



GORDON T LONG
CO-FOUNDER MATASII.COM



Advanced Technical Analysis



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THE GREAT DEBT FOR EQUITY SWAP

- Debt equity swaps can dilute ownership

WHAT MOST DON'T GET ABOUT THIS MARKET!

Debt equity swaps can improve liquidity

Debt equity swaps can be used strategically

Debt equity swaps can be used to reduce debt levels



AGENDA

- **THE VOLUME -PRICE DIVERGENCE**
 - PRICE DISCOVERY & MISPRICING RISK
 - SHIFT TO ETF'S & OPTIONS BUYING & CONTROL
- **PARABOLIC PROFILES**
 - ROLE OF SHADOW BANKING (BUYING AND LENDING)
- **DISAPPEARING STOCK FLOAT**
 - STOCK FLOAT v POOL
- **PRIVATE EQUITY**
 - THE LARGEST SHADOW BANKS
- **CONCLUSION**
 - KEY MESSAGES
 - THE LIKELY PATH FORWARD



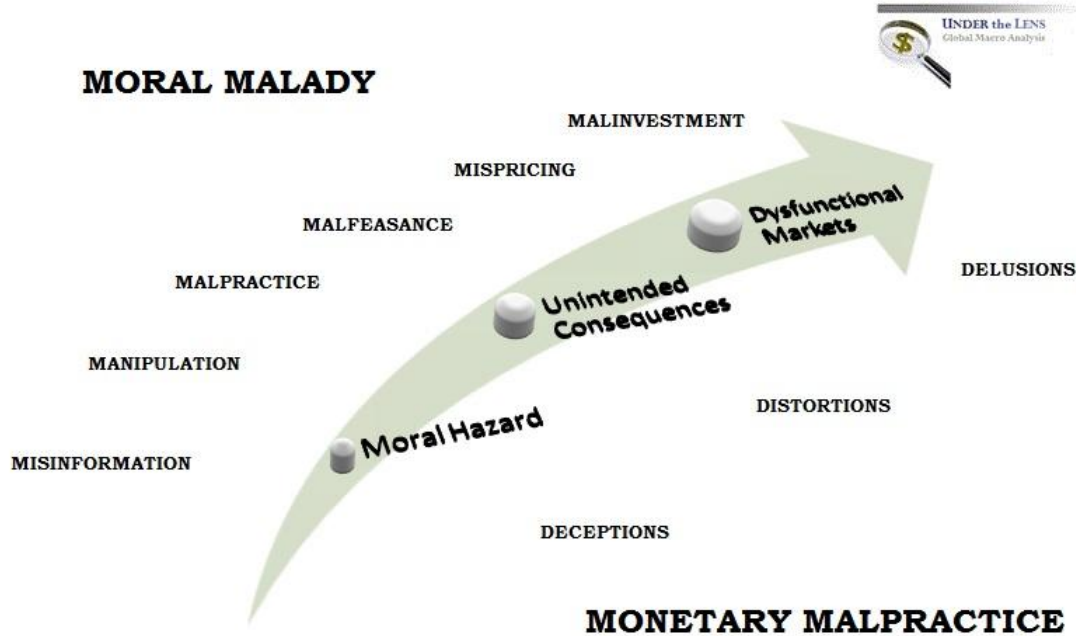
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MATASII MACRO MAPS

SHRINKING VOLUMES



SITUATIONAL STRATEGY

THE DEATH OF PAPER CLAIMS

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- I. Distorted Price Discovery Driven by Derivatives
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OPPORTUNITY: To Prey on the Illusion of Wealth

