

ALTER-EUROPA
For Another Europe...
And (of course) for another Euro...

Updated: October 2022

OTC Markets 2019	Maastricht Treaty	European Union	Economy	ECB	Euro	Euro Crypto	End of the euro in 2023
Monetary policies	Inflation	Rising rates	Recession	Bankrupcies	Unemployment	Widespread misery	Extreme right-wing parties



**World
Derivatives
Market**

**Part I: Evolution of Outstanding Positions
(every three years):
End of June 1998 to End of June 2019**

**Bad money
Hot money
Comedy
Tragedy**

On analysis techniques

**A perfect symmetry between the two main
markets: explanations.**

And a lot of information...

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OTC Markets (over-the-counter, Monde)
Activity in these markets in April 2019

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I. REMINDER.

This article is not of vital importance for risk analysis in OTC Markets.

On the other hand, the BIS has made surprising progress in refining statistics, and **we cannot ignore this work.**

- Indeed, international liquidity movements are increasingly rapid, which is certainly not good news since the money looks like a hot potato that everyone is trying to get rid of;
- Derivatives markets have taken hold of an increasing number of countries, currencies, central governments, regional and local entities, corporates and even social institutions;
- Finally, all these movements are related to complex instruments and are easily confused with the basic techniques used in the international credit and loan markets as well as in the foreign exchange market.

For those familiar with these markets and techniques, the BIS statistics are therefore among the most complex and objective achievements ⁽¹⁾, reliability being constantly improving.

Those who read us regularly know however that we are not kind to statisticians.

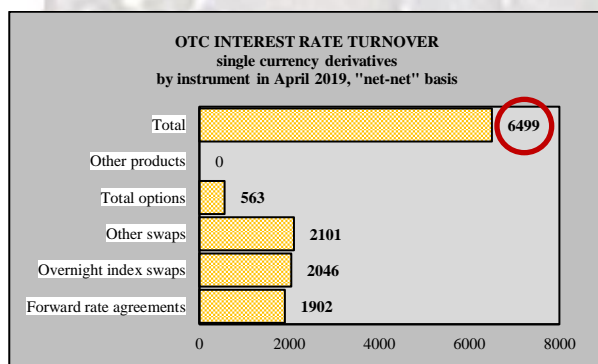
II. OTC MARKETS: DAILY TURNOVER.

Note: TURNOVER means BRASSAGE or ACTIVITIES but not SALES or REVENUES.

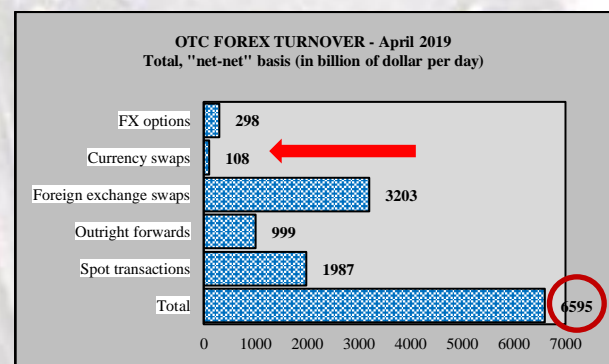
A. THE TWO PILLARS OF INTERNATIONAL FINANCE

To fully understand the basics of these markets, we will start with the presentation of two graphics.

Graph 1: Activity on the Net-Net Basis Interest Rate Market in April 2019 (\$bn)



Graph 2: Activity on the Net-Net Basis Interest Rate Market in April 2019 (\$bn)



At first glance, readers (who have already read our previous analysis: Part I: OTC Markets at the end of June 2019) will be very surprised to discover that the daily trading in April 2019 is finally very close in both markets.

The difference corresponds to the item "Currency Swaps" (108) in Graph 2: OTC FOREX TURNOVER.

These are pure exchange contracts between two currencies, often imposed by parent companies on their subsidiaries, on their terms, to protect themselves from variations in the exchange rates of local currencies.

In other words, these are neither official foreign exchange transactions nor interest rate transactions and therefore, on the chart on the left, the sum remains equal to \$ 6,499 billion and, on the right, it becomes \$ 6,487 billion (+ 6,595 – 108).

¹ Objectivity and fiat are two different things but, keeping the course of objectivity, the BIS has gradually (during more than 20 years) overcome difficulties and gained reliability.

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However, our surprises do not stop there because the BIS has set up an assessment of daily flows according to two different methods, but not at all at the same periods (April and June, every three years).

- They evaluate average **daily trades in net-net basis value**.

For example, the two main markets (Interest Rates and Foreign Exchange Market) posted almost identical volumes during the month of April 2019 (Chart 1 and Chart 2)

\$6.5 trillion or \$6,499 billion per day

\$6.6 trillion or \$6,595 billion per day

- On the other hand, they were completely different at the end of June 2019 (above) regardless of the valuation method (Notional or Gross Value): the contracts in force at the end of June 2019 were much more important for the International Credit and Loans Markets (referred to as Interest Rate Markets) than for the Foreign Exchange Markets:

Notional Outstanding Amounts: **OTC- Part I - Chart 1 – end of June 2019:**

\$524 T for Interest Rates;

\$98.7 T for Foreign Exchange (Forex) trading;

\$7.0 T for Stock Market transactions (quoted shares).

Outstanding Amounts - Gross Market Value: **OTC - Part I - Chart 2 – end of June 2019:**

\$8.8 T (interest rate)

\$2.2 T (Forex)

\$0.6 Tn (quoted shares)

- By comparison, the balances of positions at the end of June 2019 in Gross Market Values on both markets were \$8.0 T and \$4.5 T.

In other words, we are embarked on a "war of numbers" with several calculation methods:

- Notional Outstanding Values
- Gross Values
- Net Gross Basis Values
- Net-Net Basis Values

First major achievement thanks to these analyses on "activities" (turnover):
We have demonstrated the perfect symmetry between the two main markets (rates and exchanges).
This is already a very good achievement.

For the uninitiated, the concepts, encryption methods and ciphers themselves remain very mysterious:

- Where do these numbers come from?
- What do they mean?

