

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

Updated: October 2022

OTC	Maastricht	Europe	Economy	ECB	Euro	Euro Crypto	End of the euro in 2023
					Unemployment	Widespread misery	Far-right parties



**Over-The-Counter
Derivatives**

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

I. INTRODUCTION: OUR ACHIEVEMENTS SO FAR.

For our new readers, we have already discussed the subject of GLOBAL INTERNATIONAL FINANCE in several ways, notably by analysing the Foreign Exchange Market at the end of 2016 and the Derivatives Markets at the end of 2016. We pointed out the difficulties encountered by the BIS in compiling all these statistics (to which we pay tribute) as well as the difficulties in interpreting all these transactions in many, complex and interactive markets. In particular,



we noted that SWAP transactions on the FOREX MARKET have become the easiest way to “protect” (from interest rate differentials) buyers of financial assets, listed on the INTEREST RATE MARKET and on the EQUITY MARKET.

SWAP is a technique used as a means of hedging multiple risks in international, monetary, economic, financial and commodity markets (several commodity markets): they can cancel out the risks caused by changes in interest rates for holding financial assets, tangible and intangible assets, in different countries and currencies, and for all options contracts (purchase and sale).

But the first lessons to remember are the followings:

- The majority of transactions all go through the dollar and more and more through the euro.
- Some risk-hedges may require two to four stints in a G4 currency (dollar, euro, yen and pound sterling).
- Finally, London and Tokyo remain the key hubs for exotic transactions, i.e for currencies that are not part of the G8 or eight major currencies that we will detail.

FOREIGN EXCHANGE MARKET: spot (bilateral) foreign exchange market and futures market. These are markets mainly managed by forex traders (current transactions to buy and sell key currencies) and “arbitrageurs” for more complex secondary and exotic currency quotations, but especially for "on demand" forward quotations.

We will unveil how to deal in these OTC markets in: Part II: OTC – Turnover – April 2019.

We will also determine the Euro's resistance threshold as it is not enough to declare the Euro a bad currency, which is the case for all current "fiduciary" currencies.

We cannot therefore program its weakening against other currencies, each as bad as the other, and we can even less anticipate its disappearance than of course the whole International Monetary System, Managed by the IMF, the World Bank and the BIS, wants to avoid at all costs.

It is indeed necessary to "get back into the mechanics" to understand the logical sequences that risk leading to the breakup of the Eurozone, and the way in which the tandem ECB – BIS wants to get out of it.

In the background, my deep conviction is that this NEOLIBERAL REGIME will not survive because it is unable to reform itself, and that is very serious because it is becoming increasingly consanguinous. So, more and more risky!

This is what we demonstrated in the article entitled : «*The Eurozone Credit, Loan and Debt Holding Market*» that we will update.

The purpose of this article is **not to update the analysis at the end of June 2016** (which we had done). But it is especially to detect the major developments in all these OTC Markets **over a very long period (22 years)** from June 1998 to June 2019.

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II. NEOLIBERAL CONSTRUCTION OF NATIONAL ACCOUNTING.

The construction of National Accounting can be "vicious" in more ways than one.

For example, **Real Economy** is an amazing concept for the uninitiated for whom the opposite of "real economy" is automatically "**Unreal Economy**" or, for the most "geek" of them, means "**Virtual Economy**". According to economists, the real economy includes all the economic agents that create NATIONAL WEALTH, namely all Added Values, Investments (Gross Fixed-Capital Formation) and positive Commercial Balance of Goods and Services (positive if exports are higher than imports). Corrections are made to "stick" to the information collected elsewhere, especially from the tax services: delta of stocks, destruction of fixed capital, neutralization of direct and indirect taxes, ...

In accounting language, banks are excluded, simply because the first dogma of the **Neoliberal Doctrine** considers that



"money is neutral".

Therefore, the Central Banks (which create the currency) and the Commercial Banks (which manage this currency, at least in the short term) do not deserve to be analyzed... since they are neutral.

If you dare to object, the “professionals” (professors of economics, official economists, parrots economists, national accountants, senior officials) will tell you that you have not understood anything; they will tell you that the national accountants have created **Integrated Economic and Financial Accounts by Institutional Sector**.

And so, total contempt, they will tell you that *“if you had some economic culture, you would not say such nonsense”*.

Sorry but we have understood that the economic sector **«Financial Companies»** is a catch-all which regroups the **«Accounts of Financial Companies»** in which we find the accounts of Central Banks, Commercial Banks, Credit Companies and Other Financial Institutions managing “our” money.

The High Finance is therefore "a world apart" that has taken over "our" central banks by declaring them "independent": independent of the people, of course.

Now, when you peel their common accounts, you discover... misery.

For example, here are the assets of this gigantic set: nearly 50,000 billion euros in the Eurozone for these three major players: Central Bank, Monetary Financial Institutions (Commercial Banks) and Insurance Companies. We must not forget the Other Financial Institutions (OFI's) or Credit and Finance Companies (in the broadest sense) that do the work of banks because it is more profitable for them to have all this managed by "specialized subsidiaries": their assets are more than 21,000 billion euros.

And so, we are dealing with a colossus of 70,000 billion euros... which officially creates Gross Value-Added (not even net values) of 500 billion euros out of just over 10,000 billion (¹) and out of Gross Domestic Product of 11.6 T€ in 2019.

With a firepower of SEVEN TIMES the GDP in 2019,
they created a lousy Gross Value-Added: less than 5%.

On the other hand, **the Administrations officially created a Gross Value-Added of €2,000 billion** which they automatically spent for various actions: their own sovereign operation (police, justice, army, central and international administrations) but also education, health and social services, aid to the private sector,

EUROSTAT gives us a figure of «twenty percent of value added» (20%) on average for Administrations in the Euro Area.

This official figure of €2,000 billion, out of a total of €10,000 billion Added Values, leaves one dreaming and raises doubts in France because the figures usually announced in the media are 57%.

Problem?

The bases are not the same ⁽²⁾: EUROSTAT details Gross Value Added while the French media talk about the share of Public Expenditure (€1,340 B) in GNP (€2,350 B).

¹ The Gross Value-Added (10,000 B€) represents the bulk of Gross Domestic Product in the Euro Area (11,600 B€ in 2019) that Americans have the right to baptize in Gross National Product (or GNP)

² In fact, the bases are not the same (neutralization of the direct and indirect taxes with EUROSTAT) but, on the same basis, France is at the level of 27% when Euro Area is at 19%.

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And, even without committing this type of error, we should compare the nature of «public services»: for example, the «health» expenditures supported by the State in France are much more «generous» than in other countries where citizens have to pay private health insurance, much more expensive.

Last comparison but this time at the level of GNP to better understand the neoliberal discourse: Gross Private Investment was €2,600 billion and the trade balance was €450 billion while Public Consumption was €2,500 billion, without any return in the Trade Balance.

In other words: *“it is necessary to reduce the expenses of the State”* (those which do not benefit the High Finance and the multinationals).

In neoliberal language, the State (which they refer to as the Government) is too important while the financial sector does not deserve any interest because it is neutral and insignificant.



We have therefore just demonstrated that:

- "Money is neutral"
- "The Monetary and Non-Monetary Institutions (³) are neutral"
- "The National Accounting is neutral"
- "The Government is not neutral."