STRATEGY: Secured Real Collateral

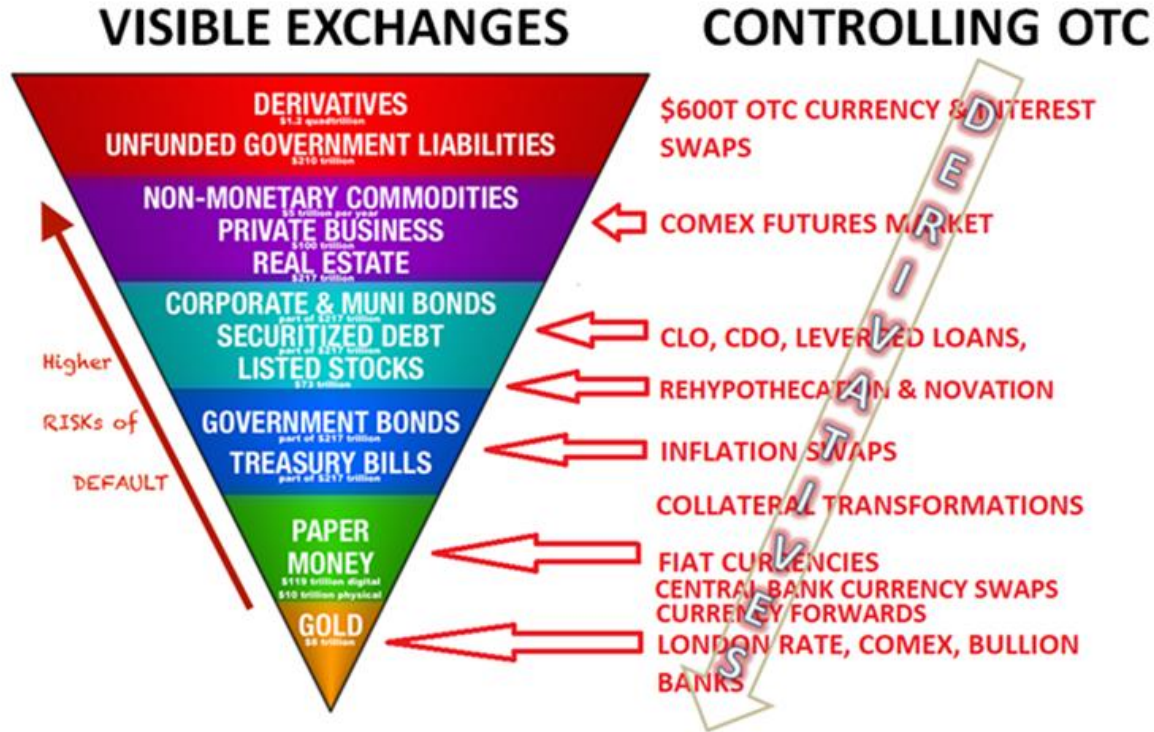
MATASII MACRO MAPS

SHRINKING VOLUMES



MATASII MACRO MAPS

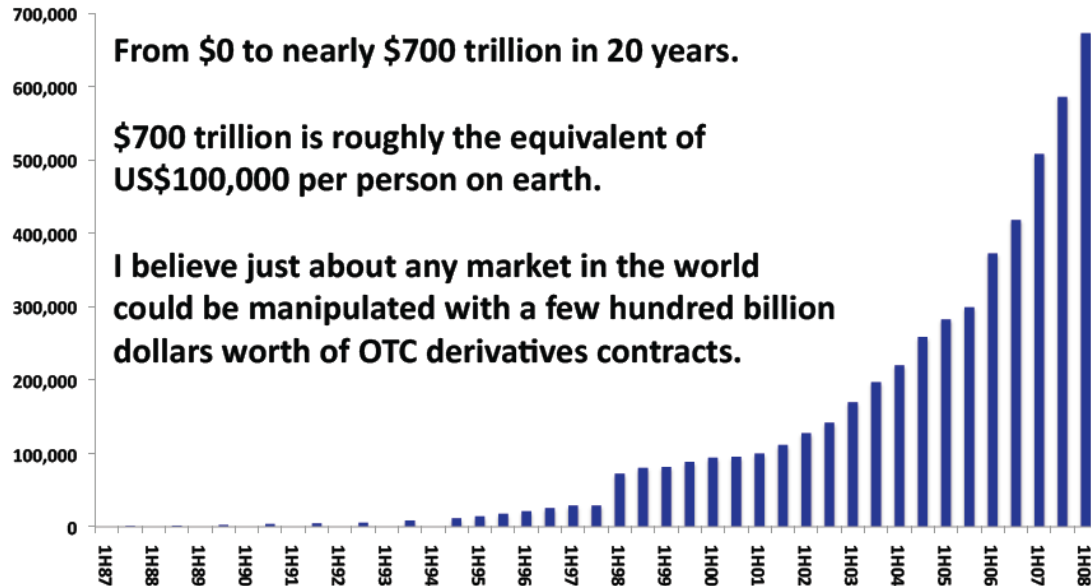
GLOBAL PRIVATE CREDIT INCREASINGLY & DOMINATED BY INVESTMENTS IN DERIVATIVE INSTRUMENTS