Because, without further explanations,
how could we understand the dramatic differences,
recorded at the end of June of each three-year year,
at the level of opened positions on the Interest Rate Market
compared to those opened on other markets (Forex, Equity and miscellaneous)?
This is the purpose of these complementary analyses...

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B. ANALYSES ON TURNOVER: HOW AND WHY?

Throughout the month of April, every three years, the main operators in this market keep statistics on all their operations. Since virtually all transactions use the dollar as a working basis, the buying and selling of dollars would cancel each other out if specific instructions were not given to brokers, financial institutions and non-financiers to qualify each trade, each on its own.

Among the statistics requested, they should note:

- ✓ Which currencies?
- ✓ What amounts?
- ✓ What operation?
- ✓ What maturity?
- ✓ With whom? Between nationals or between two countries concerned? Between subsidiaries? Or between parent company and subsidiary?
- ✓ By which channel (By phone? By direct relation ? By indirect relation to brokers? ...).

To get as close as possible to the purposes of these transactions, those who buy a currency are clearly identified as cash buyers (if they sell a currency, they are cash sellers) but it gets complicated when both partners buy or sell dollars when they're not Americans : the dollar is just a "currency pivot" for them.

Similarly, Scandinavian professionals will prefer to use the euro for the purchase or sale of the three crowns between them (NOK, DKK, SEK): it is the euro that serves as their currency pivot.

Within the European Union alone (27), there are currently eight non-euro (local) currencies, two of which are crowns (Denmark and Sweden but not Norway);

For all their operations on the market of exchanges or on the market of interest rates in local currencies, the euro is also the "currency pivot".

There is therefore a difference between **Net Gross Values** and **Net Net Values**.

Starting from the "Net Gross Values", it is necessary to "erase" the "currency pivot" when the operations are aimed at making exchanges in local currencies: these differences are important, as we will see.

On the other hand, "net-net value" corrections have the major drawback of losing information about the countries and operators concerned.

<p>We will therefore favor the "Net-Gross Basis" for the histories. And we will use the "Net-Net Basis" for more detailed analyses.</p>

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III. VOLUME AND OPERATING PROCEDURES ON THE FOREIGN EXCHANGE MARKET

A. VALUATIONS IN "NET GROSS VALUES" 1986 - 2019

a) FIRST OBSERVATION: EXPLOSION

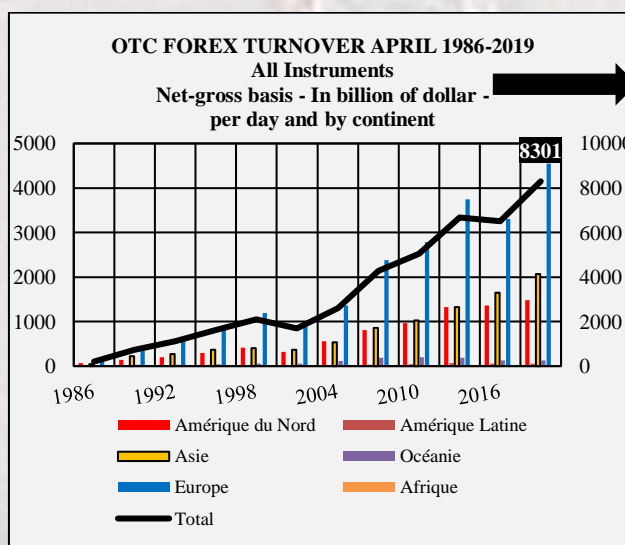
This market has exploded since 1986 but especially since the creation of the euro (1999): daily exchanges are now valued at 8,301 billion dollars (\$8.3 T) in April 2019.

However, this history has a bias: the statistics have integrated more and more actors and, therefore, the figures themselves have exploded because of this "race for figures" of the BIS, put under the pressure of the "subprime crisis" that it did not anticipate, and especially that it could not manage.

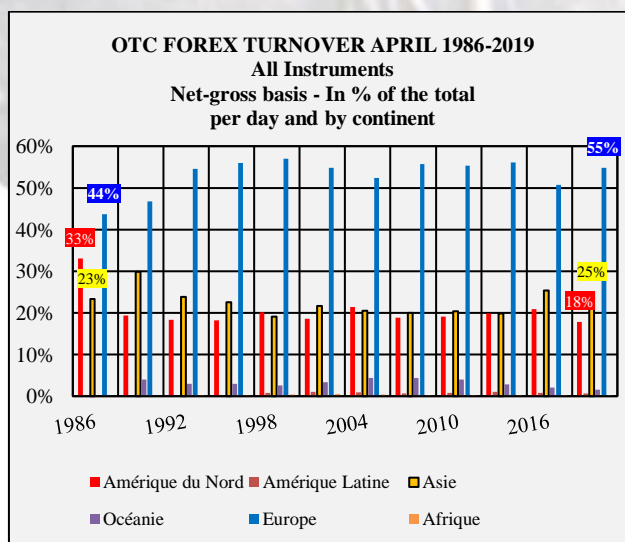
b) SECOND OBSERVATION: EUROPE IN DECLINE AND AMERICA IN DECLINE

Europe reigns supreme in this market (from 44% to 55%) while the share of North America is declining (from 33% to 18%) and that of Asia remains stable (from 23% to 25%).

Graph 3: OTC FOREX – Daily Activity in April 1986 – 2019 - Net-Gross Basis - by Continent (in MD\$)



Graph 4: OTC FOREX – Daily Activity in April 1986 – 2019 - Net-Gross Basis - by Continent (in %)



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The "race for figures" by the BIS was justified above all in Europe, where precisely the 2007-2019 crisis was above all not a "subprime crisis".

On the other hand, note that no economist or journalist has denied the official thesis put forward by the ECB and the BIS that *"the practices of European high finance had nothing to do with it"*.

Of course, this American crisis served as a detonator in the European crisis and, in some cases, it even caused direct losses among some European insurance groups, fond of safe investments in land, real estate and Government Bonds without forgetting their strategy of highly profitable investments in the takeover of the companies to be divested (incessant restructuring and dividends).

For the "unintentional" involvement of European High Finance in the American crisis, it was the City that sold them the "securitized products".

