

# Greece Debt Default: How Long Will it Take?

By [Bill Holter](#)

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Region: [Europe](#)

Theme: [Global Economy](#)

*I could have titled this piece "The Inevitable" or "It's not a matter of if, but when" but I have another thought in mind and want to look at Greece from another angle. Yes, either of those two titles would have sufficed because a Greek default is inevitable and only a matter of when.*

My thoughts this morning are "how long will it take" to drag everything down with their default? As mentioned yesterday, the ratings services, creditors and even "official" sectors are furiously trying to figure out how to not call a default a "default". This is of utmost importance because what is left of our global "rule of law" will destroy the derivatives markets from the inside out. This needs little explanation because it is black and white, "grey" however is what the power structure is desperately hoping for.

If Greece is considered to have defaulted, rather than having some "splaining to do", there will be billions worth of "paying to do". Greece has 350 billion euros of debt owed, this amount is surely "covered" by CDS (credit default swaps). The reality is probably 10 times this amount but let's assume it is only this 350 billion. Liquidity has and is drying up ALL OVER THE WORLD, a 350 billion euro hit will bankrupt many entities, not to mention those who actually hedged and ...don't get paid. You see, there are two sides here, the debt itself and at least an equal amount of CDS ...so now we are talking an absolute minimum of 700 billion euros.

And remember, banks all throughout Europe (including the ECB itself) hold Greek bonds at par (100 cents on the dollar) because Greek debt, even though everyone knows its not worth the paper it is printed on is mandated as tier one capital. "Tier One" meaning the "safest stuff" and worthy of bank portfolios "carefully safeguarding" depositor funds. I hope you see the humor in this, sub-sub prime student loans are probably now safer than Greek debt.

Now to the title itself, how long will it take? For what? For a total meltdown, THAT'S WHAT! Will we see some sort of slow burn where convulsions show up now and then, or the other extreme, a complete meltdown? In my opinion we may see both for a couple of weeks or maybe even two months. It is possible that those rendered insolvent get overnight injections and don't admit to anything. This may work for a short time but as always, insiders will know and start slipping out the back door.

Honestly, once a default is "recognized", and trust me it will be sooner or later, I don't believe the markets will stay open more than 48 hours before being closed by necessity. I cannot imagine any scenario where Greece defaults (doesn't pay) and the markets do not convulse into a death spiral in more than two week's time. There is a reason for me going through this exercise, some may believe they will be able to move and sidestep it. Others

have been trying to time the “perfect” entry or re-entry into precious metals and believe they will be delivered upon, I don’t believe this will practically be possible.

Forget about the “timing”, I do believe there will be some who time it perfectly ...but just one problem. So you are so smart and deft to sell out of the stock market at one minute before midnight, where does your capital go? It takes three days to even “settle” a trade, then, does your broker send a check? A wire? Or do they put the settled funds into their “insured” money market? Do you see the problem? Your capital may be out of stocks (maybe not a great idea if we enter hyperinflation) ...BUT it is STILL WITHIN THE SYSTEM! Looking at the precious metal timer, let’s assume they are also “perfect” in their timing. They get their order in and their broker confirms it, will there be time to transfer good funds? Will the metal actually arrive in their hands? Maybe?

Here is the problem as I see it, “emotions”. When a Greek default is announced, stocks will probably fall and physical metals rise. How many have the fortitude to sell into a weak stock market ...and not sit tight “hoping” it comes back just one more time. How many will be willing to “pay up” for gold in what is believed to be an ongoing bear market? And if the markets are open again the next day, these emotions are even more fierce to fight!

The point to this missive is just as simple as the answer to the title “How long will it take?”. I cannot stress how important it is to be positioned where you want to be NOW! Not next week or when your gut tells you to because no one knows the timing for sure and Greece is only one of potentially 100 or more flash points that can push the system into the same heap of disaster. How long will it take? Not much or not enough? Either of these answers can and will affect your entire future.

*Bill Holter writes for Miles Franklin*

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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

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