

BREAKING NEWS: Fannie and Freddie Downgraded, France Will Be Downgraded, Munis Getting Hammered ... States Will Be Next

By Washington's Blog

Global Research, August 08, 2011

Washington's Blog 8 August 2011

Region: <u>Europe</u>, <u>USA</u> Theme: Global Economy

As I <u>noted</u> yesterday, munis will get hammered by the credit downgrade, and France may soon lose its AAA credit.

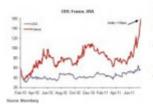
Munis Pounded

Less than 12 hours later, munis are getting pounded by downgrades.

France In Trouble

French credit default swaps are soaring.

Here's a <u>summary</u> courtesy of Business Insider:





For background on the importance of credit default swaps as an economic indicator, <u>see</u> this.

Fannie, Freddie and Clearinghouses Hit

S&P just downgraded Fannie and Freddie.

In addition, S&P downgraded <u>major clearinghouses</u> including Options Clearing, National Securities Clearing and DTCC.

All 3 companies are major clearinghouses for over-the-counter derivatives, as well as other types of financial instruments.

Next Up ... States?

As I <u>reported</u> last month, the real danger is entire states getting downgraded.

Moody's has warned against 5 states in particular:

Maryland

- New Mexico
- South Carolina
- Tennessee
- Virginia

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