Poisoned gift wrapping caused them very large losses before their indirect rescue by state aid: the European High Finance "saved" the subsidiaries behind these securitizations, and therefore the "poisoned gifts" were honoured.

There was no default.

The Credit Default Swaps (CDS) market has therefore avoided the phase most feared by insurers: the insurance claim. They like to collect insurance premiums but they do not like to pay claims at all.

They also have the same behavior in the management of supplementary health insurance, supplementary pension insurance and natural disaster claims related to natural disasters, however invoiced in home insurance but paid by the Government.

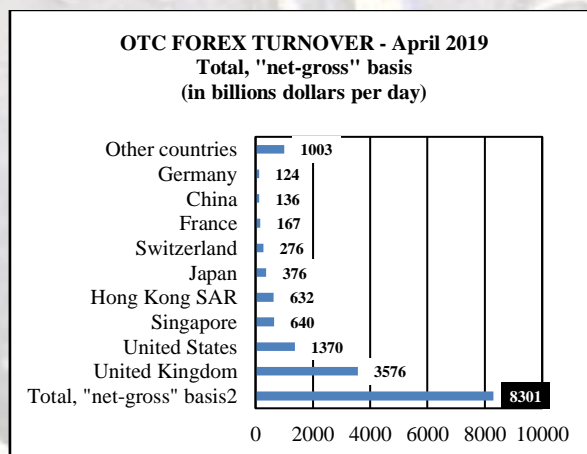
c) THIRD OBSERVATION: THE CITY, QUEEN OF FOREIGN EXCHANGE MARKETS

The countries most in demand in these markets are the British and the Americans.

The United Kingdom is the most successful platform in the world for trading spot or futures foreign exchange contracts in the most "exotic" currencies.

In short, the City is the "fashion house" of the foreign exchange markets: you can negotiate anything, at any maturity.

Chart 5: OTC FOREX Daily Activity in April 2019 - All Techniques - Net-Gross basis- by country (in MD\$)



The United States is far behind the City in the foreign exchange market but they are the first in the speculative markets, and especially the first applicants in the international dollar liquidity market.

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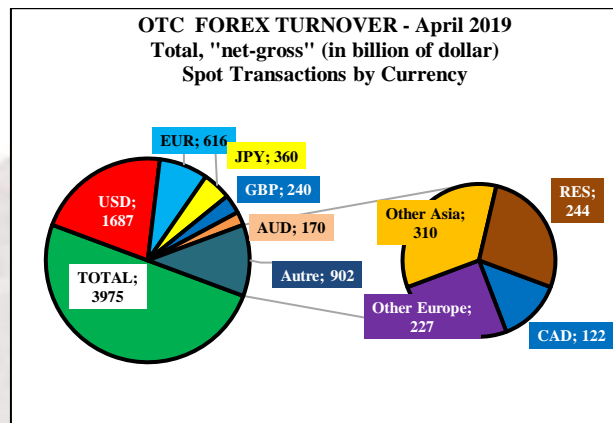
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d) FOURTH OBSERVATION: THE SPOT MARKET IS THE MOST IMPORTANT

SPOT operations represent 48% of the total, the dollar and the euro being the two pillars of this market.

This SPOT market, or spot currency market (D+2), is the kingdom of forex dealers but their role is much less spectacular than in the years 1970-1990 when European currencies were more numerous and much more destabilized by the structural weakness of the dollar.

Graph 6: OTC FOREX Turnover April 2019 - Net Gross Basis - by Currency (\$Bn)



SWAPS are two-leg transactions, the first leg being the "D-Day" transaction (during at least April in this case).

So, in Gross Value Basis, the activity of April can be impacted by a single leg (that of D-Day) if the second leg unravels beyond April, or by two legs if the second leg unravels in the same month of April.

To obtain the Net-Gross Value Basis, it is necessary to do a sorting that leads to retain only the "legs of the month".

But, despite this sorting, there are still "duplicates", especially when the final transactions use currency pivot to carry out transactions in "exotic currencies" or, for other analyses, when "exotic or non-exotic transactions" are carried out between one parent company and two subsidiaries established abroad.

To obtain the Net-Net Values Basis, let us consider the case of a SWAP-CURRENCIES contracted between two non-euro operators.

If a Swede makes a SWAP-CURRENCY transaction with a Dane, he uses the euro as a currency pivot while the euro is not concerned: the statistics take this into account in the Net-Net Value Basis.

In the Outstanding Turnover version, a SWAP-CURRENCY transaction, carried out by a French bank that wants to manage two Nordic crowns, generates EIGHT flows:

- Two cash trips in euros:
 - Euro-Crown X sale
 - Euro-Crown Y purchase
- Two subsequent returns in euros
 - Euro-Crown X buyout
 - Euro-Couronne Y resale
- Two spot transactions on the Interest Rates Market:
 - Loan in Crown X from Bank V
 - Crown Y borrowing from Bank W
- Two subsequent operations on the Interest Rates Market
 - Reimbursement in Crown X to Bank V
 - Repayment in Crown Y to Bank W

It is the job of the arbitrageur who must create his own Futures Market to offer a sale or purchase price between "exotic currencies" on a date that is itself "exotic" which may require four other operations on the Rates Market (for "cutting" operations).

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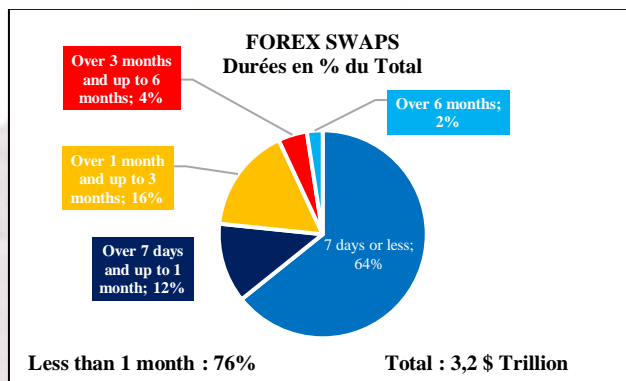
e) FIFTH OBSERVATION: THE SWAPS MARKET IS IN SECOND PLACE

FOREX SWAP activities were the second largest market by volume (gross-net values) in April 2019.

