

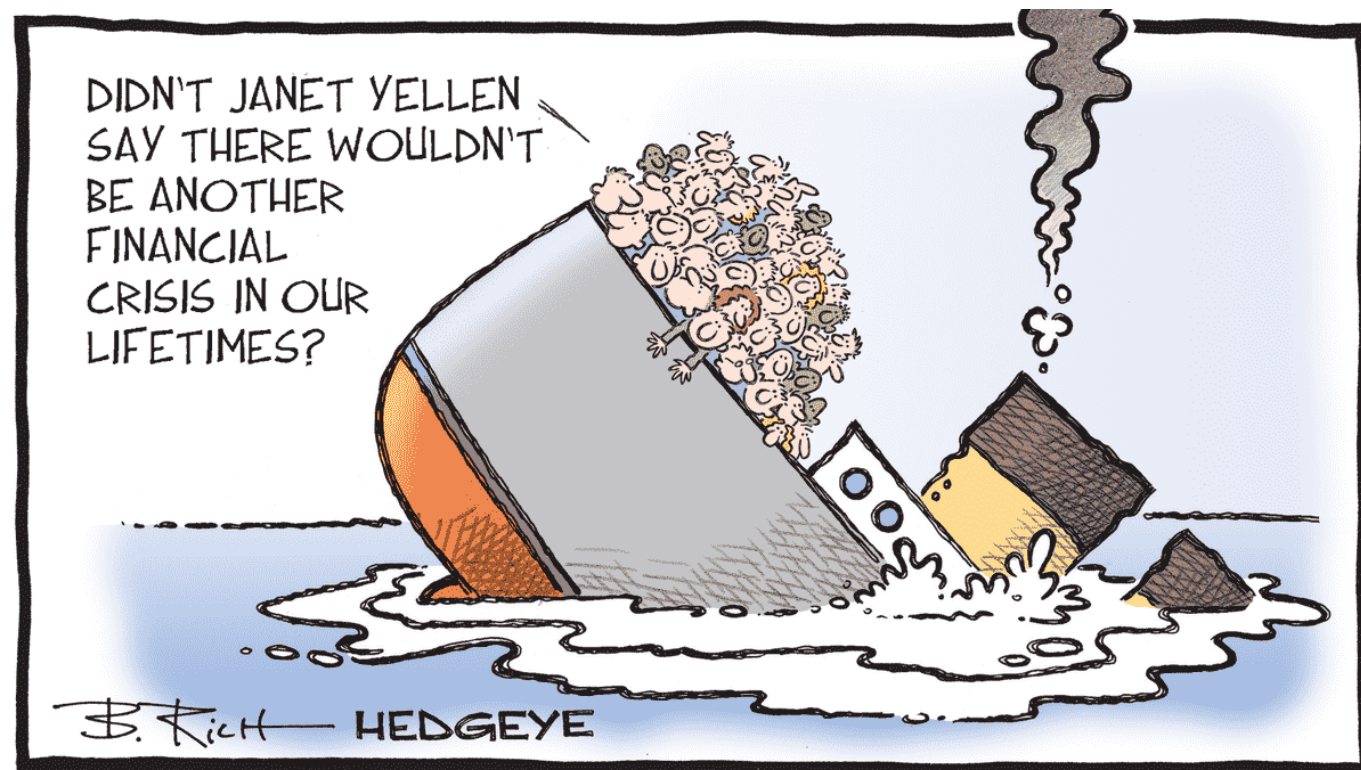
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Debt Ceiling Showdown