Now, when you search the International Markets (theme of this current article), you discover monstrosities at all levels. It's clear, the High Finance world lives on another planet.

Question: how is it possible that such amounts can exist?

Nowhere in the world does High Finance reap (officially) value added, the essential basis of profits and financial worth.

And yet...

III. REMINDER OF THE CONCEPTS

From our Part IV Analysis: Forex Currency Market and Derivatives, our readers know the difference between:

TURNOVER and MASS FLOW

TURNOVER and OUTSTANDING AMOUNTS

TURNOVER NET-GROSS BASIS and NET-NET BASIS

NOTIONAL AMOUNTS and GROSS MARKET VALUE.

A. TURNOVER

A. TURNOVER

Turnover in over-the-counter markets (OTC) does not mean "Business turnover" but "Mass Flow" or "brewing". By analogy, a winemaker never talks about the mass of grapes he presses but about the hectoliters of

wine he produces and sells.

a) BUSINESS TURNOVER

The concept of Turnover is reserved for popular companies or rather: "the turnover" is reserved for **non-financial companies**.

Did you read that right?

Non-Financial companies are all companies other than their own.

And so, "surprises" follow one another naturally.

b) NET BANKING PRODUCT: NO REPORTING.

For banks, Turnover does not exist: it is the **Net Banking Income** ⁽⁴⁾.

Surprisingly, neither the ECB nor EUROSTAT publish any figures about the Net Banking Product. Similarly, within the Euro Area, the general public no longer has any access to the details of the assets and liabilities by countries of these major players, always well camouflaged in averages, aggregates or doctrinal subtleties. Let our readers be reassured, we will still be able to "approach" this world in future analyses.

³“Corporate” is an ugly word for the financial world; it applies only to the “vulgum pecus”. ⁴As luck would have it, French bankers use the same abbreviations (PNB, “Produit Net Bancaire”) as “Produit National Brut”, or Gross National Product.

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c) NET INVESTMENT INFLOWS AND PREMIUMS COLLECTED

For insurers, “**Net Subscriptions**” to life insurance policies are even more important than **Cashed Premiums**. Thanks to the net inflows, the French Insurers claimed to manage more than 10,000 billion euros of financial assets in 2015, for their own account and for buyers of shares in their Life Insurance, their Investment Funds and their Pension Funds. However, all French insurance groups controlled, directly in France, “only” €2,852 billion at the end of 2020 (BDF).

This is a worrying admission ⁽⁵⁾ but realistic because, for the euro area as a whole, the assets of the insurance companies were ±9,000 billion euros, to which must be added a part of the Pension Funds (€3,000 billion) and the Investment Funds (€14,000 billion), for a total of €26,000 billion. For the record, France's GDP was ±3,000 billion euros in 2019.



Another reference: the Assets under Management amounted to more than 120.000 billion dollars in the world at the end of 2020 of which 52.000 billion were managed by the TOP-20 of the sector and 16.000 billion by the TOP-2. Insurance companies are therefore the "Game Masters" in Politics, France and all over Europe, **but no one ever talks about them** (except ALTER-EUROPA).

B. NOTIONAL OUTSTANDING AMOUNT (NOMINAL VALUE CONTRACTS)

B. NOTIONAL OUTSTANDING AMOUNT (NOMINAL VALUE CONTRACTS)

CONTRACTS)

"This is the Nominal or Notional Brute Value of all derivative contracts concluded and not settled on the reporting date (notional in-progress)."

For example, one spot foreign exchange trade of \$1,000,000 against 900,000 euros in value 28th of June 2019 was completely settled before June 30; it leaves no trace in the "Outstanding Amounts".

However, one forward exchange sale of US\$1,000,000 against one purchase of 900,000 euros in value September 28, 2019 was "reported" by the US Bank as a purchase of 900,000 euros while the sale of US\$1,000,000 was "reported" by the EU Bank.

Indeed, both US and EU banks must each manage an exchange rate risk in relation to the partner's (foreign) currency, and that is what we are interested in.

However, if everyone reported the previous transaction in "his" own currency, these foreign exchange risks would not appear.

C. GROSS MARKET VALUE (OR D-DAY CLOSING VALUE)

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"The gross market value provides information on the potential level of market risk for derivatives transactions and the financial risk transfers to which they give rise. Moreover, it is a measure of economic importance that is directly comparable between different markets and products."

It is here that the transaction (above) of \$1,000,000 Forward Sale against Forward Purchase of 900,000 euros in value 28 September 2019 will give us the basis of the foreign exchange risks.

Indeed, the transaction (not closed on 30 June 2019) also appears in the GROSS MARKET VALUE but if the euro has decreased by -10% against the dollar, or $\text{€}/\text{\$}=0.9999$, the EU Bank will defer its position for $1.000.000/0.9999=\text{€}1.000.100$ while the US Bank will defer this transaction $900.000\text{€}\times 0.9999=899.910\text{\$}$.

- ✓ For the BK EU, there is a potential loss as the contract predicts that it will receive $\text{€}+900,000$ on September 28 by selling $-\text{\$}1,000,000$.

On the other hand, if it had to buy back $\text{\$}1,000,000$ on June 30, it would have to pay out **-€1,000,100**. $\text{Loss} = -\text{€}1.000.100 + \text{€}900.000 = -\text{€}100.100$.

- ✓ For the BK US, there is a potential gain since it had planned to buy $+\text{\$}1,000,000$ by selling $-\text{€}900,000$. However, if it were to buy back $\text{€}900,000$ on 30 June, it would have to pay only **-\$899,910**. $\text{Gain} = -\text{\$}899.910 + \text{\$}1.000.000 = +\text{\$}100.090$.

Therefore, at this stage, the amounts held in currency by foreign partners (dollars held by the EU Bank in our example) cannot be matched with the US Bank's initial dollar transactions.

Statistically, we are then unable to determine the gains and losses, nor of course the winners and losers. Clearly, the statistics do not allow to say that the US bank has a potential gain of $+\text{\$}99,010$, nor that the European bank has a potential loss of $-\text{€}100,100$, but they will say that, at the close on day D (June 30, 2019), they had open position of **\$ 1,100,100** and an open position of **€899,910**.

Both numbers are mentioned in Absolute Value (without any sign, positive or negative).

⁵ For example, AXA Group had equity of €75 billion at the end of 2021 for a total balance sheet of €775 billion. Their Investments exceeded €600 billion while their Cashback Premiums were below €100 billion. In 2021, premiums received increased by €3 billion, while Funds Under Management increased by €12 billion.

The GROSS MARKET VALUE (GMV) will just give us:

- The gross value of monetary and financial assets engaged in risky transactions, estimated at a "fair value" (market price or likely value of assets if they were unwound at the end of the month);
- The distribution of these risky assets by Markets;

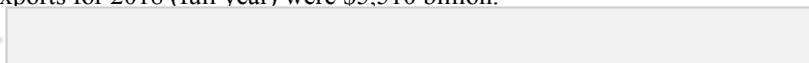
- The allocation of these risky assets by Instruments.

On the other hand, we cannot infer that these transactions are pure speculation because, in a totally unrealistic assumption, these transactions could simply cancel the operational risks otherwise taken in international commercial transactions (sale and purchase of goods and services in another currency).



By comparison, Gross Market Value - all markets combined - was \$12,061 billion at the end of June 2019, while global exports for 2018 (full year) were \$5,510 billion.