OTC DERIVATIVES – CURRENCY & INTEREST SWAPS

OTC Derivatives

Notional Amounts, US\$ billions, 1987 to 1H 2008



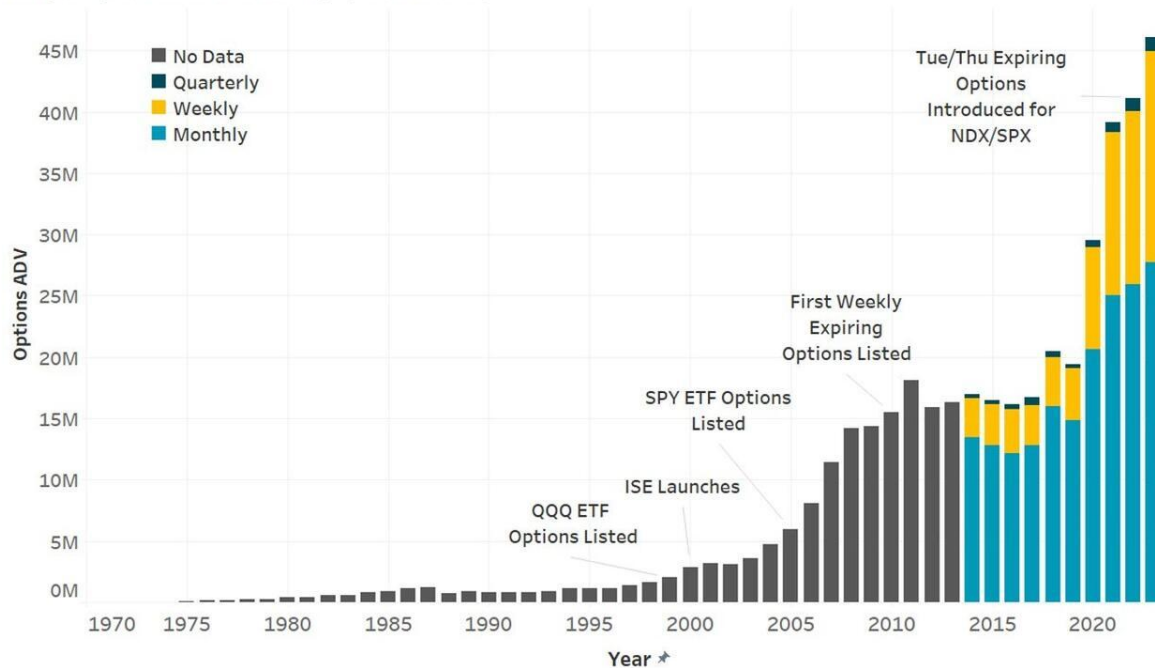
Source: ISDA up to 1H1998. BIS after 1H 1998

