

(Global Europe Anticipation Bulletin, 16.4.2010)



Europe's Sovereign Debt Crisis: Further collapse of Britain's pound sterling?

Just as LEAP/E2020 anticipated many months ago, and in contrast to the reports coming out of the media and the « experts » during these past few weeks, Greece really has the Eurozone behind it to give support and credibility (especially concerning good management in the future, the only guarantee of an escape from a damnable cycle of growing public deficits [\[1\]](#) ). There will not be, then, any Greek default of payment even if the commotion over the Greek situation really is an indication of a growing awareness that money to finance the huge Western public debt is becoming increasingly difficult to find: a situation now “untenable” as a recent report of the [Bank of International Settlements](#) underlined.

The fuss made over Greece by the English and US media in particular tried to hide from the majority of the economic, financial and political players the fact that the Greek problem wasn't a sign of an upcoming Eurozone crisis [\[2\]](#) but, in fact, an early warning of the next big shock of the global systemic crisis, that is to say a collision between, on the one hand, the virtual British and US economies founded on untenable levels of public and private debt and, on the other hand, the double wall of borrowing, maturing from 2011 onwards, combined with a global shortage of available funds for refinancing at low rates.

As we have explained since February 2006, at the time of our anticipation of its imminent arrival, one mustn't forget that the current crisis has its origin in the collapse of the world order created after 1945, of which the United States was the support, assisted by the United Kingdom. Also, in order to understand the real effect of events caused by the crisis (the Greek case, for example), it is useful to relate their significance to the structural weaknesses which characterise the heart of the world in full meltdown: so, for our team, the “Greek finger” doesn't

## The Bank of England battle

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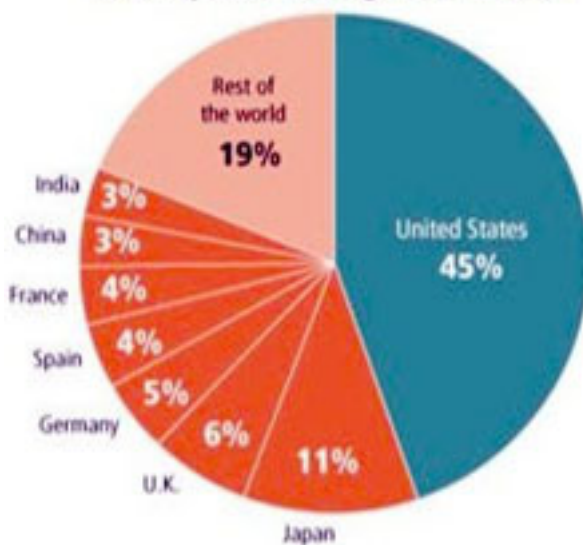
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cite the Eurozone as much as the explosive dangers of the exponential financing needs of the United Kingdom and the United States [\[3\]](#) .

### Uncharted Waters

Governments around the world will issue an estimated \$4.5 trillion in debt this year, triple the five-year average for industrial countries.

#### 2010 Projected Sovereign Debt Issuance



2010 projected sovereign debt issuance (Total: 4.5 trillion USD) - Sources: IMF/Hayman Advisors/Comcast, 03/2010

Subscribers should be aware that during a period when financing requirements exceed available funds, as is the case today, the sheer amount as regards sovereign debt issuance is more important than the ratios (amounts in relative value). This is shown by a very simple example: if you have 100 Euros and you have two friends, one “poor”, A, who needs 30 Euros and the other « rich », B, 200 Euros. Even if B can pledge his expensive watch, worth 1,000 Euros, to you, whilst A only has a 20 Euro watch, you can’t help B since you haven’t sufficient funds available to fulfill his financing requirements; however, in discussing a pledge and interest, you can decide to help A. Putting it in this perspective thus invalidates all the arguments based on the debt ratio: in fact, according to their logic, you would obviously help B, because his debt ratio is clearly more favourable (20%) than A’s (150%). But in the world of the crisis, where money is not available in unlimited quantities [\[4\]](#) , the theory hits the wall of reality: wanting to do something is one thing, being able to do it is another.

So then, LEAP/E2020 asks two simple questions:

*. who will be able/want to help the United Kingdom after the 6th May when its political chaos will inevitably expose the advanced meltdown of all its budget, economic and financial parameters?*

The financial situation is so serious that the technocrats running the country have devised a plan, submitted to the parties contesting the next General Election, in order to avoid risking a power vacuum which could lead to a collapse in Sterling (which is already very weak) and British treasuries (Gilts) (the Bank of England having bought 70% of those issued over the last few months): Gordon Brown would remain Prime Minister even if he loses the election, unless the Conservatives were able to garner sufficient votes for outright victory [5]. In effect, with an economic and political crisis as a backdrop, the polls lead one to think that the country is turning to a “[Hung Parliament](#)”, without a clear majority. The last time that happened, in 1974, was a kind of political preliminary to IMF intervention eighteen months later.