D.



D. UNIT STANDARDS: THOUSAND, MILLION, BILLION AND TRILLION.

Thousand is represented in the same way in the financial circles, in the United States and Europe by: \$k or k€.

Million is a common unit in the United States and in the financial world: \$M or Mn€

Billion (monetary) is written in the American world and in the financial world: B\$ or MD€ (for our French-speaking readers) or B€ or \$B (for our American and European readers)

US. Trillion = 1,000 billion or 10^{12} is the definition used in international finance: \$T or T€. It must be noted that the French Trillion is worth 1,000,000 billion or 10^{18} , this definition being adopted in the scientific field.

IV. OTC MARKETS 1998-2019, ALL

INSTRUMENTS, ALL CURRENCIES. A.

NOTIONAL AMOUNTS

The (notional) face value of the All Instruments and All Currency Contracts shows that these markets have calmed down somewhat since the outbreak of fever in 2011, when the financial crisis was revealed in Europe, especially in the Euro Area (19), United Kingdom, Denmark and Sweden.

Given our previous analyses, we are not surprised to find that the largest market is the INTEREST RATE market, far ahead of the FOREX market, just because central banks have played the dangerous game of "**conventional**" and

“unconventional” monetary policy.

In plain language, they have created counterfeit money in turn, and a very important part of this **PUSH-BUTON MONEY** is found on the **International Capital Markets** (translate: overabundant **Liquidity Markets**) chasing better returns... On the other hand, **"high returns"** also means **"high risks"** explaining the development of these Derivatives Markets which, as the term "derivatives" indicates by itself, conveys the idea of "drifts" introduced by these "independent" central banks (without any control).

Graphic 1: NOTIONAL AMOUNT OUTSTANDING (1998-2019) - All Currencies - All Instruments

NOTIONAL AMOUNTS OUTSTANDING
End of June - 1998 - 2019
All Instruments and All Currencies - In billions dollars
800000 600000 400000 200000 0 categories)

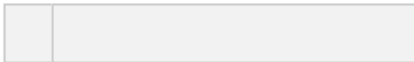
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523960

D:Interest rate B:Foreign exchange
E:Equity A:Total (all risk

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B. GROSS MARKET VALUE

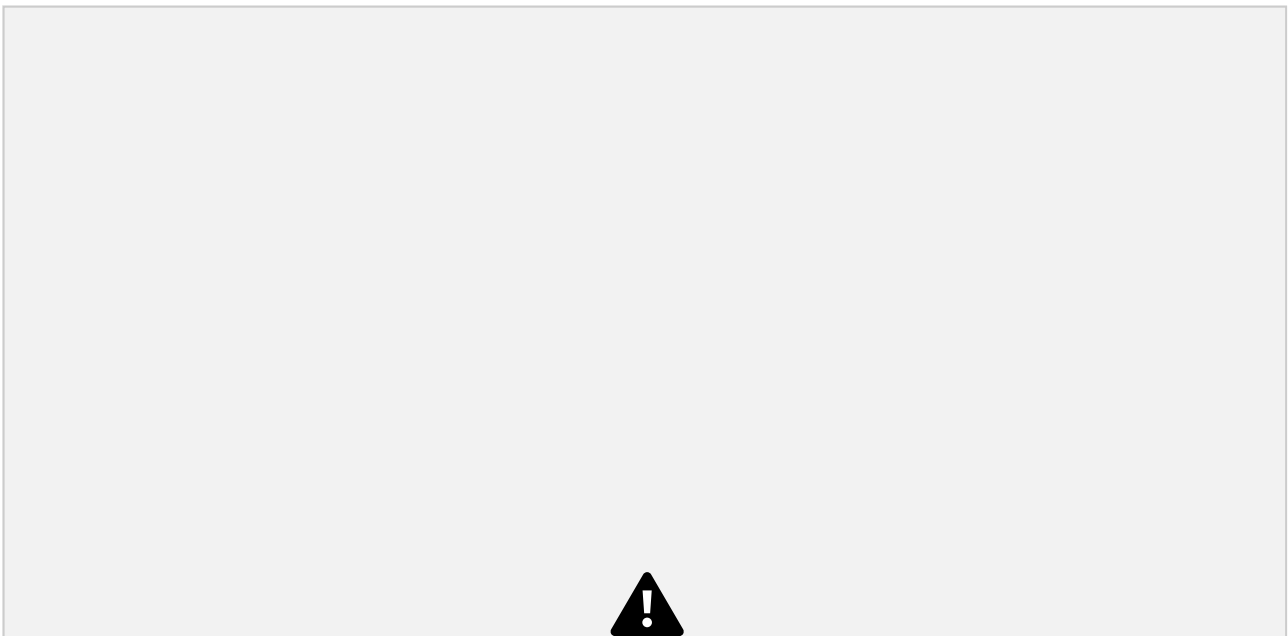
The same markets in GROSS MARKET VALUE suggest that risk-taking is still important (12,061 billion euros in the end of June 2019, or about 14% of the World GDP, estimated at 84,740 billion in 2018).

On the other hand, these figures show a general lull since the rise of risks in 2007, and especially since their climax in 2009 and 2010.

Reason?

The gifts made to the Financial Sector by "irresponsible" politician leaders have "reassured" the operators... who "forget" to say *“Thank you, Princess”* (the G10 taxpayers, ten major currencies).

On the contrary, these people of easy money (PUSH-BUTON MONEY) have no qualms about putting the Princess in



rags, but we do not forget that, for 4,000 years, this kind of practice has destroyed a considerable number of homes of civilization

Like the wine maker, we do not want to quantify the mass of grapes implemented and, like him, we have just encrypted the hectoliters of grape juice obtained.

What's next?

Fermentation must do its work but it must be "controlled" because, the higher the temperature and the more time passes, the greater the risk of loss.

And then, the wine must be "raised" (aged in good conditions, with mass loss) before becoming the most sought after finished product.

These Outstanding Amounts in Gross Market Value "must age": this product will become an exceptional wine and sometimes it will be vinegar.

The overall risk is still very high for everyone: the volumes are huge; the errors are human and the risks (enormous) are present.

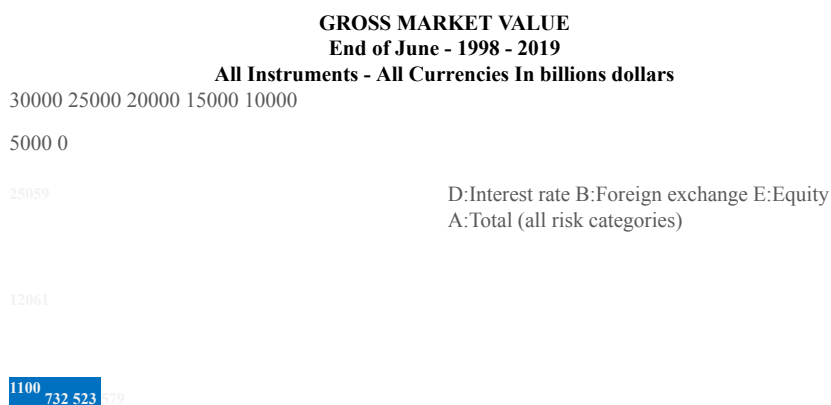
We'll give the reasons.

On the other hand, the comparison with the winemaker is ending.