This market is mainly used by banks and financial institutions to invest cash at the most advantageous rate in the largest currency areas.

No exchange rate risk since a central X-rate (pivot-rate) is set for the spot transaction (D+2) and the reverse operation whose maturity is less than one year.

Chart 7: Activities April 2019 - Duration of Cross-currency Swaps (% of Total)



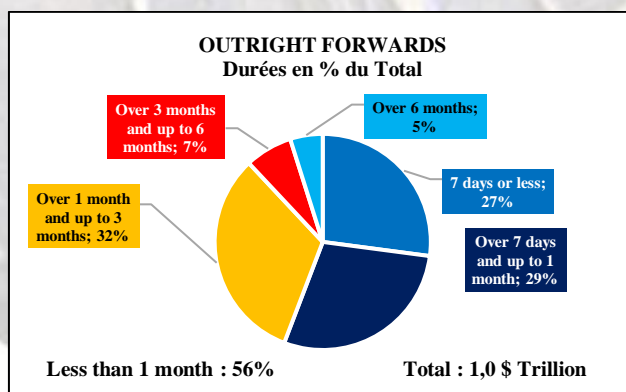
f) THE FUTURES MARKET (OUTRIGHT): THE HAUTE COUTURE OF PROTECTION

The Futures Market corresponds to purchases or sales of currencies at free maturities to guarantee the commercial or financial revenues of goods and service companies.

In other words, this market is a market of protection, far from any speculative market.

This market is the realm of "arbitrageurs" who must "do acrobatics" on several markets at once to carry out a single operation: borrowing and placing two currencies, buying or selling cash (D+2) to cover each of these operations.

Chart 8: Activities April 2019 - Duration of Futures Contracts (% of Total)



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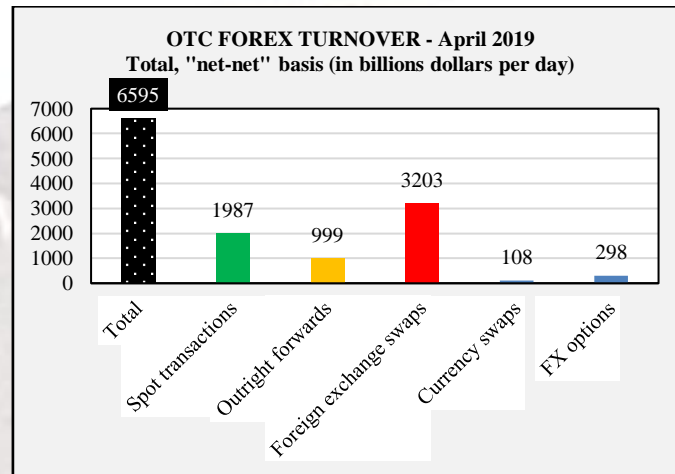
B. VALUATION IN NET VALUES (FOR THE CONSISTENCY OF ANALYSES)

a) CONSISTENCY OF FIGURES FOR OBJECTIVE: THE NET-NET BASIS

After thousands of corrections, intended to eliminate the double counting still existing in the "gross-net" version, we are now in the perfectly symmetrical version of the Interest Rates Market: the "foreign exchange" activity is now valued at \$ 6,595 billion.

To convince you, we must review Graphs 1 and 2 at the beginning of this post.

Chart 9: OTC FOREX - April 2019 - Net-Net Basis - By Instruments



b) THE OTC MARKET LIVES UP TO ITS NAME

Whatever the means of communication, operators are "direct": by telephone (direct voice: \$1,807 billion) or electronics (direct: \$1,826 billion) or 55% of transactions in April 2019.

In other cases, the Electronic indirect is a broker platform on which thousands of contracts are offered, which of course requires multiple links between several networks, some of which are better connected than others (their subscriptions much more expensive). In other words, the dice are rigged because you just have to pay to get the right information before anyone else. That is the case with the stock quote "Bats US Realtime" (see my book).

Other indirect means are telephone brokerage platforms in which brokers or their screens scatter figures all day long to offer mainly spot foreign exchange contracts.

Frankfurt example: ten-twenty, figure 2, one hundred (dollar).

A trader offers a contract of 100 million euros against dollars: he buys at 1.0210 and sells at 1.0220.

The agreement reveals that the seller is a German bank and the buyer is a French bank.

Another example in London: ten-twenty, Figure 2, one hundred, Norway.

A foreign exchange trader offers £100 million for Norwegian kroner: he buys at £1.0210 and sells at £1.0220.

The agreement reveals that the seller is a Danish bank and the buyer is an Italian bank.

As the same bank is connected to several financial centers at the same time, the trader must interpret this laconic information (identical in both examples):

If the speaker (or phone call or screen) is German, the offer to buy or sell is in euros and the counterpart is in another currency (dollars in 90% of cases);

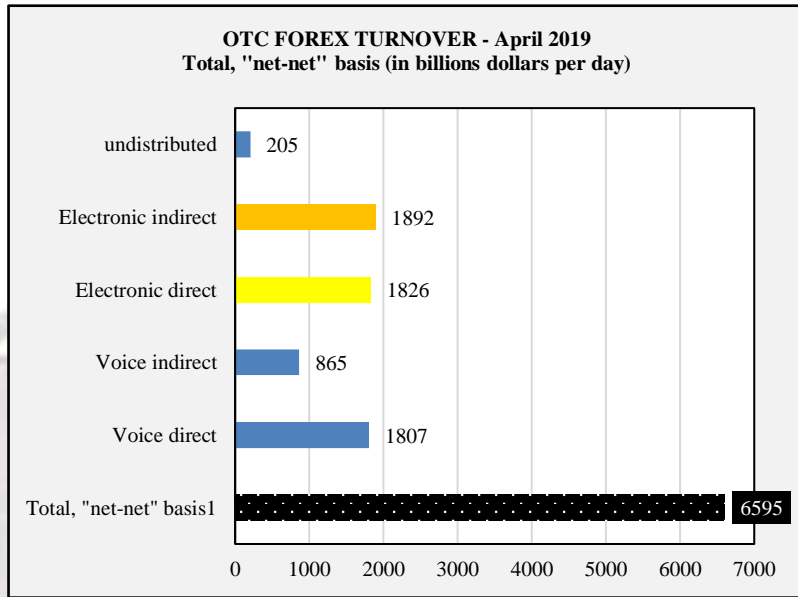
If the speaker (or phone call or screen) is English, the offer is in pounds and the counterpart is in Norwegian kroner (less than 5% of cases).