A Cross-Discipline Discussion of the Looming Risks

May 2, 2023



MACRO & MACRO POLICY

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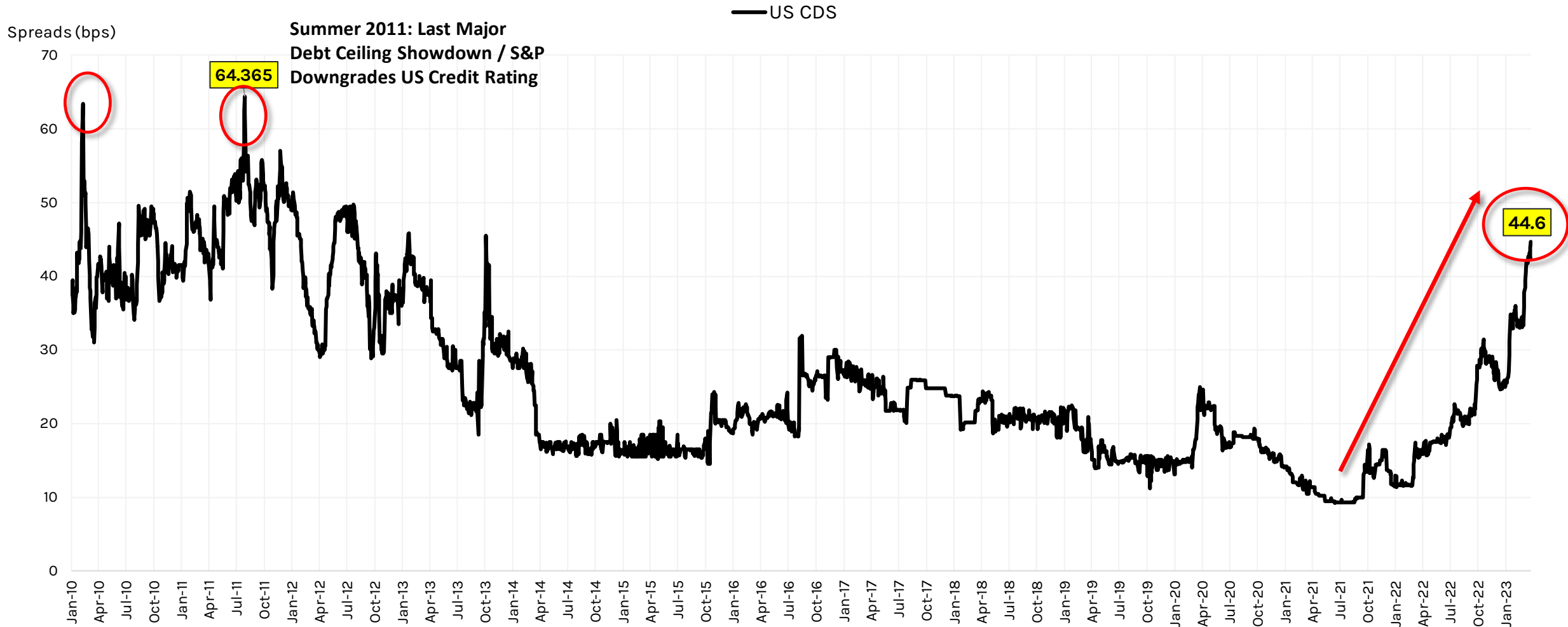
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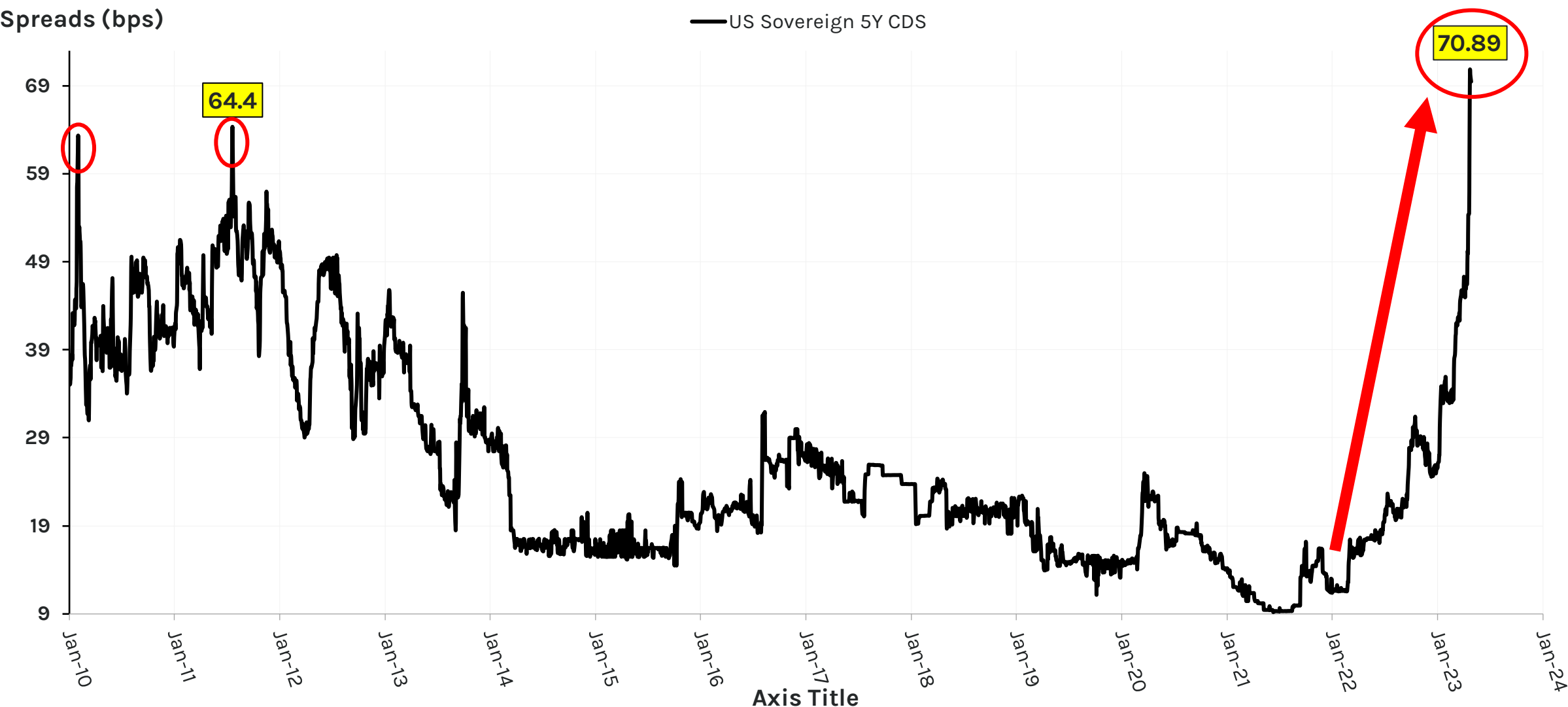
In Late March, We Showed The Below Chart

