

# Debt Default, “Chain Reactions” and the Financial Stage of US-led Wars

By [Bill Holter](#)

Global Research, April 03, 2015

Region: [Europe](#), [Russia and FSU](#)

Theme: [Global Economy](#)

*It is pretty much a given that we are living the end times of a three ring financial circus. If you doubt this, only a small amount of research on your part will confirm this. The odds in my opinion are quite high that we will witness some sort of military confrontation as usually occurs when business deals go bad.*

*The three leading acts today are Greece, Ukraine and special guest under the Big Top is Austria. We don't want to slight the tensions in the Middle East but that is already in the military stage, today let's look more closely at the financial stage.*

Greece has already begun raiding public pensions to run even day to day operations. The current estimate is they will run out of cash before the end of April. It is no wonder they are having high level meetings with Moscow and will meet with Mr. Putin this coming Monday. It has been said they are not looking for a handout. This may be so but they will certainly be talking about running a pipeline through their country. As I have said all along, broke is broke, they simply cannot make payment on what they have already borrowed from the West.

The West, led by Germany may be able to restructure terms or even offer the Greeks more current cash. Any deal made will not solve anything as whatever Greece accepts (if they do) will also need to be paid back. Paying one credit card off with another one does not lower your balance, on the contrary, the total balance rises and this is the problem. Greece as recently as 2010 was the shining star of Europe, just as a bank rated AAA on a Friday afternoon is bankrupt on Monday morning, so went Greece.

What is being missed here is Greek debt is held widely by German and French banks ...and by the ECB itself. When Greece does finally default, these already undercapitalized banks will capsize, but this is only part of it. Just as happened back in 2008, there may be 10 times the amount of CDS (insurance) written versus their debt, now we are talking \$3.5 trillion. Do you know of any entity on the planet that could make good on this policy?

Before finishing on Greece, James Turk did an interview yesterday with King World news where he theorizes there will shortly be a “crossover” of debt owed the ECB and Greek banking deposits. The banks have bled down to 130 billion euros while the ECB holds nearly 100 billion worth of Greek debt. James believes a “bail in” of Greek banks will occur before the bank balances are too small to cover the debt. <http://kingworldnews.com/ecb-to-steal-greek-bank-deposits-as-greece-to-default-within-two-weeks-sending-shockwaves-around-the-world/> . I believe this “crossover” has already happened. I say this because many of the deposits are small. I just don't believe there are enough large deposits left to steal in order to cover the debt owed the ECB. Can they really

bail in small deposits of widows or retirees without a massive proletariat revolt? I can envision small depositors of all ages out in the streets with pitchforks hunting down anyone who even looks like a banker!

Another financial tent which will fold is Ukraine. The situation here is less cut and dry than Greece because Russia is involved. A little refresher for you, Russia lent Ukraine \$3 billion+ at the end of 2013. They did this to try to help stabilize the country, within two months “their guy” was out and “our guy” was in. Ukraine has payments due on debt in June and they do not have the funds (nor their gold as this has already been pilfered). This debt held by Russia comes due at the end of this year and because it was written under “English law”, any restructuring must be approved by Russia.

The odds of Russia allowing a restructuring are virtually zero because they know any extra funds will be used to restart Ukraine’s assault on the Russian population of the east. The risk of a default by Ukraine has risen greatly. Just as with Greece, it is not only so much about the amount of debt itself, it’s about how much CDS “insurance” has been written. Just as Greece is just another link in the derivatives chain, so too is Ukraine. Any default will involve \$1 trillion plus when derivatives are taken into account, are there a spare trillion or more (or even multiples of this) for any of these links should they break?

It is much more complicated than this but Russia will not aid the West at their own expense. Please understand this, it is not about the money for Russia, the entire episode is about leverage, both financial and political. You can add the leverage gained of debt problems to the fact Russia is a huge supplier of gas to Europe, who do you think Europe will side with when push comes to shove?

Under the Big Top but receiving the least amount of attention or press coverage is Austria and their banking problems. It seems the collapse of Hypo-Alpe Adria bank is reaching the next level, it was only a matter of time. Pfandbriefbank Oesterich AG is the next potential casualty <http://www.zerohedge.com/news/2015-03-27/black-swan-2-next-critical-chapter-austrian-banking-system-story> .

They have a 600 million euro payment in June (lots of June deadlines?) but won’t be able to make this without invoking “guarantees”. One of these guarantees comes from the state of Carinthia itself, already unwilling and they say unable to perform. This is not even a large number, but, it affects the whole system in a domino effect where bank A owes bank B who owes bank C and down the line.

You should look at this as an illustration of just how thin the margins really are, a 600 million euro shortfall can have such a large impact? The fear is if Hypo doesn’t pay, Pfandbriefbank will not be able to either. What is really interesting is the 2 year debt of Pfandbriefbank is trading at around 95 cents, down nearly 15% since just last week. The debt market is already smelling this one out! Also please keep in mind that Austria was supposed to be one of the “strong” European countries (rated AAA) and Hypo was highly rated right up until their announcement of impairment, what other overnight surprises might we see?

To refresh your memory, Austrian bank problems were triggered when Switzerland broke their peg with the euro. Many real estate loans were taken out in Swiss francs because the interest rate was so low. Once the franc revalued higher, many of these loans were greater in value than the underlying real estate itself through no fault of the borrower other than to

have borrowed in francs. Obviously another area where the revaluation has done damage is to the bank's balance sheets. The lenders are now effectively short francs while those whom have sold derivative insurance against a lower euro or higher franc are now sitting on huge losses. Trust me when I use the term "chain reaction" because this is already in motion!

This "three ring circus" as I have dubbed it is by no means all there is, it does however have a finite time frame. Greece and Ukraine owe monies before the end of June. Pfandbriefbank also has a payment due in June. Will any of these payments actually get done? None of them? I'd like to point out the obvious here, in neither of these three situations does the ability to pay exist without "help" from another source. How long will these "sources" be available and what happens when they are no longer? To this point it has been a hell of a show, it is best not to stay to watch the final act!

The original source of this article is Global Research  
Copyright © [Bill Holter](#), Global Research, 2015

---

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Bill Holter](#)

#### About the author:

Bill Holter writes and is partnered with Jim Sinclair at the newly formed Holter/Sinclair collaboration. Prior, he wrote for Miles Franklin from 2012-15. Bill worked as a retail stockbroker for 23 years, including 12 as a branch manager at A.G. Edwards. He left Wall Street in late 2006 to avoid potential liabilities related to management of paper assets. In retirement he and his family moved to Costa Rica where he lived until 2011 when he moved back to the United States. Bill was a well-known contributor to the Gold Anti-Trust Action Committee (GATA) commentaries from 2007-present.

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)

[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)