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The amounts exchanged on a daily average were therefore identified by means of communication.

Figure 10: Activities April 2019 - Net-Net Basis - by Communication Medium



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IV. VOLUME AND OPERATING PROCEDURES IN THE INTEREST RATE MARKET

A. "NET-NET VALUE BASIS" (FOR CONSISTENCY OF ANALYSES)

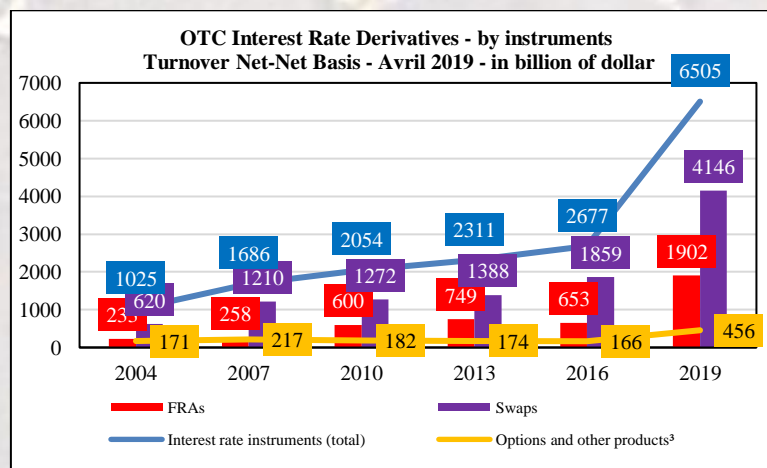
Unsurprisingly, the Interest Rate Market is practically the image of the Foreign Exchange Market in the Net-Net Basis version because currency swaps dominate.

a) FIRST OBSERVATION: EXPLOSION OF ACTIVITY

Other contracts complement the average daily volumes for the months of April (every three years): term investments or interest rate swaps and financing on the Options Market.

Note that this Option Market still represented 456 billion dollars on daily average.

Chart 11: OTC Interest Rate Derivatives - Turnover April 2019 - Net-Net Basis – By Instruments

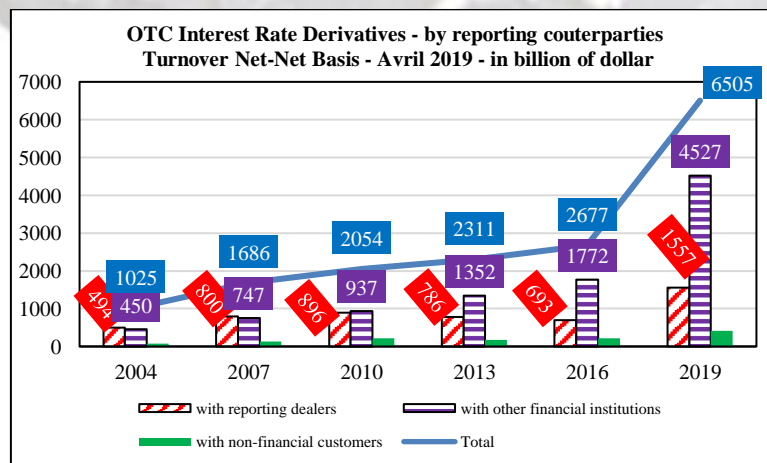


b) SECOND OBSERVATION: FINANCIAL INSTITUTIONS ARE THE MAIN ACTORS

This graph reflects everything that has been said before: activities are now in the hands of banks and other financiers who take advantage of the "free movement of liquidity" (and not free movement of capital) to place in other currencies the incessant refinancings obtained from central banks.

Of course, the ECB has encouraged this type of traffic for short-term dollar investments whose returns have always been higher than euro yields, which is, of course, evidence of the structural weakness of the dollar.

Chart 12: OTC Interest Rate Derivatives - Turnover April 2019 - By Reporting Counterparties



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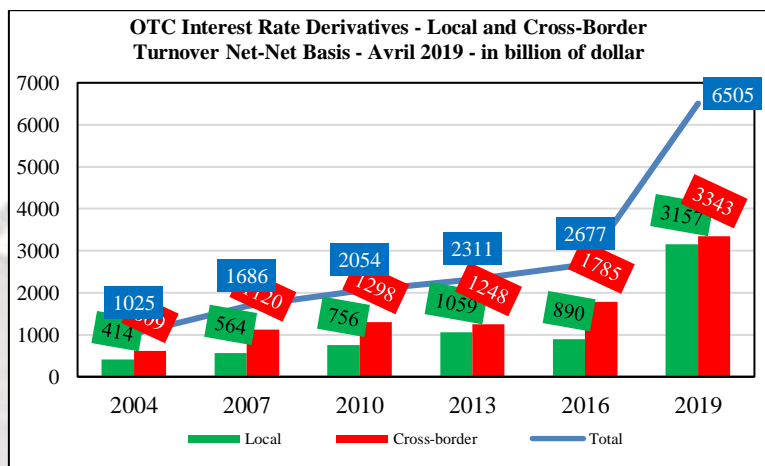
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c) THIRD OBSERVATION: LOCAL EXCHANGES ARE ON THE RISE

Swaps are highly prized by bank treasurers because they can even be used to place surpluses or cover liquidity shortfalls with central banks on the same day, hour by hour.

This explains why the "local" is almost as important as the "cross-border" which speculates on international interest rates.