MATASII MACRO MAPS

OPTION COMPLEX GROWTH

Options ADV by Expiration Type

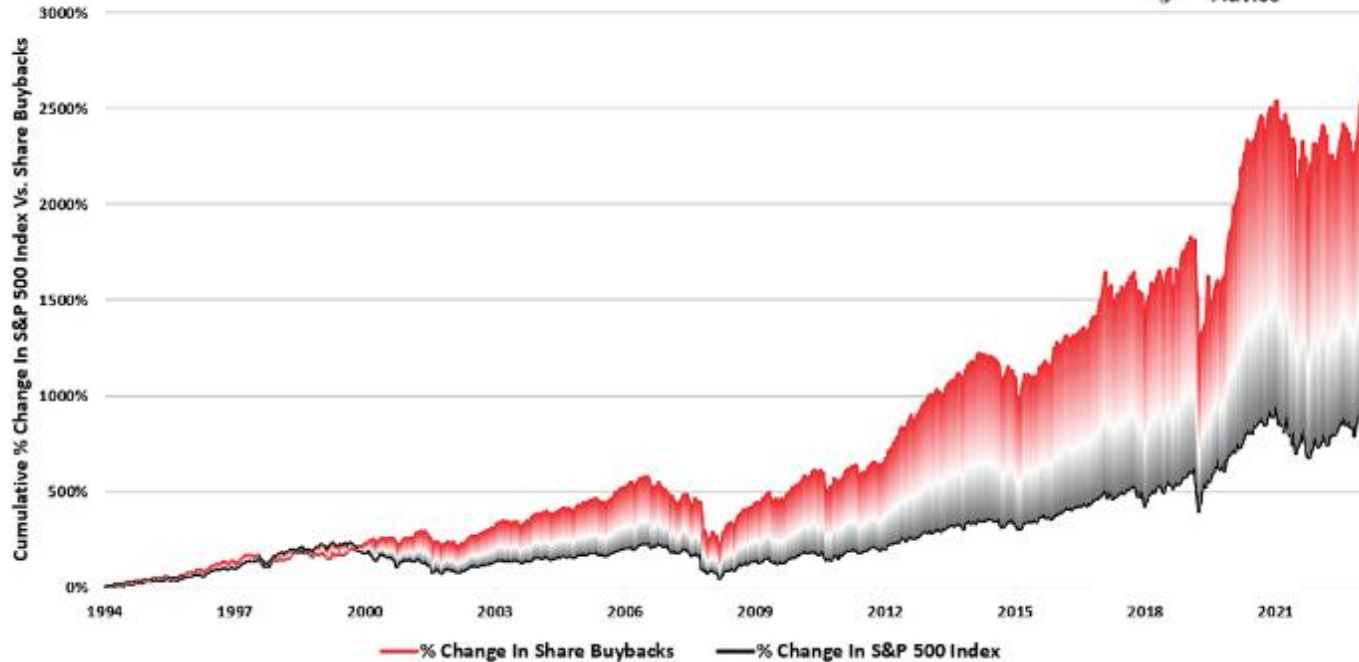
Average Daily Volumes since 1975. Monthly expiries include Leaps.



MATASII MACRO MAPS

The Great DEBT for EQUITY SWAP Era

Cumulative Change In Share Buybacks Vs S&P 500



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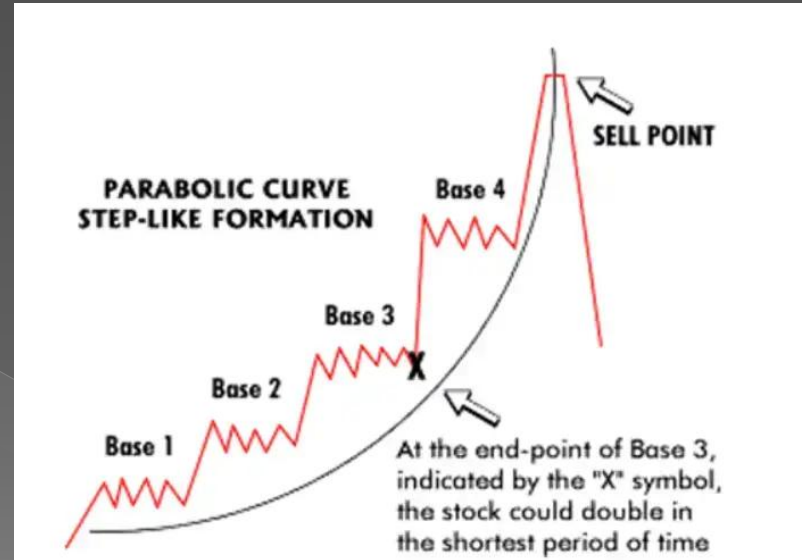
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- THE LARGEST SHADOW BANKS

