

“The Renminbi Hub”: Chinese Banks Acquire Stakes in US and Canadian Banks. Is There a Hidden Agenda?

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Region: [Asia](#), [Canada](#), [USA](#)

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Very big news on the banking front, [the Federal Reserve is now apparently allowing Chinese banks to take stakes in U.S. banks](#). North of our border, Canada is contemplating becoming one of the many, recent, “[renminbi hubs](#)”.

Why would this be happening? Why would it be happening now?

First, why is China setting up shop all over the world?

This is an easy one, for business, for trade, for relations. China knows exactly where the U.S. and the dollar stand, they also know fairly well where and how the U.S. and her dollar will fall. China is merely preparing the groundwork to trade with Western entities in either local currency or the yuan. In the case of Canada, China sees a very large energy source along with the mining of many necessary resources they will need in the future.

The thing is, China doing a deal with Canada like this hits very close to home. Actually, Canada doing a deal like this is almost a slap in the face of the U.S.. Don't get me wrong, Canada doing a deal with China is good for Canada for all of the right reasons but this is certainly an action of distancing themselves from the U.S.. Should the monetary hub deal be consummated, trade will be facilitated in a win/win fashion for both Canada and China. I believe this can be viewed as another straw on the U.S. camel's back and a preparation by Canada for what is about to come. You must look beneath the surface here, not only will their trade volumes increase, they will actually get paid in a currency issued by an industrial powerhouse where there is no question as to whether or not there is any gold in the vault. If this deal goes to fruition, it will be clear proof that Canada is attempting to break the leash and no longer being a U.S. lap dog.

As for China's banks now being allowed to purchase stakes in U.S. banks, this is VERY interesting from both sides of the coin. Why would China want to do this and why would the U.S. allow it? The other and even bigger question is “why now”? Why not five or 10 years ago? Why not in a “few years”? I have my opinions on this which is all they are, opinions and not fact but this is a topic that needs to be thought about because it is very curious indeed!

Why would China want to do this if she thinks the U.S. is a bankrupt entity which she surely must? Could this only be a “toe hold” or an avenue to picking up the pieces later and profiting while doing so? Yes, probably. Is this a way to be able to look inside our banks to see how bad it really is? Again, probably. Remember, with any “percentage” stake comes

the ability to be represented on the board of directors. Is this a way to put a “spy” on the inside, in plain sight and legally? I think yes. Also remember, the way to “control” the masses throughout time has been to control the currency and the banks. Owning large swaths of the U.S. banking industry in the future can only lead to knowledge, eventual profits and at least some control on our home turf.

On the other hand, why would the Federal Reserve allow China into our banking system? Off the top of my head, maybe because the banks need the capital? Or worse, maybe China has told the Federal Reserve to “do it or else”? The “or else” part could be anything at this point. If China still owns all of the Treasury debt claimed by the Fed as custodian, maybe they are threatening to dump? Maybe they are threatening to upset the gold, silver or any multitude of commodity markets? ...which of course would knock the legs out from under the dollar itself. If you recall, it was about 10 years ago when China wanted to buy out Unocal and were rebuffed for “national security” reasons, why would the Fed agree to this...now?

As I mentioned, one of the reasons may be because “we” collectively need the capital. I say “collectively” because even though we are told our economy is growing, it is not growing in real terms, only nominal terms because of inflation. The economy is not generating enough income (savings) for future growth. We are and have been eating our seed corn rather than saving. The Fed has “printed” money to sustain and “prolong” the economy but this is not real capital. It is liquidity only rather than real hard capital (unencumbered) for future use, let me explain just a little. You see, when the Fed injects dollars into the system it boosts the amount of dollars outstanding ...but, eventually those dollars must be paid off. It is like borrowing money from your credit card to start a business that only breaks even ...the day will eventually come when the credit card must be paid off but the asset (your business) never really grew and really wasn’t worth enough to pay off the debt.

This is the American situation and why I believe we are at this point in time allowing China into our banks, we need some real outside capital to shore up our balance sheets. Of course we are forgetting one other possibility as long as we are talking about balance sheets.

Maybe the Fed’s own balance sheet which is levered at nearly 80-1 needs some help? Maybe they realize their “assets” are not worth nearly what they originally paid and their “true” leverage ratio is who knows, 200-1? You see, the Fed took all of the crappy assets on to their books from the banks so the market participants would never see “trade prices” of .40 cents on the dollar... .20 cents on the dollar or even worse. Maybe the Fed threw Bernanke’s 1, 2, 3 punch (QE’s) and we didn’t get the hoped for reflation? Maybe this is only the Fed screaming “help”?

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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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