

(GEAB N°53 - March 28, 2011)



### Global Systemic Crisis: Get Ready for the Meltdown of the US Treasury Bond Market

Beyond its tragic human consequences, [\[1\]](#) the terrible disaster that has just hit Japan weakens the shaky US Treasury Bond market a little more. In the GEAB No. 52, our team had already explained how the sequence of Arab revolutions, this fall of the “petro-dollar” wall,

[\[2\]](#)

would translate during 2011 into the cessation of the massive purchases of US Treasury Bonds by the Gulf States. In this issue, we anticipate that the sudden shock experienced by the Japanese economy will lead not only to the halt in US T-Bond purchases by Japan, but it will force the authorities in Tokyo to make substantial sales of a significant portion of their US Treasury Bond reserves to finance the enormous cost of stabilization, reconstruction and revival of the Japanese economy.

[\[3\]](#)

With Japan and the Gulf States alone accounting for 25% of the total 4.4 trillion USD of US federal debt (December 2010), LEAP/E2020 believes that this new situation which is asserting itself during the first quarter of 2011, against a background of China’s increasing reluctance (holding 20% of US Treasury Bonds) to continue to invest in US government debt, [\[4\]](#) carries the seeds for the collapse of the US Treasury Bond market in the second half of 2011, a market that now has only a single buyer: the US Federal Reserve.

[\[5\]](#)

It is certain that the context of the crisis of US local authority securities (Munis) and European government debt (the entire periphery of the EU, including the United Kingdom) that our team anticipated for this timeframe (see [GEAB N°50](#) ), will only exacerbate the event. Moreover, it is highly significant that [PIMCO](#) the world’s largest bond fund manager decided, at the end of February 2011, to liquidate its US Treasury Bond holdings. And that was before the disaster in Japan!

[\[6\]](#)