Chart 13: OTC Interest Rate Derivatives - Turnover April 2019 - Local and Cross-Border

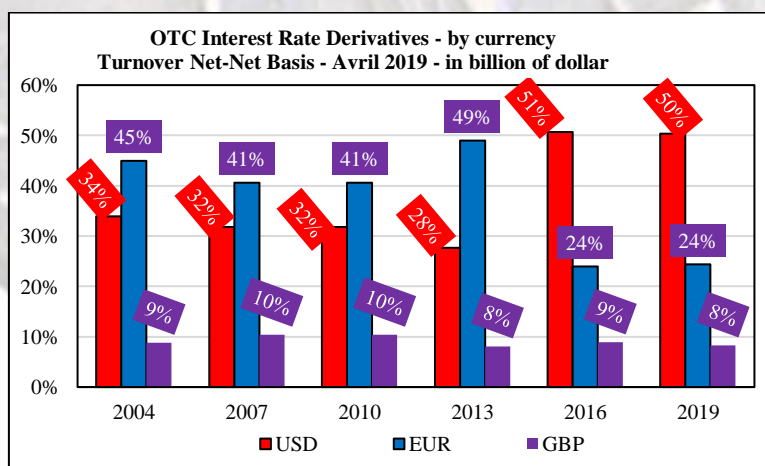


d) FOURTH OBSERVATION: DOLLAR – PIVOT CONTRACTS ARE THE MAJORITY

The dollar and the euro are obviously the currencies most used for liquidity movements in search of the best short-term rates (theoretically less than two years, but in fact less than three months).

On the other hand, the pound sterling remains preferred for foreign exchange forward transactions, handled by City arbitrageurs for contracts in exotic currencies.

Chart 14: OTC Interest Rate Derivatives - Turnover April 2019 - By Currency



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A. VALUATIONS IN “NET GROSS VALUE BASIS” 1986 – 2019

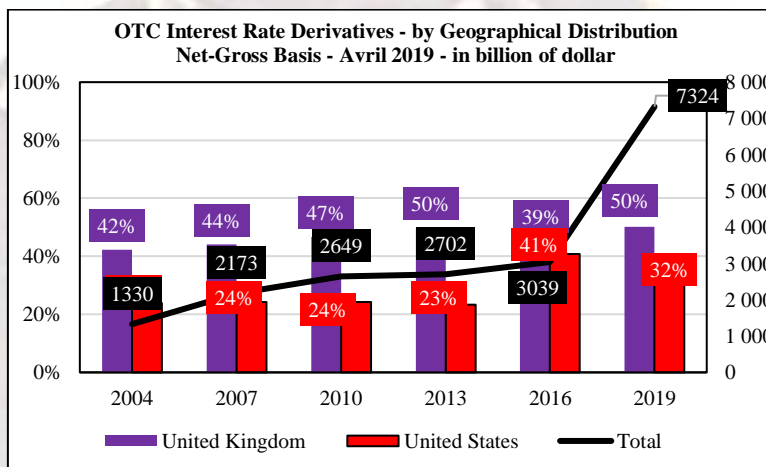
Net-Gross Basis operations – which have not yet been fully reprocessed – provide interesting information on several levels.

It is therefore interesting to analyze them before losing information in eliminating duplication between countries and/or between stakeholders.

a) FIRST OBSERVATION: THE AMERICANS AND THE ENGLISH ARE THE KINGS

The English remain the biggest players (from 42% to 50%) but, as of 2016, the «dollar crunch» justified an «explosive» interest for these operations on the American side.

Chart 15: OTC Interest Rate Derivatives - Turnover April 2019 - Net-Gross Basis – Two Leaders

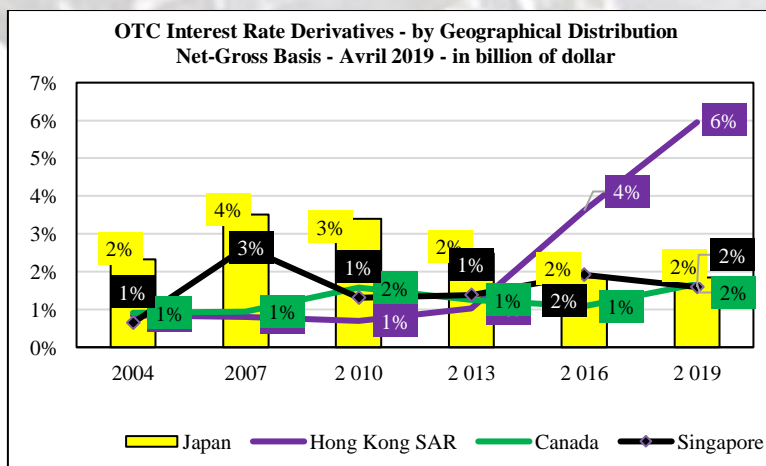


b) SECOND OBSERVATION: HONG KONG EMERGES FROM NOTHINGNESS

There are several explanations for the growing place of the UK (City, of course):

- Japan is no longer the Southeast Asian favourite.
- Hong Kong has maintained strong ties to the City.
 - Hong Kong takes off in the wake of China.
 - Hong Kong is increasingly managing flows from Singapore.
 - Canada remains a minor player, clinging to the economic power of the United States, but its ties to London remain important.

Chart 16: OTC Interest Rate Derivatives - Turnover April 2019 - Net-Gross Basis – Other Geographical Distribution



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V. SUPREMACY OF THE INTERNATIONAL INTEREST RATE MARKET: TWO REASONS.

First question?

Why is the Interest Rate Market so important in Notional Values or Gross Values?

Four to five times the FOREX?

A. "BUTTON-PRESS" CURRENCIES

a) THE ENTENTE CORDIALE

The TOP-10 central banks (dollar, euro, yen, pound sterling, australian dollar, canadian dollar, ...) have continued to create "button-press-money" with two unfortunate objectives:

- | |
|---|
| <ul style="list-style-type: none">➤ Avoid downward corrections of weak currencies (dollar, pound, ...)➤ Avoid the appreciation of strong currencies (euro, yen). |
|---|

Indeed, the weaker the weaker currencies, the more expensive imports are.

On the other hand, even with weak currencies, these countries do not manage to "boost" their exports of goods and services for the simple reason that domestic companies do not offer the requested Goods & Services;

- Either they have relocated their production to buyer countries to create short circuits ;
- Either they have relocated their production to low-wage countries in order to import them at high or even overpriced prices (avoiding of course to repatriate their profits).
- Either they have simply been eroded by "happy globalization" and they have disappeared.

