

A Flock of Black Swans in June? Greece, Ukraine, the TPP... Chain Reactions in Financial Markets?

By [Bill Holter](#)

Global Research, May 23, 2015

Very soon we will be entering the month of June. Normally June is the time of year in the northern hemisphere when people think of picnics, parks, water sports and the outdoors. It is a time where plans are made for vacation, rest and relaxation. This year may be a little bit different. I say "different" because there is a plethora of converging events, any single one of them with the ability to take the financial markets down to their knees!

Let's first list the events (which may not even be all inclusive because I either forgot something or am unaware of). What I see converging in June is as follows; the Austrian mortgage banks and banking sector, Greece, Ukraine, India, Russian sanctions, a Russian/Chinese announcement, the "very secret" TPP, and let's not forget the second largest gold expiration on COMEX.

Since we know so little about the TPP (Trans Pacific Partnership), let's start with this one. We know so little about it because it is being negotiated in secrecy. So "secret" in fact, anyone who gets to see what is written so far is threatened with jail time if they divulge anything about it .

See <http://www.zerohedge.com/news/2015-05-19/someone-finally-read-obamas-secret-trade-deal-and-admits-tpp-will-damage-nation> .



This harks back to Obamacare when Nancy Pelosi once giggled like a little school girl and

said “we have to pass it to see what’s in it!”. Fast forward and yes, we now know what was in it, a healthcare industry in turmoil, higher premiums and a “tax” if you don’t participate... Going all the way back to NAFTA, none of these deals has been “good” for the American worker, one can only imagine how deafening that “giant sucking sound” will be that Ross Perot first heard in 1991? Not even sure how this is possible, our legislative process has been kidnapped with no ransom even requested. If this masterpiece gets unveiled in June, a wonder as to market reaction?

Next there is the Austrian mortgage bank Hypo Alpe Adria, will they make their smallish payment of 500 million euros or will they start a chain reaction? If you recall, this pinch came about when the Swiss de pegged the franc and revalued some 20-30% higher within 10 minutes, in many cases it made the loans in Swiss francs worth more than the underlying properties themselves. The southern province of Carinthia has already backed away from pledges previously made by simply saying “we can’t pay”. An important understanding is how all of these banks ...own each others debt. In other words, the “cross ownership” of debt means that when one goes down it will act as a hit to many of the other’s portfolios. While this is not a huge trigger, all of Eastern Europe can and will be affected by what originated from the Swiss de pegging the franc from the Euro. With the system as illiquid as it is, there is no telling how far this one could reverberate?

On to Greece, they have already raided pension funds and sequestered local monies, June 5th is the deadline according to their finance minister. They owe 320 billion euros, they do not have the money to pay nor do they have a printing press to create it. The only way out is to borrow more ...or default and fall into the open arms of Russia and China. The latter seems most likely to me. Greece is a natural trading partner with Russia and does sit along the “old silk road”, moving away from the U.S. and even the Eurozone seems a natural. Please remember the big “nut” here is not the 320 billion euros, it is the CDS written in multiples on their debt AND the interest rate swaps in existence, these are in the TRILLIONS, not chickenfeed in an already illiquid world!

Logically, the next one to segue into is Russia and the NATO sanctions due to expire ...in June. If a vote were to be taken today, would the sanctions be re imposed?

Would Germany vote for them?

Will Greece vote for them if they are still a member of NATO by June?

Please understand the relationship between Mrs. Merkel and Mr. Putin, they “used to” talk on the phone daily ...until the NSA spying revelations of last year. Will Mrs. Merkel go for more sanctions? What will she do about further aid to Greece. Greece has the ability to ignite many things, financially and politically all bad for the West.

Moving along, let’s look at Ukraine. The IMF is seeking a restructuring (read haircut) on \$10 billion worth of Ukrainian debt with private holders. This the IMF says is necessary before another aid package of \$40 billion is approved

<http://www.reuters.com/article/2015/04/14/us-ukraine-crisis-imf-idUSKBN0N50MV20150414> .