The mass of REAL RISKS will be broken down by MARKET and INSTRUMENT but these analyses are not responding to our unhealthy curiosity: WHO loses? WHO wins?

Please rest assured, we are only at the beginning of our analyses... and we're curious.

Graphic 2: GROSS MARKET VALUES (1998-2019) - All Currencies - All Instruments



"Bis repetita placent" ⁽⁶⁾: these figures do not say at all whether these are losses or profits since the principle is to decant this mass (stratospheric) of raw figures.

⁶ Things repeated twice are (often) useful

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First risk : "vinegar for all."

During "vinification" (winemaking), the temperature can be out of control, and time can "deteriorate" the fermenting product, even during its "breeding".

Indeed, to put an end to this general presentation of the markets, we must never forget that if "the machine" was going to get carried away, the risks would grow in absolute value (GROSS MARKET VALUE): the Graph -2- shows, from the Internet bubble until 2009, the evolutions have been exponential.

The "explosions" could lead to cascading liquidations at the risk of endangering some of the NOTIONAL VALUES of Graph 1, if governments no longer bailed out the Great Loses.

Attention!



This version is not that of the "Authorized media allow themselves to think" ⁽⁷⁾ and claim that the masses of several hundred billion dollars (640 \$T) cancel each other out automatically, and in all cases.

We will see with the case cited below, panic can cause dysfunctions in bilateral transfers... for amounts that no partner or intermediary can guarantee or assume above all.

And, as usual, the crowd of "specialists" will tell you that "it was true before" but that "it is no longer possible today".

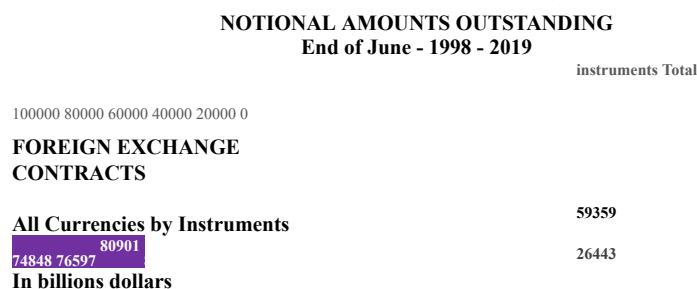
V. FOREIGN EXCHANGE CONTRACTS

A. NOTIONAL AMOUNTS

Please remember: in the "hierarchy of numbers", the Foreign Exchange Market is in second place, far behind the Interest Rate Market; on the other hand, it is the most volatile when financial continents collide.

This Graph 3 has the advantage of exploring the instruments:

Graphic 3: NOTIONAL AMOUNTS OUTSTANDING (1998-2019) - All Currencies - All Instruments



D:Outright forwards and FX swaps
I:Currency swaps R:Options Z:Other

B. INSTRUMENTS(TYPE OF CONTRACTS))

a) OUTRIGHT FORWARDS

These are purchases or sales (one leg) of one currency against another, on a fixed date and at a predetermined price.

b) SWAPS FOREX.

These are back-and-forth transactions between two currencies (two legs), spot and forward (future date). For example, US Bank sells dollars and buys euros on spot market (two working days value) from EU Bank, and it negotiates a return price for the redemption of dollars and the resale of euros at a later date.

The maturity repurchase price may be lower or higher than the spot sale price: there is a discount for the person receiving a higher-paying currency (higher interest rate) and, vice versa, there is a premium for the person who receives a less advantageous currency (lower interest rate).

The interest of this transaction is to "place" monetary liquidity in a currency, without currency risk and without the risk of non-repayment... unless the market was really racing.

⁷ COLUCHE, a French caustic comedian.

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Indeed, SWAP (regardless of the market) is still dependent on the smooth running of trade, spot and forward: this kind of incident shook the markets in 1974 because of the non-delivery of certain counterparties of the swaps processed by the German HERSTATT BANKHAUS.

At the time, the contractors had delivered the sums provided (first or second leg) while this bank had breached its obligations, for lack of cash.

As a result, it is the notional (facial) values that have been lost by the German bank's contractors. The beautiful sirens of the "more-than-perfect world" forget that "the human thing" remains an imperfect construction and that, in the financial world, it is always in panic that this kind of "construction" always proves destructive. In a panic, in fact, the sellers can no longer find buyers, the operations are no longer unblocked in normal time frames and the markets turn into a spinner:



there is no more "fuel" (monetary liquidity) because the lucky holders of cash-money keep them preciously in order to come back into the markets when the battlefield is filled with corpses. In the meantime, they turn into gold and other assets.

And, in this case, no currency deserves any foreign exchange.

c) CURRENCY SWAPS.

These are simple exchanges of currencies (two legs), without exchange transactions (apparently). This type of transaction is common among financial and industrial groups that are established in several countries (relationships between the parent company and subsidiaries, or even between the subsidiaries themselves): it allows them to cover their local revenues on the foreign exchange market without drawing attention to the real reasons for these transactions.

These particular SWAPS are also used to "open" a position, thus to deliberately be a creditor or debtor of one specific currency, and above all to wait for the right time to "close" that position.

Note the importance of this instrument: in notional value, the total exceeded \$T 26.0 at the end of June 2019 and therefore a difference in exchange rate of 1% would result in losses or gains of 260 billion dollars.

d) OPTIONS.

These financial products (which we described in our analysis of Derivatives at the end of June 2016) are precisely very complementary instruments of these Currency Swaps.

We take up the essential elements in next article "**Turnover Analysis.**"

C. GROSS MARKET VALUES

a) DECLINING MARKET

We are seeing a decline in Gross Values (from \$7,156 to \$4,458 billion) between June 2016 and June 2019.

On the contrary, the NOTIONAL VALUES on the FOREX (in this only market) continued to grow: From \$85,867 to \$ 98,651 billion (Graph 3).

The (very likely) reasons are to be found in other statistics that we have not yet developed at this stage but we will already have first answers in the Interest Rate Market.

Mechanically, if Gross Market Values are declining while Notional Values remain important or progressing, it is usually because the transactions are closing quickly (the durations are shorter) or because the open amounts are less risky. Audits are necessary, the search never stops.

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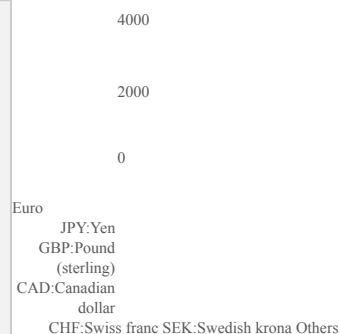
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b) PREDOMINANCE OF THE DOLLAR

With regard to THE GROSS MARKET VALUE, currency analyses show the predominance of dollar.

Graphic 4: GROSS MARKET VALUE (1998-2019) - FOREX CONTRACTS

GROSS MARKET VALUE
End of June - 1998 - 2019
FOREIGN EXCHANGE CONTRACTS
All Instruments by Currency



c) DOLLAR: THE BEST STUDENT?

The position of the dollar as leader.

It's not necessarily the ranking of a very rewarding list, such as "the first in the class".

Indeed, at this point, let us remember the magnitude of the American deficits: trade deficits, capital deficits, budget deficits, and therefore deadlock for the Federal Reserve Bank... and for U.S. commercial banks (all of which show beautiful attributes when, in reality, they are "under pressure").

