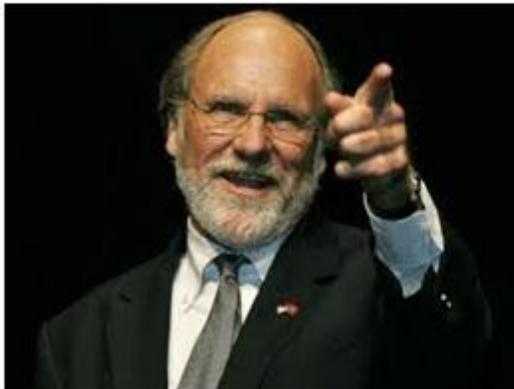


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Now What's Going On

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THE COLLAPSE OF MF GLOBAL

Jon Corzine, who ran Goldman Sachs Group Inc from 1994 to 1999, has demonstrated when you do not have the political game rigged; merely working at GS does not mean you are smarter than the rest and immune to market swings. This is yet another example of how corrupt things are in New York. Name one scandal that the SEC or CFTC have EVER prevented? I can think of none. All of a sudden it now comes out that hundreds of millions of dollars are missing because the firm FAILED to segregate their own funds from those of their clients. You see, this is PRECISELY what was done to me by Republic National Bank; they used funds for their own benefit and NEVER entered any entries in the records to show they were tapping into the funds. How is it possible that the SEC and CFTC NEVER manage to ever find this stuff in the New York banks that they regulate? Are they being paid off? Are any funds in a NY bank really safe?

You can only imagine what “MF” is now being called with those initials. Corzine tried to build MF into an Investment Bank like GS recruiting Michael Stockman, UBS AG’s former chief risk officer for the Americas, Richard Moore, once Citigroup Inc. (C)’s head of European fixed-income, and Jon Bass, 49, also previously of UBS, where he was a member of the investment bank’s board. With top talent, MF has gone belly up to such an extent, that the Australian futures exchange had to close because MF had so many open positions.

MF Global filed for bankruptcy protection after reporting a record quarterly loss and disclosing \$6.3 billion of bets on the sovereign debt crisis. MF Global employed 2,870 people globally, according to their court filing for bankruptcy. Corzine remained bullish on the firm to the end, but when a trade goes bad, something you get married to a position and become blind. Corzine was also the former New Jersey governor who started at Goldman Sachs in 1975 on their bond desk before Goldman became an aggressive trading firm in the ‘80s. Corzine became MF Global’s chairman and chief executive officer in just March 2010. He began to hire aggressively adding some 800 people when Wall Street banks shed 120,000 jobs. He was concentrating his hiring in the credit field while cutting equity jobs in Europe and Asia. He was trying to rebuild GS in its early days getting a base in fixed-income. He just a few weeks ago added high-yield bond trader Drew Meany from BTIG LLC.

As always, there is more to the story. We are also watching the collapse of the CDS market – those things that cost \$700 billion to bailout. The NY Banks are wiggling out of paying off on sovereign debt issues on Greece. The clever issuers are renegeing on the Greek CDS by saying a 50% haircut is not a DEFAULT and thus is not covered. What is now taking place is the CDS prices are collapsing for you cannot trust the banks that issued them. Yields are now rising even on Italy and a new phase of the Sovereign Debt Crisis seems to be unfolding.

Speaking to institutions that bought the CDS to protect their investments, the most likely result is you just have to sell and get out. Thus, yields on the sovereign debt are rising even in the face of ECB intervention that has failed in the case of Italy. The CDSs are collapsing and smart guys are selling them while they can. So do NOT watch the CDS prices as any indicator of what is really going on. The CDS gave false insurance relief, but now when people expected to cash in, the banks change the rules. And you think you can sue their ass in New York? Good luck!

MF has lost a fortune and more than \$6 billion in losses in Sovereign Debt issues shows if you shake hands with the NY Investment Banks, you better count your fingers when you are done. MF stands for the proposition that you can have the right idea and still lose.

The twist about they were using client funds to trade themselves, I would like to know, how can these institutions do this and nobody picks it up until it’s too late? In my own case, \$50 million vanished in an account where there was to be no trading. When I asked what happened to the money, the broker slipped and said they must have put the Fannie Maes back in the wrong account. They were using my accounts to fund their own trading. Because Republic was being sold to HSBC, they got away with it. Now the MF had no buyers, this time it is out in the open. It is real dirty behind the curtain.