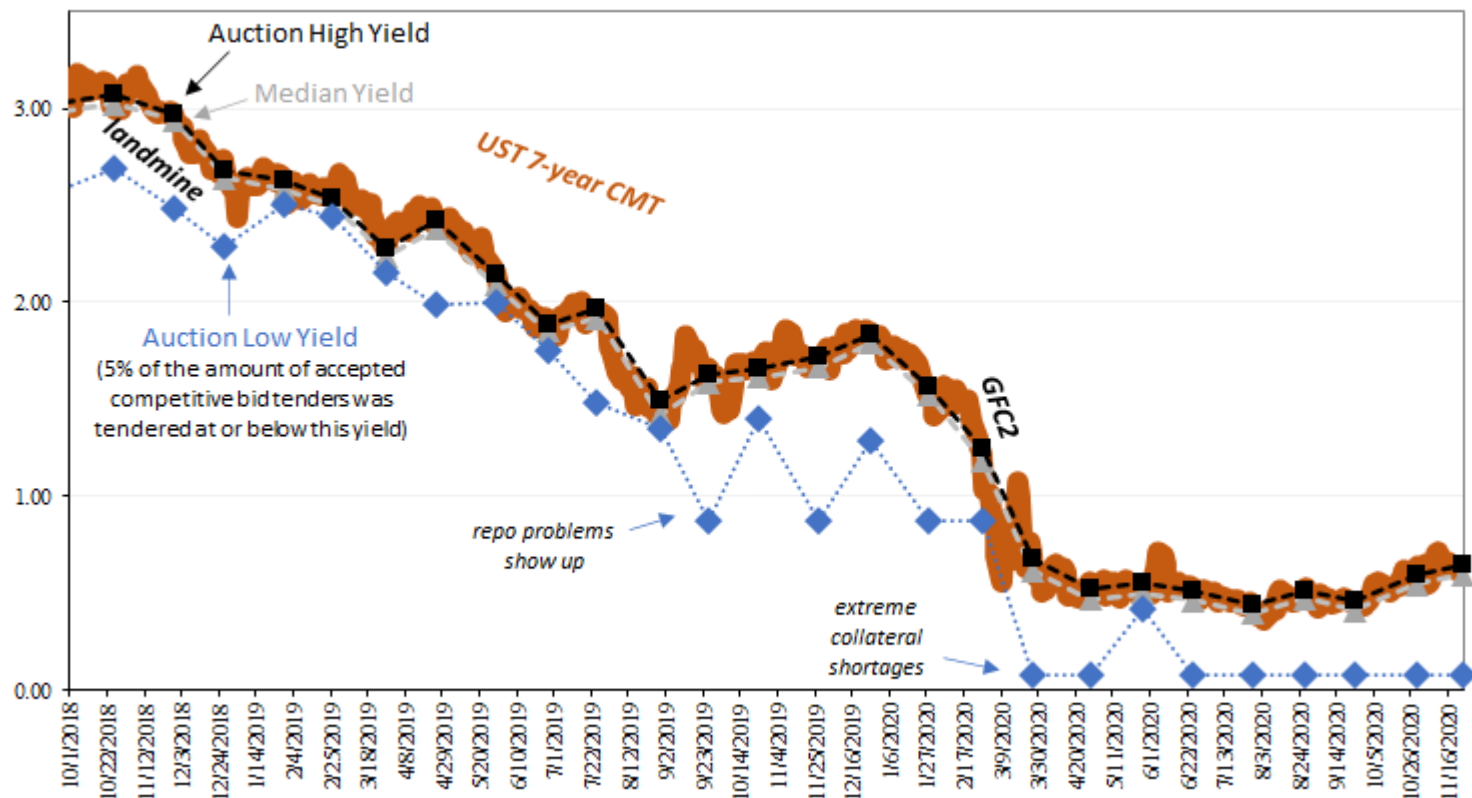
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US Treasury & Auction Rates

