



MEET YOUR NEW FED CHAIRMAN PRESIDENT DONALD J TRUMP

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In order to put this \$2 Trillion Monster together to prevent a National Economic Collapse, several events had to happen.

I am not going to get into the type of financial programs and documents that had to be transacted, but I am going to give you the details of a major historical event.

But first you must understand all of this came about because the Federal Reserve Bank was prohibited by regulations, from doing a lot of the transactions needed to put this financial package together.

The Central Bank is only allowed to purchase or lend against securities that have government guarantee.

This includes Treasury securities, agency mortgage-backed securities and the debt issued by Fannie Mae and Freddie Mac. An argument can be made that can also include municipal securities, but nothing in the laundry list above.

So how can they do this?

Here is the breakdown:

- The Federal Reserve Bank will finance a special purpose vehicle (SPV) for each acronym to conduct these operations.
- The Treasury, using the Exchange Stabilization Fund, will make an equity investment in each SPV and be in a “first loss” position.

What does this mean?

- The Treasury, not the Fed, is buying all these securities and backstopping of loans.
- The Fed is acting as banker and providing financing.
- The Fed hired BlackRock Inc. to purchase these securities and handle the administration of the SPVs on behalf of the owner, the Treasury.

In other words, the Federal Government is now nationalizing large swaths of the financial markets.

- The Fed is providing the money to do it.
- BlackRock will be doing the trades.

What has just happened is essentially the Federal Reserve Bank and the United States Treasury have now merged into one organization.

President Trump has made it very clear how displeased he is that central bankers haven't used their considerable power to force the Dow Jones Industrial Average at least 10,000 points higher, something he has complained about many times before the pandemic hit.

The Federal Reserve was rightly alarmed by the current dysfunction in the fixed-income markets and they felt they needed to act. This was the correct thought. But, to get the authority to stabilize these "private" markets, central bankers needed the Treasury to agree to nationalize (own) them so they could provide the funds to do it.

In effect, the Federal Reserve Bank just gave the Treasury access to its printing press.

This means that, in the extreme, any Presidential administration would be free to use its control, not the Fed's control, of these SPVs to instruct the Fed to print more money so it could buy securities and hand out loans in an effort to ramp financial markets higher going into the election.

Why stop there? Should Trump win re-election, he could try to use these SPVs to get those 10,000 Dow Jones points he feels the Fed has denied everyone.

If these acronym programs were abused as I describe, they might indeed force markets higher than valuation warrants. If this was done it would come with a heavy price.

- Investors would be deprived of the necessary market signals that freely traded capital markets offer to aid in the efficient allocation of capital.
- Malinvestment would be rampant.
- It also could force private sector players to leave as the government's heavy hand makes operating in "controlled" markets uneconomic.

This has already occurred in the U.S. federal funds market and the government bond market in Japan.

Fed Chair Jerome Powell needs to tread carefully indeed to ensure this present cure isn't worse than the effects of the disease.



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By Carl

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