[6]

For the rest the Government puts a positive spin on the statistics to try and create the conditions for a victory (or a managed defeat). However the reality is depressing. British real estate is trapped in a depression which will prevent prices reaching their 2007 levels for many generations (in other words, never) according to Lombard Street Research. [7] The three parties are preparing to face up to a catastrophic post-electoral situation.

[8]

According to LEAP/E2020 the United Kingdom could well suffer a “Greek”

[9]

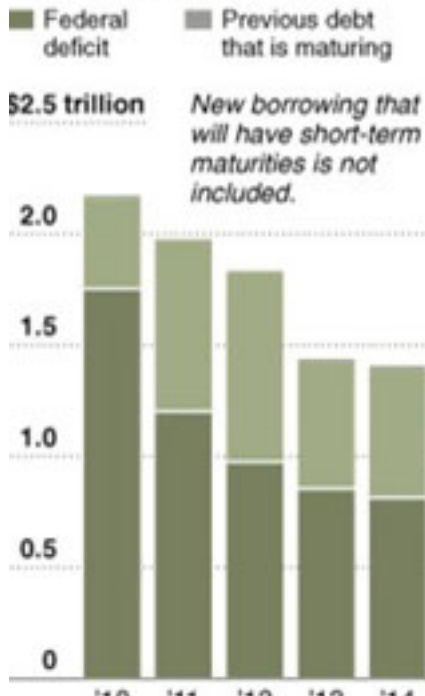
event with British leaders announcing that the country’s situation is substantially worse than that disclosed before the election. The numerous meetings, at the end of 2009, between the Chancellor of the Exchequer, Alistair Darling, and Goldman Sachs is a very reliable indicator of sovereign debt manipulation. As we wrote in the last GEAB issue, all one needs to do is follow Goldman Sachs to know where the next risk of sovereign debt payment default lies.

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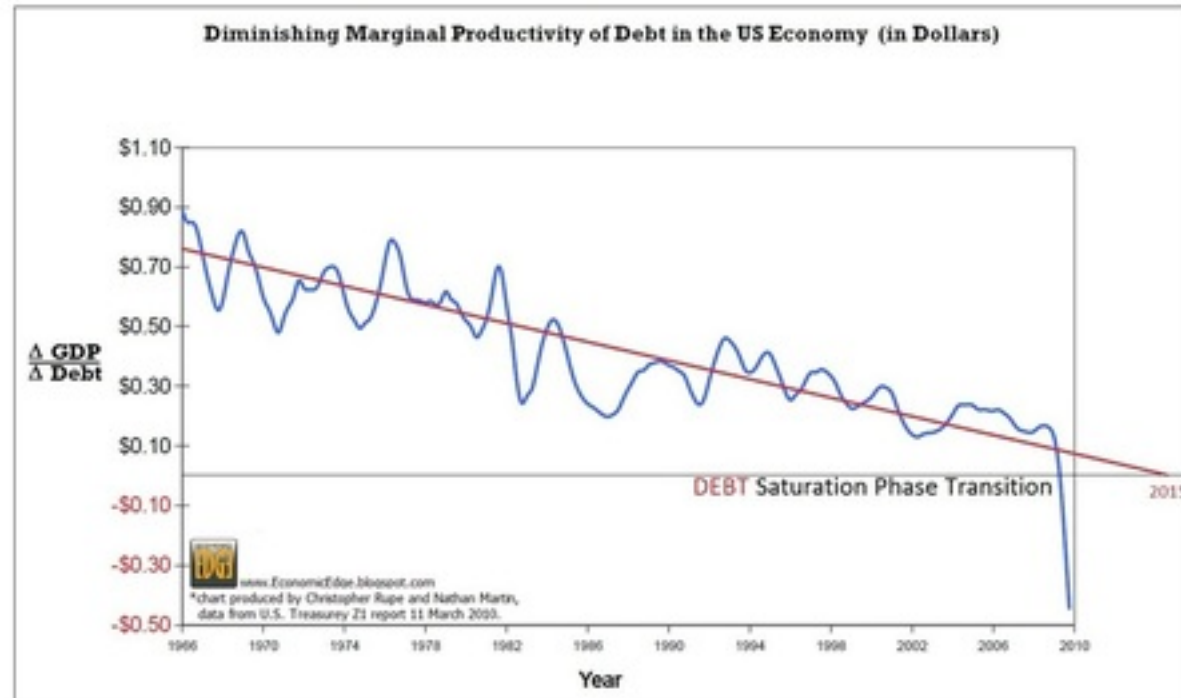
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... the U.S. government also will be borrowing record sums.



U.S. Federal Government Debt Held by Public (1970-2014) - U.S. Federal Government Debt Held by Public (1970-2014) - U.S. Federal Government Debt Held by Public (1970-2014)



(20) Shanghai Daily (2010-04-24) - U.S. Federal Government Debt Held by Public (1970-2014) - U.S. Federal Government Debt Held by Public (1970-2014)