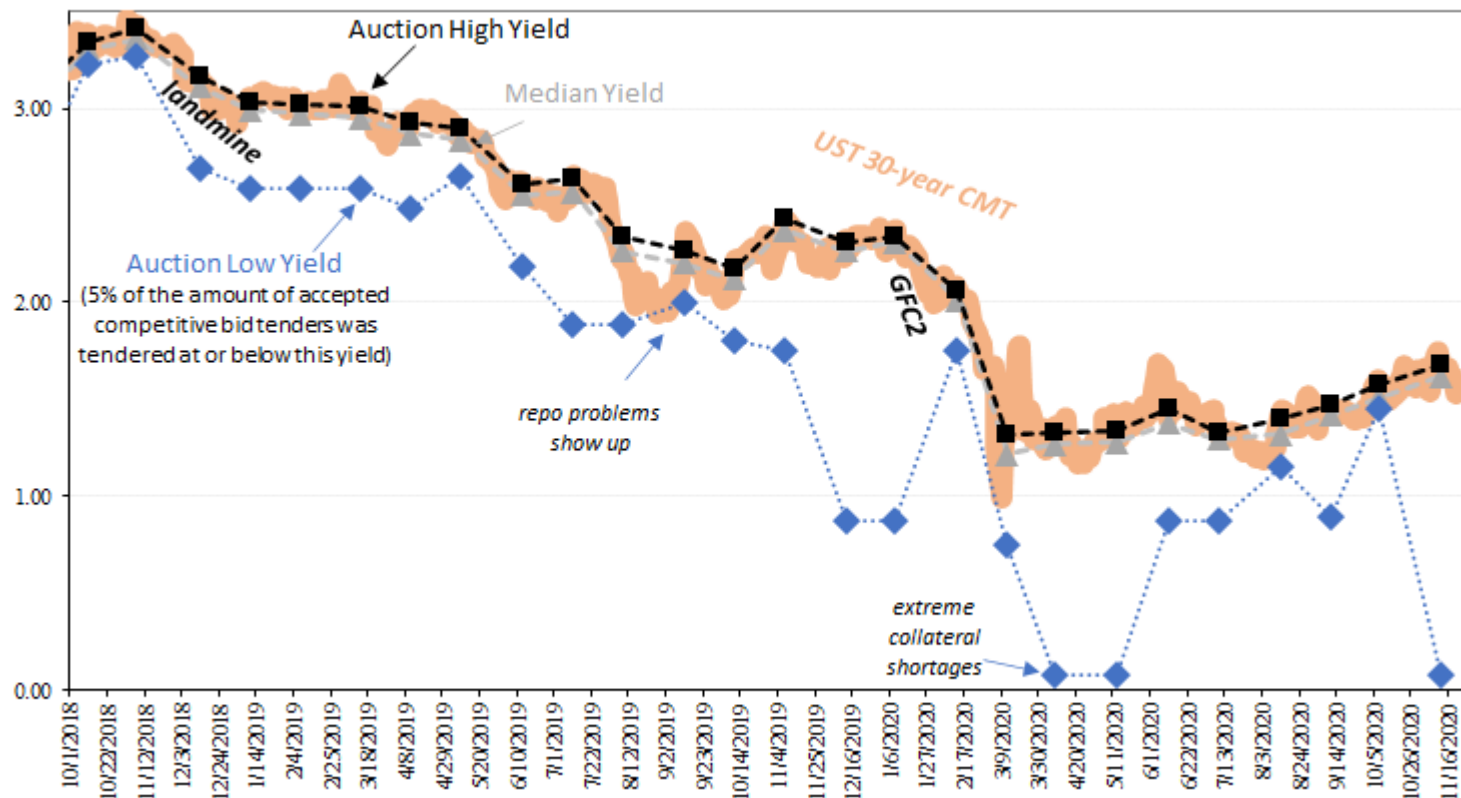


US Treasury & Auction Rates



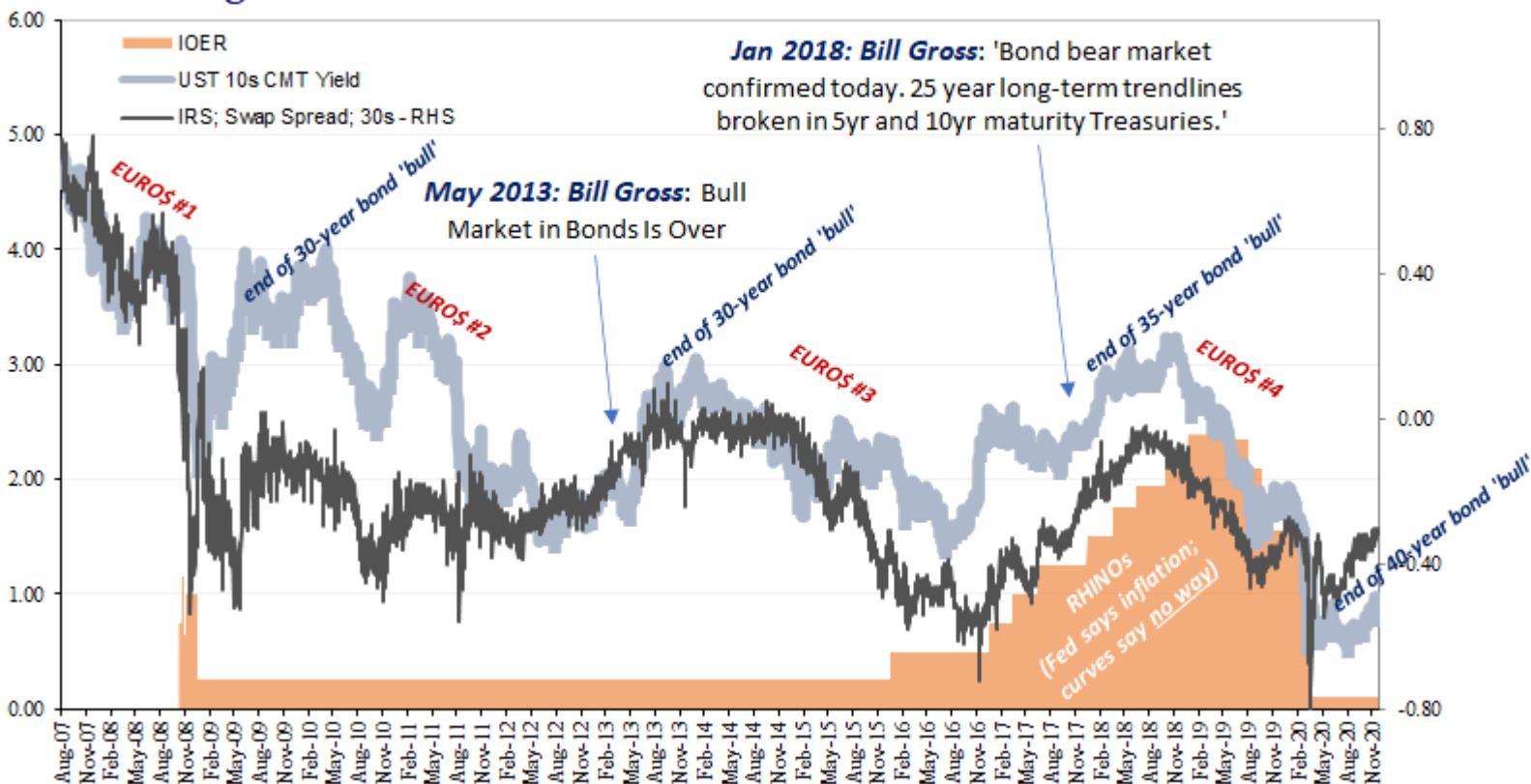


US Treasury & Auction Rates





The Regular Conundrum





Basics of a US\$ Crash

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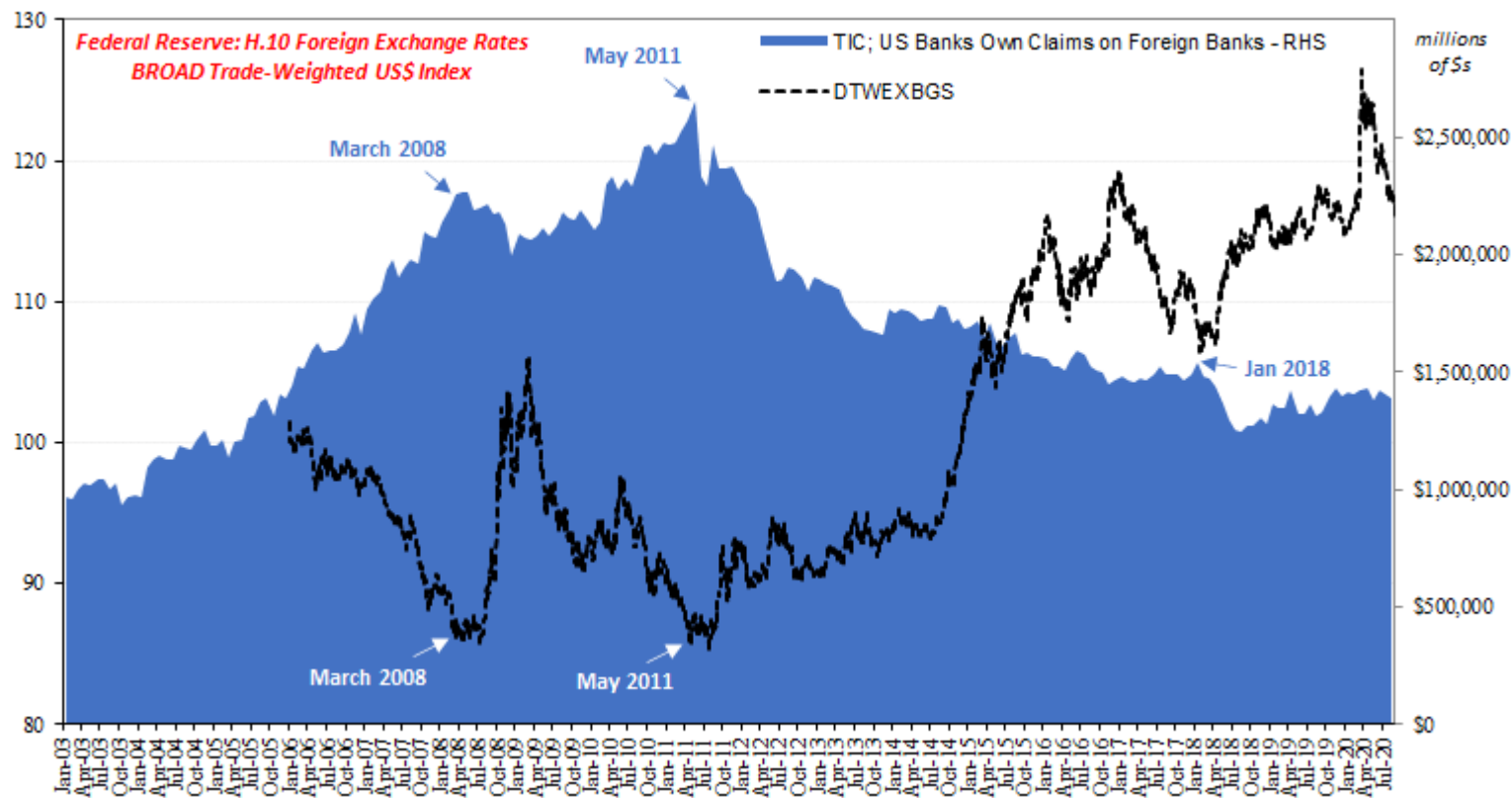
1. ~~Wildly Inflationary Money Printing~~

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so long as *deflationary eurodollar***

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US\$ Exchange Value(s)



The Boy(s & girls) Who Cried Yuan

“