Of course, the good remuneration of dollars (compared to the three major currencies) and the growing instability in Latin America are magnets for the international financial sector but, as with any magnet, it is better to be able to

detach from it.

However, this Graph 4 only takes into account "absolute values": it therefore gives no indication about the meaning of these "balances" (no gains or losses) but it indicates the amount of dollars committed in risky contracts (estimated at the market value).

Poor remuneration "places" the euro in third place, after the dollar and after all other exotic currencies looking for both safety and interesting performance.

However, the players in these markets no longer find "return" in euros; on the contrary, they find opportunities for euro debt and investment in non-euro assets (because of negative interest).

VI. INTEREST RATE CONTRACTS

A. THE BIGGEST MARKET

Of course, we are in the biggest market, and we have given the fundamental reason: the PRESS-A-BUTTON MONEY is overflowing borders while the investment opportunities, private and public, in domestic markets are not satisfied. Currencies are "hot moneys" because they are too abundant: **liquidity holders** are looking for and finding "returns" everywhere that the Real Economy does not offer so quickly.

We are not in the Capital Market contrary to what we are told by the distinguished bankers and economists but on a volume of hot embers, ready to burn our most beautiful forests: our Intangible Capital created by our women and men, our intelligences, the diversity of our knowledge and experience, the know-how of our workers, craftsmen and small businesses, our capacities of animation and organization, our spirit of solidarity.

We are in the **BARBARY'S WORLD OF DESTRUCTION**.

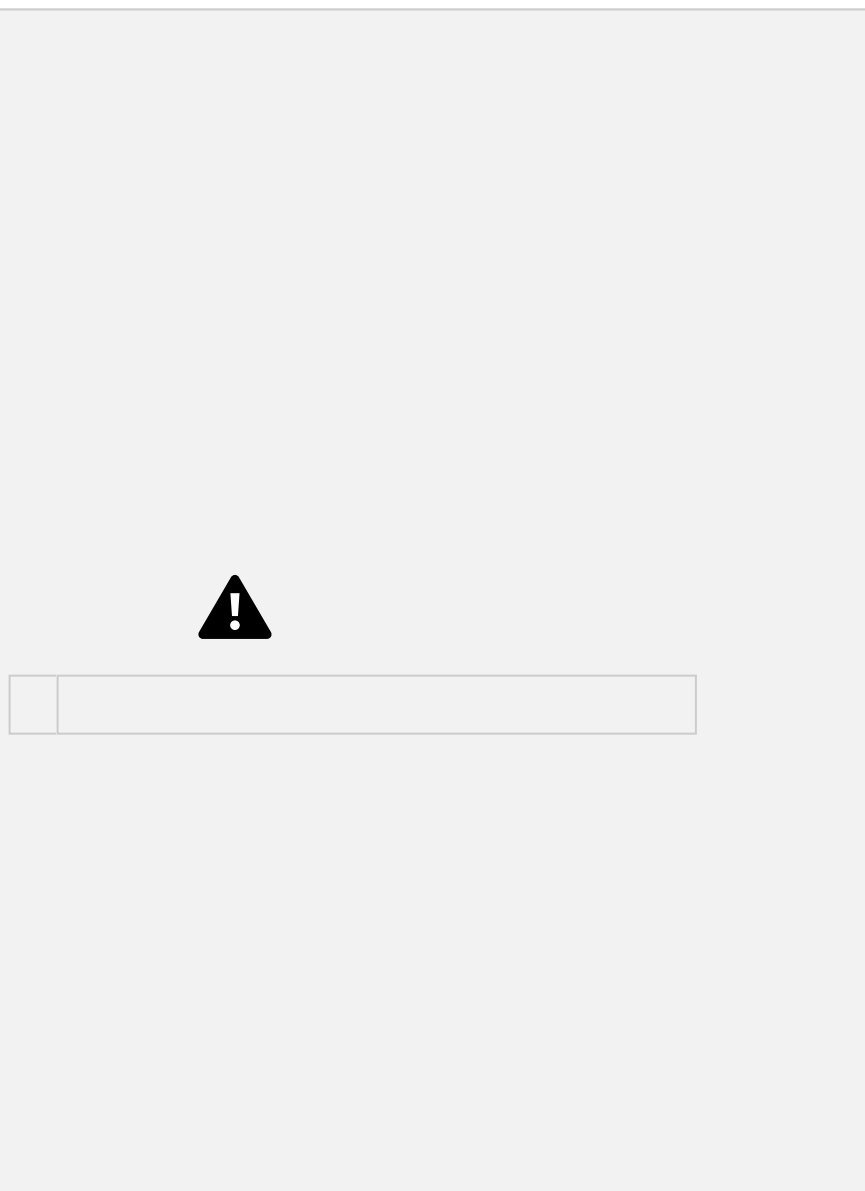
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Even the STOCK MARKET (in our four main currencies) no longer performs its function properly: it is insidiously dominated by the red curve, at the very bottom, named "OPTIONS": \$45,298 billion. We'll come back to that, of course.

Graphic 5: NOTIONAL AMOUNTS OUTSTANDING (1998-2019) - INTEREST RATE CONTRACTS

NOTIONAL AMOUNTS OUTSTANDING
 End of June - 1998 - 2019
 INTEREST RATE CONTRACTS
 All Currencies - by
 Instruments



I

N:Interest rate swaps
 M:Forward rate agreements
 Z:Other instruments R:Options
 TOTAL

Of course, it is in this Market that we find the highest notional values: \$T 524 in total.

And \$T 389.3 for **INTEREST RATE SWAPS** that "organize" the international volatility of the major masses of liquidity, held by bankers, insurers, pension funds, investment funds and (to a lesser extent) the transnational companies (for protection against currency risks).

B. GROSS MARKET VALUE: SWAPS IN DECLINE.

As for the decline in Market Gross Value, from \$20,223 billion to \$8,020

billion, we can point to converging indices: *Graphic 6: GROSS MARKET*

VALUE (1998-2019) - INTEREST RATE CONTRACTS

GROSS MARKET VALUE
 End of June - 1998 - 2019
 INTEREST RATE CONTRACTS
 All Instruments by Currency

22000 20000 18000 0 20223
 16000 14000 12000 In billions dollars
 10000
 8000 6000 4000 2000 18508 16417

8020

The most affected assets are the Dollar Positions (-78% since 2010) and the Euro Positions (-49% since 2012): the most actively processed currencies on the Swap Market (more than 80% of this market) are in decline.

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The reasons?

Interest rate differentials are narrowing: this is particularly the case for the FED which has been under fire since the beginning of 2019 for reducing its refinancing rates.

Since 20 March 2019, the FED has changed monetary policy, under pressure from TRUMP, by putting an end to its desires or attempts (not to be confused with "willingness") to raise refinancing rates.

Graphic 7: USD ONE WEEK LIBOR 10 YEARS (2009-2019) reflecting the FEDERAL LONG-TERM RATE





Of course, the lenient speech of Jerome POWEL has completely reassured "authorized circles" about the quality of growth of the American economy.

In reality, the United States are engaged into an "explosion mode".

- Meanwhile, Mario DRAGHI - ECB had opened the floodgates to "**international carry trade**" by allowing the fifty major European financial "investors" (90% of beneficiaries) to take on debt in euros to "invest" in the United States and emerging countries.