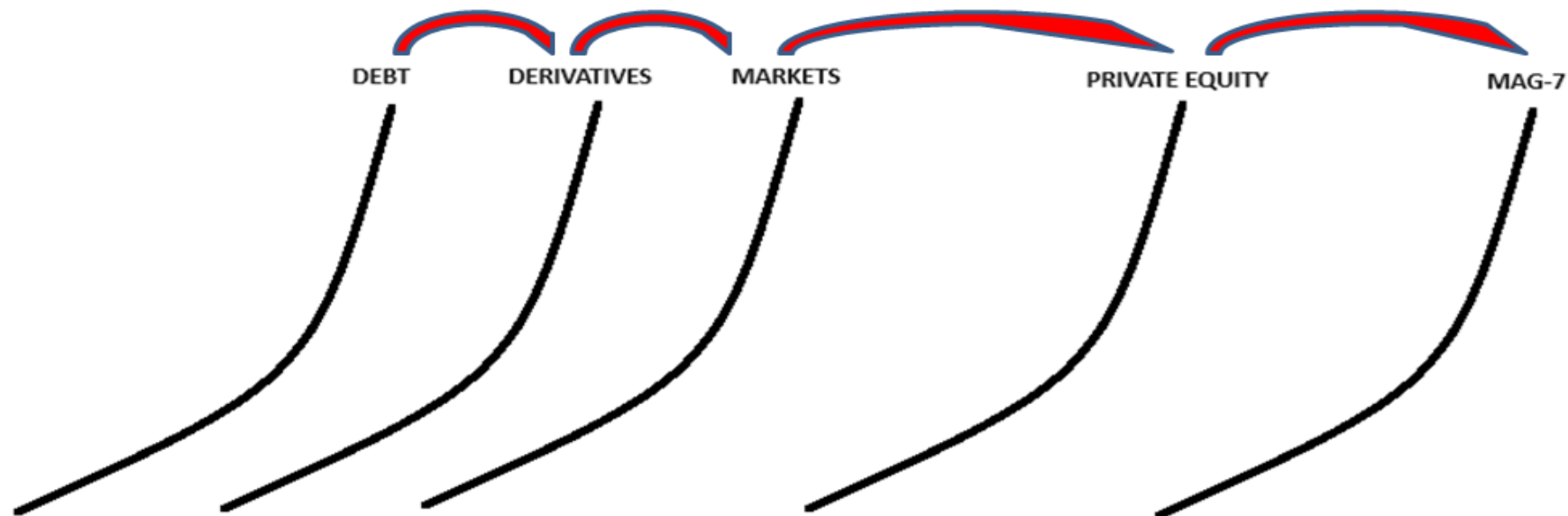
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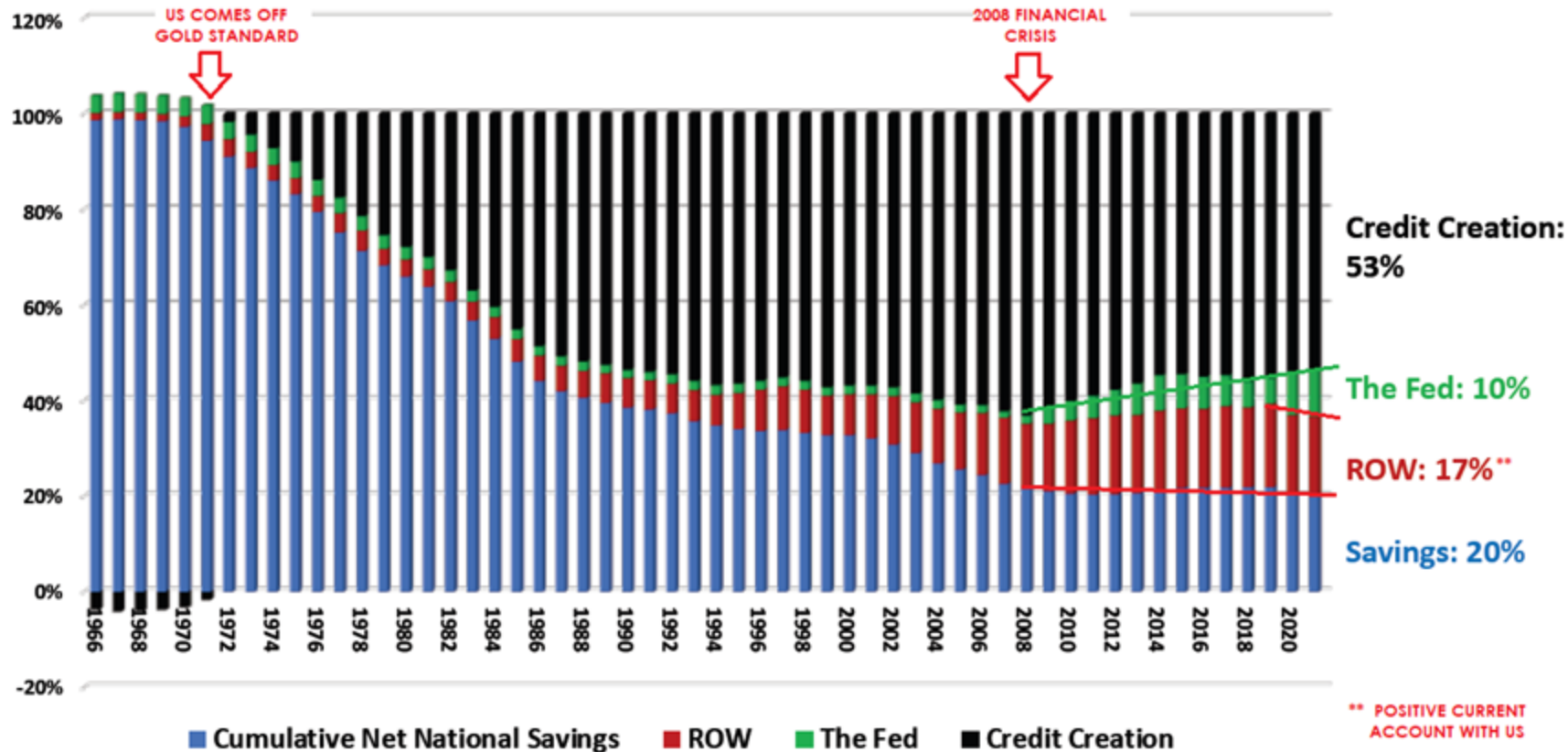
PARABOLIC PERFORMANCE PROFILES