If more and more people, companies and markets are using SDR as a unit of accounts, that would give it more advantages in the market.



Yi Gang, Current PBOC Governor
IMF Spring Meetings
April 2017



The Boy(s & girls) Who Cried Yuan



The majority of emerging markets and developing countries are not just facing a public health crisis, they also facing many economic and financial challenges.

The value of SDR's is determined on the basis of a basket of key currencies. The general allocation of SDR's can **supplement the foreign exchange reserves** of IMF's member states and **raise their purchasing capability**.

首页 | 监管动态

领导活动 CURRENT AFFAIRS

领导活动 / 正文

国际货币基金组织应利用SDR应对新冠疫情

来源：中国人民银行网站 作者：易明 发布日期：2020-07-16 20:43

2020年7月16日英国《金融时报》刊发中国人民银行行长易纲文章《国际货币基金组织应利用SDR应对新冠疫情》，以下为全文：

新冠疫情爆发以来，国际货币基金组织已先后采取一系列救助措施帮助成员国应对疫情。然而，进行SDR普遍分配这项措施，虽经反复讨论，却始终未能落实。这是个错误。SDR有时被称为“纸黄金”，可以被快速创造。SDR普遍分配正是现在待拼上的拼图。

在新冠疫情的巨大冲击下，新兴市场和发展中国家尤为脆弱，进行SDR普遍分配对其尤为重要。多轮危机以来，新兴市场国家所面对的不利因素日益累积，它们面临着经济和社会层面的挑战。

Yi Gang, PBOC Governor

PBOC Essay

July 20, 2020

The Boy(s & girls) Who Cried Yuan

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The majority of emerging markets and developing countries are not just facing a public health crisis, they also facing many economic and financial challenges.