Please translate this official discourse: the ECB allows the European Bank Insurance to speculate with trillions of euros of liquidity (not capital) thanks to the **PRESS-A-BUTTON MONEY** assigned to M. DRAGHI and C. LAGARDE. And so, question: to which markets are they all gone?

First answer: to the Options Markets, thus to highly speculative leveraged products.

And this High-Frequency Trading is managed by four highly-profitable American banks (profits in 2019: 120 billion dollars), with troubled practices introduced into their sophisticated technological tools and computer algorithms: **quote stuffing, layering, spoofing, cancelling**. These mafia tools are very profitable and very risky ⁽⁸⁾, without any benefit or operational interest for the Real Economy...

- The FED cut rates from 2.5% to 1.75% ⁽⁹⁾ while the "lack of dollars" (dollar gap) justified higher rates to attract international liquidity to Treasury Bills and U.S. banks accounts, all of which being out of dollars. This policy has resulted in a fall in the LIBOR Dollar rates 10 years in London from 23th of July 2019, while the first decline was official only on 30 July, thus before the closing of positions in the OTC Markets of 30 June 2019.

But, as we have seen, the markets "knew" since March that Jerome POWEL "must" change his policy since he had already put an end to the increase in refinancing rates and injecting liquidity.

Indeed, The FED adopted the same monetary policy as M. DRAGHI in March 2019: buy-back s of U.S. Treasuries, with "big" and even "very big" amounts.

Here's what European Financial Media told:

"The Federal Reserve has pleasantly surprised markets by announcing that it will repurchase up to \$300 billion in Treasury bonds over the next six months and expand its program to repurchase mortgage-backed assets in the hope of reviving credit."

Further:

"it will put an end to its rate hikes."

⁸ Two reasons: if Justice gets involved, the fines will be huge; these systems will eventually be manipulated against their users.

⁹ Between 16 March 2017 and 19 December 2018, the EDF rate had risen in six stages from 1.0% to 2.5%, but since then it has fallen to 1.75% in three stages of -0.25% each: 31/07/2019, 18/09/2019 and 30/10/20. It is therefore at 1.75% at the beginning of 2020 while the ECB grants liquidity at the rate of 0%.

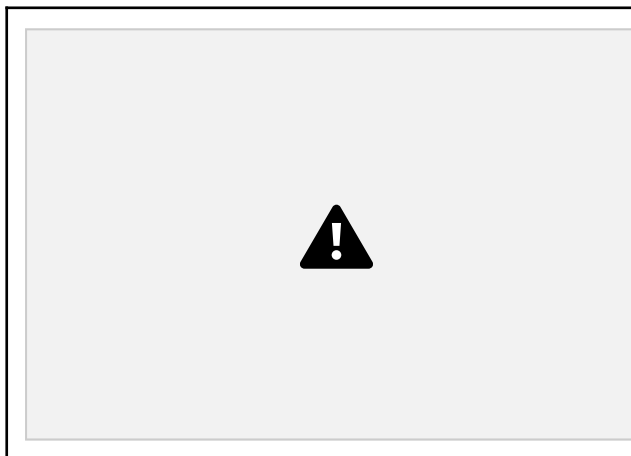
Official reason?

The Fed is worried about the U.S. economy because of the slowdown in growth in the world... U.S. exports (possibly sensitive to competition) account for less than 12.5% of GDP (8.5% for Goods and 4% for Services) but the Fed gives the largest amount.

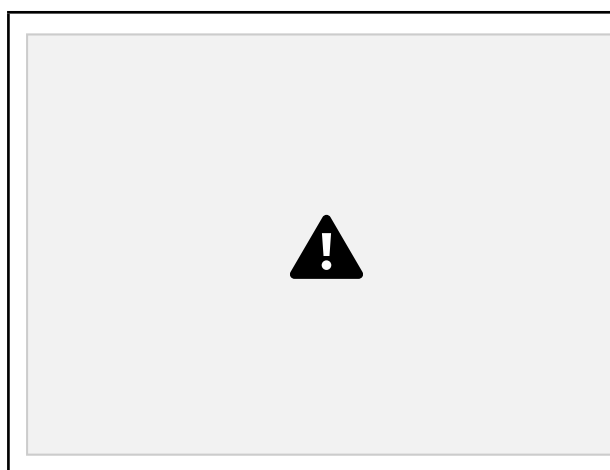
Read our comment: *"The United States are in an "explosion" mode."*

- The spreads are so small that they are not perceived as a big risk that could affect the price of major currencies and financial assets over a 5-year horizon, the horizon of the Credit Default Swap. It is therefore enough to cover the risks in roll-over (automatic renewal in short term) to avoid deviations of more than 200 points over the medium term: the contracts are therefore more oriented towards the short-term positions.
- Even negative rates in euros tend to return to "0" but the difference of 2%, necessary to maintain a dollar attraction, remains stable.

Graphic 8: USA BENCHMARK 10 YEARS (2009-2019) Graphic 9: EURIBOR-ONE YEAR EURO (2009-2019)



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VII. EQUITY-LINKED CONTRACTS

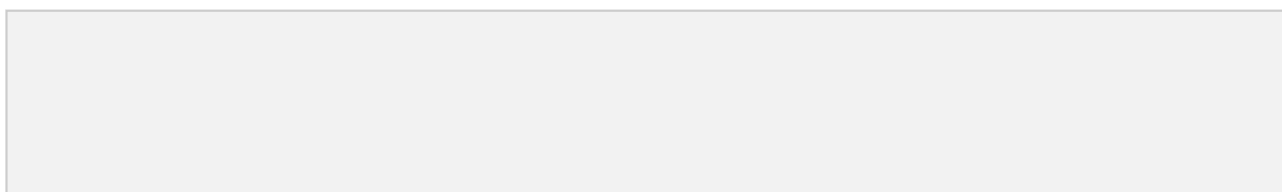
At this stage, we simply repeat the comments already made on

Derivatives at the end of June 2016. **A. SPECIAL MARKET**

The stock market immediately reminds us of the major stock markets that the media cohort comments in the silliest way, like: *"Wall Street gives in to pessimism against coronavirus"* ⁽¹⁰⁾.

This style of commentary from news agencies is subsequently reproduced in a loop on radio and television channels, including in commercial areas, as if nothing more important could guide our lives.

There are two comments:



This international market is the smallest of the three "financial markets: only \$7 trillion at the end of June 2019 (compared to \$524 trillion for loan contracts and \$99 trillion for foreign exchange transactions), or 1.1% of the total (in notional value).

- Listed securities represent only a portion of this market of "Equity Contracts" which also deal with unlisted shares ("small" stock markets) as well as thousands of contracts based on the management of units issued by investment funds.

The most "special" part of these contracts is the one that generates the greatest number of derivatives, linked to compulsory holdings for CORE-CORPORATE INVESTORS or "reference shareholders": these stocks and shares of companies must be hedged against any adverse impact on the financial asset's co-owners.

The traditional derivatives market tools also apply to this very particular type of market: **FORWARDS** (buy or sell futures contracts) and **SWAPS** (exchanges of financial assets for cash or other financial assets).

OPTIONS allow you to pay relatively low premiums to "cover" the risks of these exchanges. Of course, this particular "core-corporate" market is aimed at professionals (insurers, bankers, investment funds and pension funds) whose strategy is based on the long and medium term; it "covers" the major shareholders of international industrial and commercial groups against slippages in listing and/or exchange rates.