US CDS is going vertical ahead of the looming debt ceiling showdown.



Same Chart, Today: The Mother Of All Credit Events: US CDS

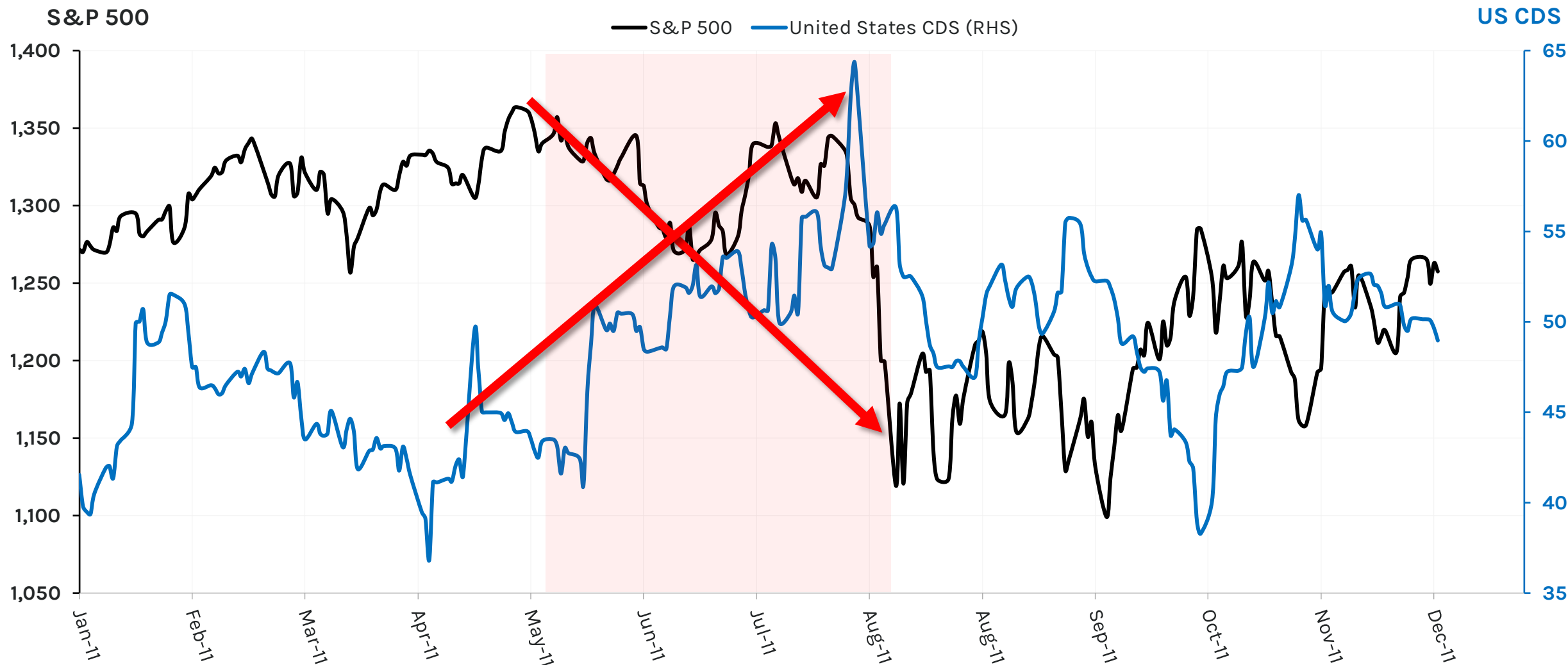
US CDS is going vertical ahead of the looming debt ceiling showdown.



The Debt Ceiling Showdown of 2011

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The S&P 500 lost close to 20% of its value in the 4mo window from April to August 2011 amid the last debt ceiling showdown. The ongoing rise in US CDS was the reference entity to track.



The Regional Banks Aren't The Only Ones Underwater

The Fed is losing money hand over fist with ~\$8T in low-yielding, fixed-rate securities funding ~\$8T in high-cost, short-term liabilities. The Central Bank has swung from ~\$90B/yr profit to losses of \$42B since September.



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