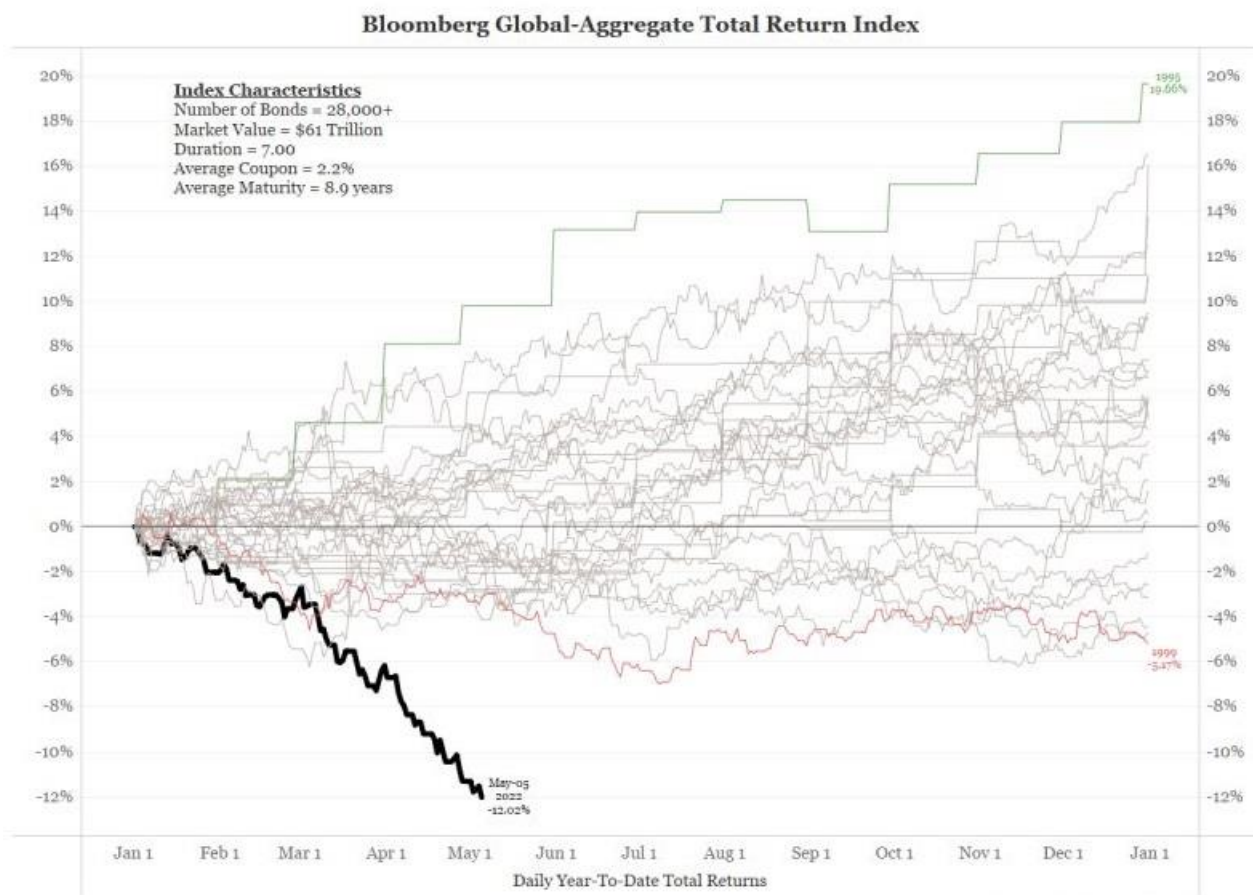




## Have forced liquidations started?



Stocks and bonds collapsing together are scarily reminiscent of the 2008 and 2020 forced liquidations. For example, there have been two days in the past 25 years when S&P 500 futures were down 3% and 10-year Treasury futures down in one day:

October 9, 2008

March 18, 2020

This is what happened on Thursday, May 5. Unfortunately, the negative developments continued to unfold on Fri, May 6, when all major asset classes were down:

The benchmark 10-year Treasury note yield rose 6 basis points to 3.1240%. It hit 3.146% at one point, its highest level since 2018.

All major equity indexes were down with S&P 500 by 0.57% and MSCI World Index by 0.31%.

Even cryptocurrencies continued their negative trend, with Bitcoin down 1.46%

My technical indicators are pointing that someone or something is blowing up, and the forced liquidations have started, especially in US Treasuries.

If you are a Central Bank, which has a substantial part of its reserves in government bonds, for how long would you own the asset where:



1. The multiyear bear market started, with the key benchmark 10 Y Treasury Note down 10.3% in 1Q 2022.
2. It is dominated in currency (USD), where 50% of this currency was printed in the last two years, and the country has the 2nd highest inflation numbers in G-7 after Germany?
3. The government debt limit has been raised on an annual basis in the last few years – every problem in the economy has been solved by printing money.
4. After the US Government led the confiscation of Russian Central Bank assets, many countries saw this as a warning and started to seek alternatives. On April 22, China, one of the largest holders of US Treasuries, [met local and international banks](#) to discuss protecting assets from US sanctions. In addition, certain countries will rethink the role of US dollars as the reserve currency, which will put additional pressure on US Treasuries.

Smart investors have been raising cash since the beginning of the year to buy when markets bottom, but it will not happen soon.

The chart above (source: Bianco Research LLC) shows the Bloomberg Global Aggregate Index, a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from developed and emerging market issuers. The index is down 12% in 2022, and its trajectory points to the worst year in its history.

**Legal Disclaimer**  
**M.I. Achkasov & Co**

This document does not constitute an offer to anyone, or a solicitation by anyone, to make any investments in securities. This document must not be issued, circulated or distributed other than to professional investors. All information herein must be treated as confidential or legally privileged information that is intended for addressee(s) only. You are advised to exercise caution in relation to its contents. If you are in any doubt about any of the contents of the document, you should obtain independent professional advice. This material is presented solely for informational purposes and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. Information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. All information is current as of the date of this material and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Third party economic or market estimates discussed herein may or may not be realized and no opinion or representation is being given regarding such estimates. This material may include estimates, outlooks, projections and other "forward-looking statements." Due to a variety of factors, actual events may differ significantly from those presented. Indexes are unmanaged and are not available for direct investment. Investing entails risks, including possible loss of principal. Unless otherwise indicated, returns shown reflect reinvestment of dividends and distributions. Past performance is no guarantee of future results. Investing in foreign securities involves greater risks than investing in local securities, including currency fluctuations, interest rates, potential political instability, restrictions on foreign investors, less regulation and less market liquidity. This summary is not a complete list of the risks and other important disclosures involved in investment process.