"Serenity" has returned to all markets, with refinancing rates falling (dollar) or even Euro Area and almost zero interest rate (yen), and with exchange rates much less heckled, this market is itself in decline.

On the other hand, let us not forget an essential point for this very particular market.

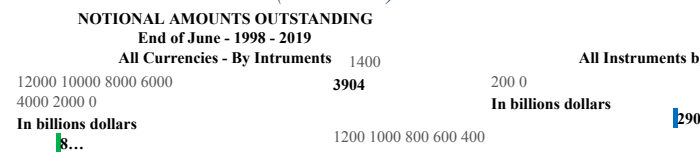
The "open bar" operations of central banks (G4) have "boosted" the equity markets and, therefore, these very happy holders of "core-corporate-equities" are almost all driven by favorable currents: they do not need to "cover" themselves because the potential capital gains fall "with a shovel".

A day will come when all this world of the ultra-rich will think about covering up and then the numbers will explode. They will explode all the higher as the **"little red duck"** (the options in red on our Graph 5) may turn into a **"black swan"** on this beautiful quiet lake of the PER (Price Earnings Ratio) in double digits.

B. NOTIONAL VALUE AND GROSS MARKET VALUE

We are at the bottom of the scale: less than \$11.4 trillion in notional value at the height of the crisis in 2008, and less than \$0.6 trillion in gross values in times of relative serenity (end of June 2019).

Graphic 10: EQUITY-LINKED CONTRACTS - NOTIONAL AMOUNTS OUTSTANDING (1998-2019)



Graphic 11: EQUITY-LINKED CONTRACTS - GROSS MARKET VALUE (1998-2019)

GROSS MARKET VALUE
End of June - 1998 - 2019
EQUITY LINKED CONTRACTS

US: United States SK: European developed countries JP: Japan 5F: Other Asian countries SU: Latin America TO1: Total (all currencies) TO2: Total (all currencies)

R: Options C: Forwards and swaps TOTAL

¹⁰ "Up to 650 000 people die of respiratory diseases linked to seasonal flu each year" (WHO, 2017 December 14)

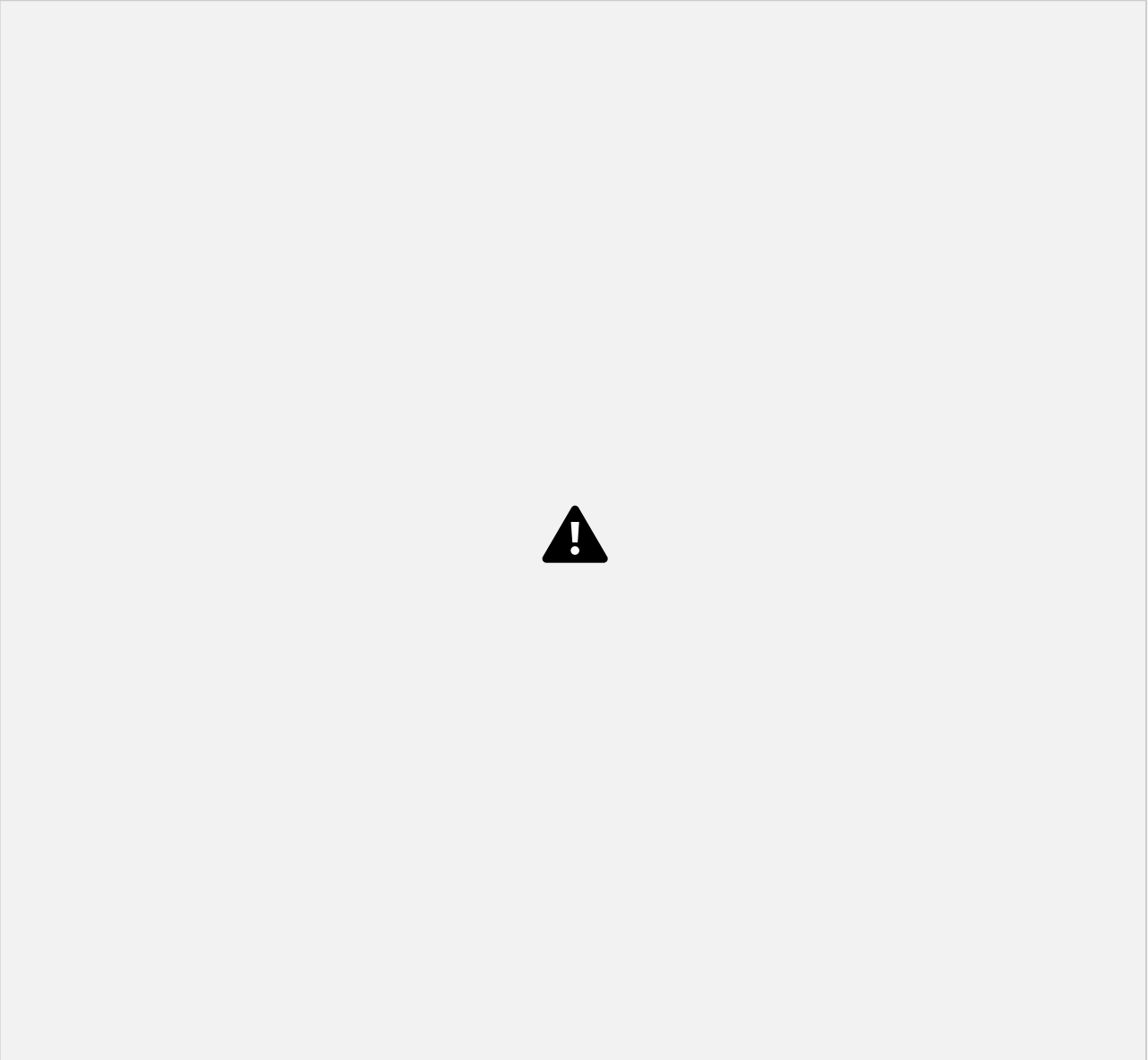
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VIII. SYNTHESIS OF THESE FIRST ANALYSES

We have deliberately neglected the analysis on the OPTIONS, simply because profound STRUCTURAL CHANGES have been introduced into this market, and they deserve a separate development.

On the other hand, in order to properly anchor the minds in conceptual matters, we wanted to highlight the THREE



fact, this third position is very bad news for JAPAN.

It copied the "American model" of the explosion of public debt to more than 9,000 billion euros, or more than 240% of its GDP (3,750 billion euros or 4,900 billion dollars).

- By comparison, US Public Debt exceeded \$22 trillion for a GDP of \$20.5 trillion at the end of 2018, or 107% of GDP;
- The Euro Area's Public Debt was slightly less than €10.0 trillion (\$11,0 trillion) for a 2018 GDP of €11.6 trillions (\$T12.8), or 86% of GDP.
- The Public Debt for the EU 27 amounted to €10.8 trillion, compared to a GDP of €13.5 trillion (\$T 15), or 80% of GDP.

And so, on a regular basis, Japan "saves" its high finance by delivering liquidity at negative rates at less than ten years and at almost zero rates at more than ten years: the beneficiaries of these refinancing's are rushing to seek returns outside Japan, which positions the yen within the three international markets.

B. EURO AREA

The same "unconventional policies" have been introduced since 2011 to "save the euro", in fact to save European High Finance which does exactly the same thing as Japanese High Finance.