The “haircuts” requested are in the neighborhood of 40-50%, will this one fly?

Let’s not forget, Russia lent \$3 billion to Ukraine in late 2013, I wouldn’t bet they will be

accepting haircuts any time soon. In fact, wouldn't it behoove Russia to watch Ukraine default ...and further pressure the financial system of the West? Interestingly, John Kerry just met over the weekend with Russian minister Lavrov, what exactly did they talk about? If I had to speculate, my guess would be the U.S. has just walked away from this pink elephant. But why? Why would the U.S. walk away now?

China's Gold Holdings

Again, further speculation but it seems to me quite odd that Russia would announce "Chinese gold holdings" of 30,000 tons via Pravda. To rehash this, would Pravda have released this article without Moscow's permission? Would Moscow have given permission without the approval from Beijing? Was Mr. Kerry/Obama informed that China will announce this 30,000 ton hoard of gold shortly?

Is it a true story or not? As I wrote a few days ago, "gold" is a financial thermonuclear weapon, able to destroy the fiat of the West. It would not surprise me in the least if Washington was given the "courtesy" of a heads up to some sort of coming announcement even if a smaller sum than 30,000 tons. The point here is this, any announcement by China raises the question of Western holdings which of course brings Western currencies into question. It will be very interesting to see how forceful the U.S. is regarding Ukraine, this gold issue may just be the "softener"? I believe we will see very soon whether or not the U.S. changes tack regarding Ukraine (amongst others) as I suspect the Pravda announcement was no error at all.

Another June deadline is India trying to remonetize gold

<http://www.thehindu.com/business/all-you-need-to-know-about-gold-monetisation--scheme/article7224428.ece#>.

They propose to allow the deposit of gold on account and interest paid on it. This would immediately boost the economy with a shot of adrenaline as collateral would be massively boosted and lending could blossom. The only problem is that this is about the 5th or 6th time such a plan has been tried ballooned and even if passed, the citizens of India will probably not go for it en masse anyway. They have a long history of holding their gold in hand with no counterparty risk between them and their gold. It might work to some extent but the number of 25,000 tons being deposited is a pipe dream. It should be said however, when China does finally announce their holdings and increase their ability to "price" global assets, the Indians will sit at the table as there is no doubt they hold massive quantities in total!

Lastly but not least important is the June gold expiration on the planet's favorite gold "pricing" mechanism, COMEX. As of today, there are 187,500 contracts open for June, this represents 18.75 million ounces of gold or 581 tons. The "registered" for delivery category has been bled down to about 11 tons or about 378,000 ounces of gold. The first notice day is June 1st, only seven trading days away. Does anyone see a potential problem here? A "problem" as in there are 50 ounces of gold contracted for every one ounce COMEX claims to have?

Yes, yes, I know I have gone through this exercise before and each time the open interest just dried up and blew away. In fact, many expiration months have seen accounts FULLY FUNDED with cash to purchase the gold on first notice day, only to "go away" later in the

month. This makes no sense whatsoever. Why would anyone fund their account fully in order to pay for purchase and then just walk away? On the other side, why would any short not deliver on the 1st or 2nd day of the month as they must pay storage costs for each day they don't deliver? The answer of course is very simple, the gold does not exist to make delivery and the shorts do not want to let go of what very little they have ...and instead cash settle with a little cherry on top? Before finishing this section, it should be pointed out that the ETF GLD has bled 17 tons over the last few weeks where gold rose \$50. How does this make any sense at all? It only makes sense to me if someone needed the metal to deliver elsewhere and immediately. A strange occurrence but a topic for another day.

So there you have it, June could be quite the month as many events all converge over the 30 day timeframe, and none of them good! I have warned and warned, you must have exactly the positions you want should the markets close and not offer you the chance to alter. Please, imagine a world where things actually make sense and logic counts for something when it comes to valuing assets. Let's call it "Mother Nature world" where values make some sense and are actually related to each other and to reality. How would your portfolio or financial position look like if we woke up one fine Monday morning in June to a brand new world?

Holter/Sinclair collaboration

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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.

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