DOLLAR SHORTAGE

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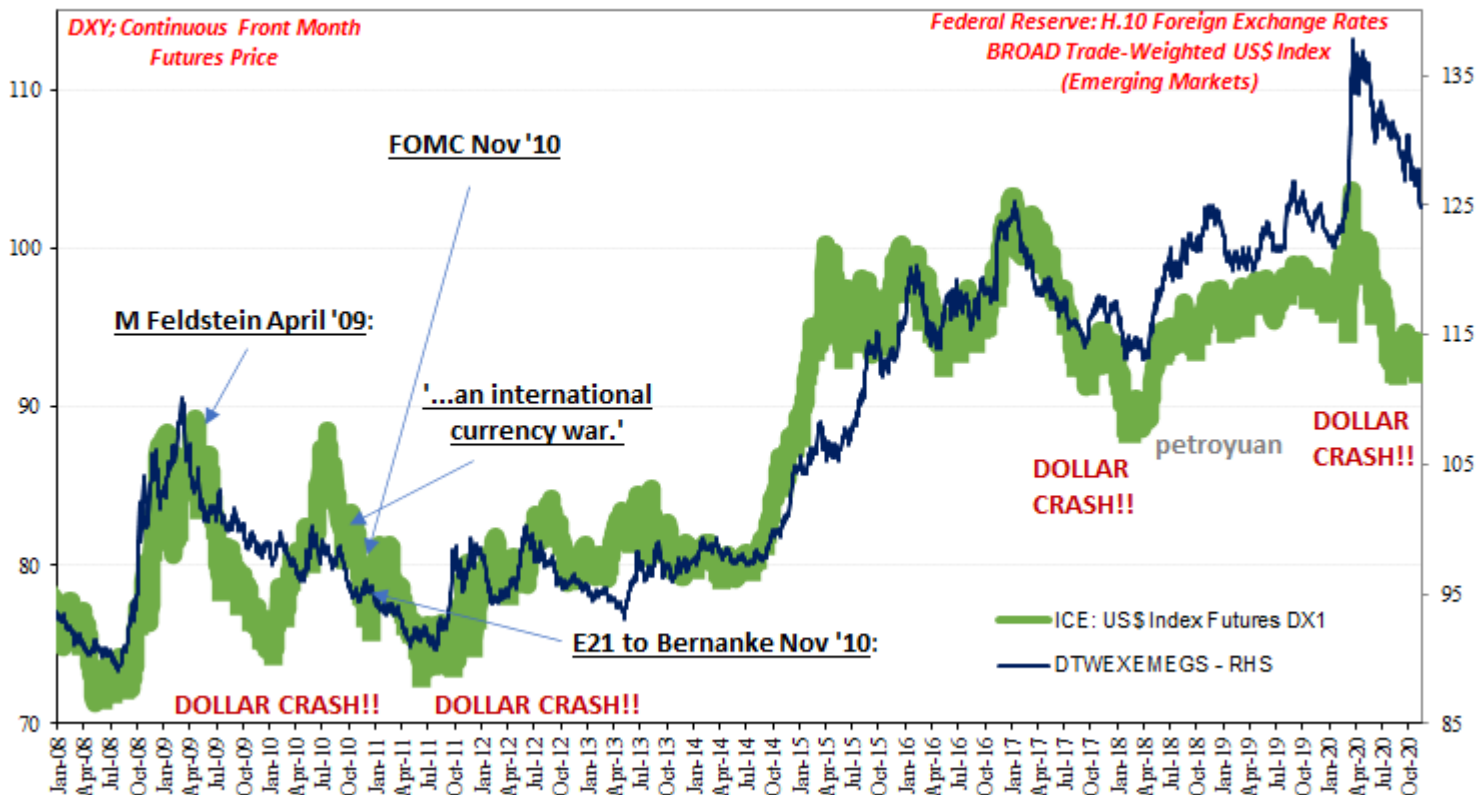
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PBOC Essay

July 20, 2020



US\$ Exchange Value(s)



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~~leading to Alternative Reserve Currency~~

Even China is arguing for *future*
development of SDRs (not yuan)
...and not getting anywhere

How the world is told to see QE:



What's really been going on (13yrs and counting):





ALHAMBRA
INVESTMENTS

www.alhambrapartners.com

The Next \$Crash

Will be the First (Eurodollar University)



CONCLUDED