C. UNITED STATES

Wall-Street's financial wizards are doing everything they can to constantly create "new financial products and techniques" and thus attract foreign cash into their nets.

It's working because U.S. bank profits in 2019 have reached \$120 billion, while the TOP-10 in the European Union will be struggling to post half of these results.

On the other hand, in the world's TOP-10, there are only two U.S. banks left in 2017: JP MORGAN CHASE (6) and

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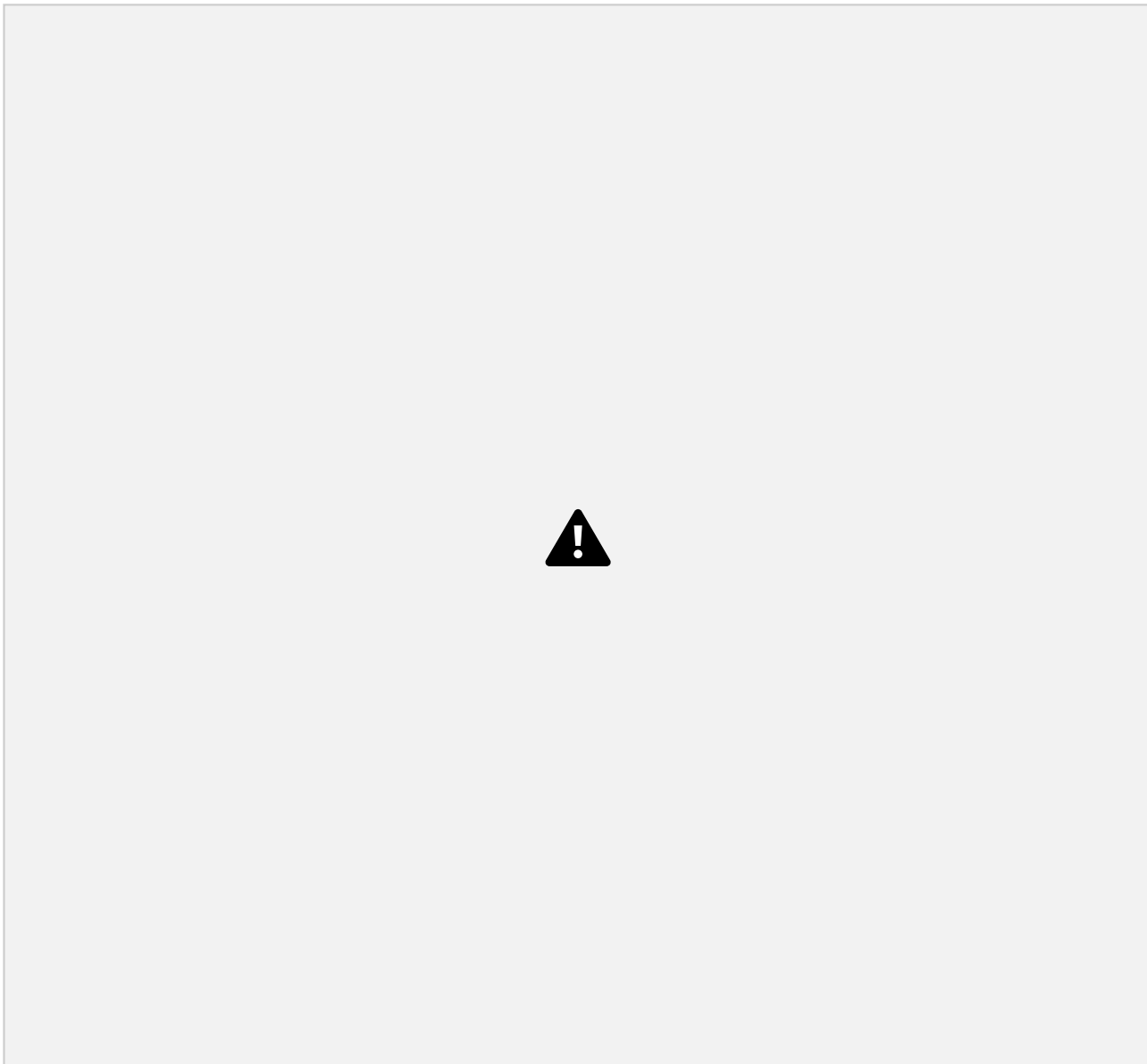
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On the podium, four Chinese banks ICBC, CCB, ABC and BC (1, 2, 3 and 4), one Japanese MITSUBISHI UFJ (5), one English HSBC (7) and two French BNP-PARIBAS (8) and CREDIT AGRICOLE (10).

The overall situation in the United States is so bad that the Fed is constantly looking for foreign holders for its Treasury Bills (\$T 7) and that U.S. commercial banks are doing the same by offering positive compensation for their foreign customers (\$T 4).

IX. CONCLUSION: MONETARY AND FINANCIAL UNHEALTHY SYSTEM

We just saw that:



•
On
the

one hand, the United States must constantly attract more than eleven trillion dollars to finance its public deficits and the structural impoverishment of its banks.

- On the other hand, WALL-STREET invents high-risk (and “mafia’s”) **financial products** to earn and earn

more money for the TOP 50 of Global Finance.

"Ite missa est".

Everything is said... except that our mission will be to **"control our currency"** by **"controlling these monsters of greed."**

On the other hand, as in a refugee camp, people are hungry and thirsty.

It is not inflation that hurts them the most but deflation.

Their net incomes are constantly declining and, without the ability to buy goods and services at a normal price, they are buying poor quality products made by slaves in Asia, Africa and elsewhere.

This system has a name: it's **IMPORTED DEFLATION.**

And the future of this system is known: it is the **WIDESPREAD MISERY.**

Inflation has soared since 2020
Simply because these slave imports are becoming increasingly difficult to organize
in a world that sustains and prepares wars.

In other words, this whole system of High Corruption is powered by the power this creation of the **COUNTERFEIT MONEY**, in a way totally "legalized" by our Corrupted Politician Leaders (United States, Europe, Japan and everywhere else).

We are immersed in this suicidal system for our Society as a little over 2,500 years ago.

- ✓ In other words, the markets for loans, loans and debt holdings have been increasingly captured by the Financial Sector, for greed...
- ✓ But the concentration in their hands does not "reassure" even the main players...
- ✓ On the contrary, WIDESPREAD MISTRUST has set in on all the markets of currencies, credits, loans and debt holdings...
- ✓ The emergence and development of the «derivatives market» are the concrete translation of this trend: the flows are increasingly in the very short term.
- ✓ Better yet, volumes in these markets describe the extent of this WIDESPREAD MISTRUST; they are simply STUNNED.
- ✓ They will be closely monitored in a future article.

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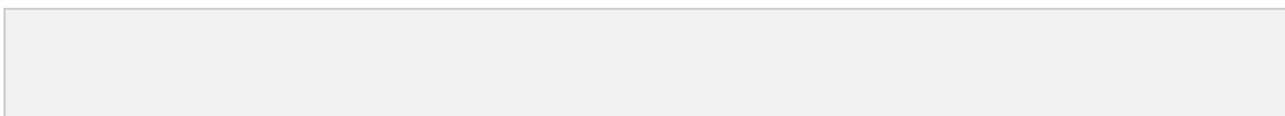
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