On the other hand, countries with strong currencies do not want their currencies to appreciate in the short and medium term to protect their domestic producers:

- Increases in foreign currency sales prices (mainly in dollars, especially if the dollar is strong) cause exports to fall;
- Lower import prices in national currency (coupled with a strong dollar) encourage competing imports.

This strategy of strong currencies must integrate several factors such as the price of raw materials and intermediate products (compressed with hard currencies) as well as supply times.

- Japan was the first country to encourage outsourcing on its own soil to the point of causing two-tier wages:
 - the wages of *the Keiretsu* (conglomerates) having been created following the dissolution of the *Zaibatsu* (military-industrial complex) by the Americans
 - and the wages paid by a multitude of despised Japanese subcontractors.
- Like all their American and European competitors, the major Japanese groups were among the first groups to open their electronic productions in South Korea and Taiwan, before turning to China.

But, in doing so, they cut themselves off from technological advances, and only HITACHI (a less and less electronic conglomerate) is still among the ten largest Japanese companies.

In 2022, apart from TOYOTA (No. 1), HONDA (No. 5) and NISSAN (No. 8), the largest Japanese groups are bankers (No. 2, No. 3 and No. 7) and MITSUBISHI Corp, the world's leading trading broker (No. 9).

NTT (No. 4) and SOFTBANK (No. 6) are exceptions in the telecommunications sector, but their strategy is that of holding companies, and no longer that of research and development centers.

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b) ON THE OTHER HAND, THESE "FINANCIAL" STRATEGIES OF TODAY'S LARGE GROUPS HIDE BEHIND DEFLATIONARY "BLOCK AGAINST BLOCK" MONETARY STRATEGIES.

For example, in the long run, Germany had to regularly reassess the Deutsche Mark because its partners were putting pressure on them, notably through speculation in favour of DEM on FOREX.

Thanks to the umbrella of the euro, German companies simply have to keep wages, raw materials & intermediate products "under control":

- They have created a whole international network to "buy ever cheaper in dollars" and "sell more expensive in euro";
- They have created a deflationary spiral in the Eurozone for almost thirty years because inputs have remained low;
- Since 2020, the German strategy no longer works: international inflation is soaring because of political instability and/or the scarcity of certain materials (rare earths or others).

Thanks to this umbrella, even Donald Trump found it difficult to "sanction" German companies without exposing American groups to European retaliation in a "comfortable" market of more than 430 million inhabitants after BREXIT (high purchasing power, open competition rules).

The "**block against block**" strategy has worked well, but it has contributed to the explosion of "fake money" whose consequence is clearly visible: **galloping inflation**.

c) THE NEXT LOGICAL STEP?

Central banks are totally overwhelmed.

They do "nonsense" by raising their interest rates, on the one hand by killing consumption and investment, and on the other hand by killing companies that are more or less over-indebted.

It is therefore mass unemployment that is privileged once again to "**save the banks**" that will recover to good health in the short term (thanks to the rise in rates) but which torpedo themselves in the medium and long term by killing their customers.

d) THE INCREASINGLY WEAK DOLLAR

As proof of its weakness, the Fed is forced to pay a rate premium against the euro to finance the glaring cash shortages within the entire US financial system.

And so, in the event of an open trade war, the US would face a much more insidious monetary and financial war.

The " block against block " strategy is "good" for transnational corporations and unscrupulous financiers... But this is not good at all for employees.

Indeed, under the umbrella of the euro and the EU, Germany has faced all the constraints of international trade in a very coordinated and unapologetic way:

- Germany has 'encouraged' the continued enlargement of the European Union towards East (including to Turkey benefiting from a preferential tax regime) so that its agri-food and industrial processing companies can find new sources of supply of cheap agricultural and livestock products.
- At the same time, they have relocated a large part of industrial and intermediate production within the EU (new members) or by obtaining preferential tariffs for non-EU and non-Euro countries.
 - For example, MERCEDES coaches are built entirely in Turkey;
 - In the same vein, Norway, Switzerland and Israel are highly privileged.

Many uncontrolled subcontracting (outside Europe) has made it possible to curb wages, or even eliminate entire sectors (textile, electronics, medicines, ...).

And, nec plus ultra, Gerhard SCHRÖDER imposed a system of slavery exploitation of German labor (especially from the former East Germany, now favorable to far-right parties) and immigrant labor with the wage at "one euro per hour" for all unskilled job seekers, useful for hard-discount processing and distribution companies.

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The worthy heir of Fritz Sauckel, on the other hand, negotiated his own salary with Putin so that German "beautiful companies" could benefit from Russian gas and oil whatever the price:

- Environmental cost: fossil energy.
- Energy dependence: an inordinate risk.
- The political cost of Russian expansionism in the Baltic, Black and Mediterranean Seas: the encirclement of Europe, from the North of the Baltic to the Great South, will force us to plan disproportionate military spending very quickly.
- Human cost: the bombing of populations in Syria is a permanent war crime that has not prevented the Germans from continuing the "**business as usual**" with Putin who, for his part, has secured and even increased the number of Russian military bases on the Mediterranean coast.

The total cost to the Europeans of a neo-mercantilist Germany is decidedly very high.

And yet, we are not yet suffering the economic, political and financial fallout of the American isolationist strategy (international disengagement at all levels) that was initiated by Trump.

No doubt, Deep America will take revenge for all these suicidal choices made by greedy and oblivious Democrats and Republicans.

However, no one has really understood that America is able to take the opposite direction by locking itself up all at once, to heal its wounds and spot stronger.

Yet America has already done it several times with George WASHINGTON, James MONROE, Woodrow WILSON, Franklin ROOSEVELT and more recently Donald TRUMP.

All American parties, ranging from the Far Left to the Far Right, including within the more consensual parties of the Right, Center and Left, have their apostles for a return to isolationism.

VI. BOTH OTC MARKETS (RATES AND FOREX) ARE SYMMETRICAL

A. "HAPPY GLOBALIZATION": PERVERSE FOR THE UNITED STATES

a) THIS MECHANISM IS NEVER QUESTIONED BY OUR MEDIA AND OUR BRILLIANT ECONOMISTS.

Yet "happy globalization" already killed America:

- It killed the American economic fabric (of the secondary sector)
- and, in doing so, it killed its trade balance
- then from one step to the next it killed its public finances
- Then it led to the explosion of its public debt.

b) IT COULD BE FOUGHT BY THE FALL OF THE DOLLAR.

To put an end to this suicidal spiral, the United States would have had to accept the fall of the dollar, which would have led by:

- Declining imports (too expensive)
- Increasing exports (more and more competitive)
- Increasing tax revenues (wages, profits)
- Decreasing public expenditure (revenue inflows, reduction in social assistance)
- Decreasing Public Debt.

You don't think devaluing the dollar is possible?

It is true, we will see that there are many conflicting interests, and therefore big obstacles to overcome.

This is even the theme I will develop in the next part.

The devaluation of the dollar is easy to organize!
However, at this stage, I am sorry, but good strategists never reveal their strategy.
And they still plan to repair collateral damage.

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c) FOREIGN TRADE "PARTNERS" ARE OPPOSED TO THIS DECLINE

Happy globalization” concerns not only the United States but also large foreign exporters who have an interest in preventing the devaluation of the dollar.

- If the Fed unintentionally creates liquidity (because of all these deficits), other countries voluntarily create liquidity to avoid the fall of the dollar;
- As the Fed is unable to devalue the dollar, it organizes its entire strategy to retain and repatriate all these "foreign dollars" by keeping its rates at a higher level than the majority of other central banks.

d) FOREIGN "PARTNERS" HAVE ALLIES

"Happy globalization" also benefits Americans, who are hostile to the devaluation of the dollar.

- Foreign dollars are also held abroad by the big American winners of this system: importers of low-priced subcontracted products and services (of which mass distribution has been the largest beneficiary) and large exporters of services (including social media).
- The best protection of their (lavish) financial assets in the short and medium term remains the dollar: on the one hand US government bonds are more remunerative; on the other hand, the dollar remains "a strong currency" thanks to these rate remunerations. And, icing on the cake, the United States has a powerful army capable of protecting them.

The Europeans therefore understood that, by keeping dollars and allowing American companies to "keep" their dollars in Europe, without having to pay taxes to the United States, they were doing a double blow:

- The dollar was not devalued, and it remained "strong";
- European financiers even found an opportunity to invest their "fake money" both on the interest rate market and on the ultra-well-organized American markets of speculation, on American soil.

e) WE HAVE COME FULL CIRCLE.

"Globalisation is and will remain happy» for European and American High Finance, for American multinationals (mainly in the tertiary sector) and for European multinationals (mainly in the secondary sector) as long as **“the free movement of capital”** (free movement of liquidity) will allow them to “navigate” easily from one continent to another, and from one currency to another.

The Forex swap is therefore the instrument of all freedoms.

This is what the two graphs show us: the two interest rate and exchange rate markets are symmetrical.

This is shown by the statistics on flows, every three years, published at the end of April.

SWAPS instantly allow you to exchange euros for dollars (most transactions):

- To benefit in a single operation from a capital gain on rates.
- And not to run any exchange rate risk since the same "pivot-rate" is applied in the spot transaction (first leg) and the forward return operation (second leg).
- The stakeholder who sells his low-paying currency and buys the better-paid dollar will pay a simple discount: he will give more dollars in the future than he received in cash.
- And vice versa: the intervener, who sells well-remunerated dollar spot against a low-paying currency, will receive more dollars in the future than he gave to cash. He will receive a bonus instead of suffering a discount.

Question:

What is the point of making a CURRENCY SWAP if the premium or discount cancels the interest of these exchanges?

The simple answer is that once the cash currency is acquired, “investors” target the playing fields of speculation. The SWAP is only the visible portion of all subsequent trades.

This means two contradictory things:

- Those who hold borrowed dollars benefit from speculating on the world’s largest speculation market.
- Those who own dollars, whether they lend them or not, are disadvantaged: they are victims of speculation.

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And so, Who loses? Who wins?

- The American people are the "big loser" since, in the end, they "borrow" the most dollars both inside and outside the United States because of structural imbalances (increasingly murderous) of this system.
- U.S. banks and multinationals are double winners when rates are "reasonable":
 - On the one hand, they lend to the Federal Government (or others institutions);
 - On the other hand, derivatives markets allow investment banks to speculate on government bonds, shares, corporate bonds, raw materials, metals, semi-manufactured products,...
- The other big winners are of course the European banks (and others) who place gigantic sums of money on the US market that are in fact fake money, created thanks to the "*conventional and unconventional policies*" of their central bank.
- And of course, the other winners are the "happy" multinationals that keep a competitive advantage thanks to a "strong dollar".

f) SO WHAT ARE THE RISKS?

The euro is doomed to disappear.

Of course, the European central banks and the ECB will abandon their dogmatism of the "single currency" within the member countries, simply because the only adjustment variable is based on interest rate policy.

And these adjustments are no longer possible.

The fall in rates has been used to create "killer money" (speculation), and the rise in rates "kills" the most indebted states and companies.

It «kills» of course the promised (and indispensable) convergence within the European Union.

In fact, it kills not only the euro but also the European Union itself.

Without the possibility of devaluation on a case-by-case basis in member countries, the mechanism of «rate regulation» maintains a spiral of failure: the more bank rates increase, the more «the CDS market» amplifies inequalities, the more TARGET flows are directed towards the least indebted countries.

European High Finance will never give up its "great achievements", so it will "make the euro survive" because it is the ideal tool for "even more freedoms for the richest" (high finance and multinationals).

Like HAMMURABI or AUGUSTUS, the ESCB will keep the good money for the rich, and it will impose the return to bad money for the people.

Meanwhile, they will retain their discretionary power to create even more financial euros to serve the predatory interests of the powerful.

However, without the possibility of copying the single federal currency of the United States (one currency, one budget), they will have all the freedom to accuse the Governments (States), therefore the peoples, of the failure of the "single currency".

<p>They will impose "punitive devaluations on bad managers and citizens", which they will avoid by creating euro-crypto. Welcome to «the world of the most total freedoms» for financiers and multinationals of «their» Europe!</p>
--

JUNON Moneta

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