PARABOLIC PERFORMANCE PROFILES



Where Does The Money Come From To Fund The Debt?

Source Of Funding, % Breakdown from 1966 to 2021



Source: The Fed's Financial Accounts Of The United States; and the Bureau Of Economic Analysis

GLOBAL GOVERNMENT GROWTH

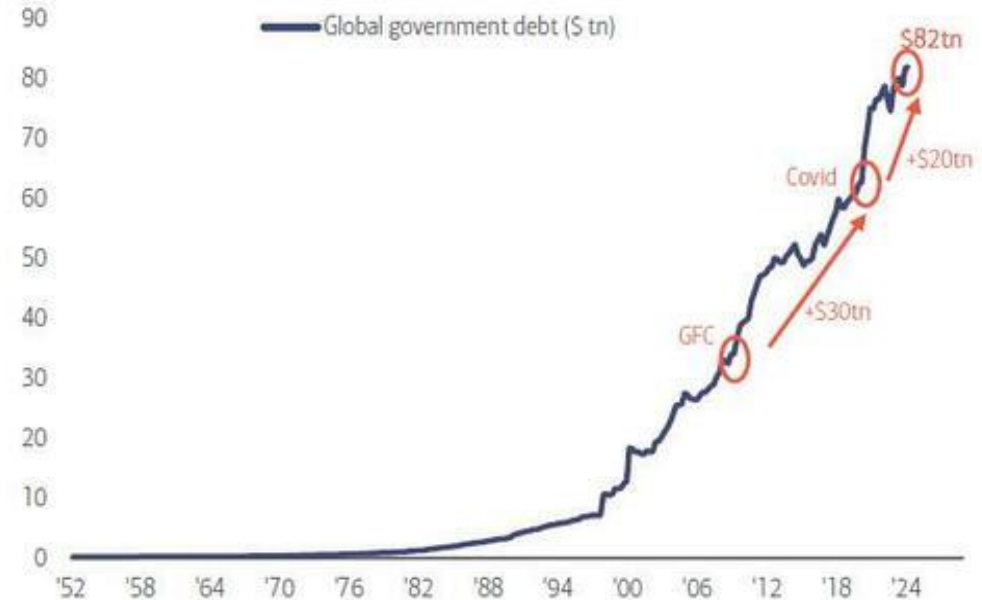
We HAD ~\$62T in government debt, on a global economy as measured by GDP in 2020, of ~\$84.96T debt

It will be \$82T in 2022 with an expected GDP of \$104T.

This is ~\$20T of new Debt to grow the Global economy by the same ~\$20T!

ARE WE GROWING DEBT OR GDP??
It makes you wonder whether we are growing the economy or just debt??

Government debt +\$20tn since COVID, +\$50tn since GFC Global government debt (\$tn)



Source: BofA Global Investment Strategy, Bloomberg, Haver, stolen from ZH



Historically Narrow Breadth – Magnificent Seven

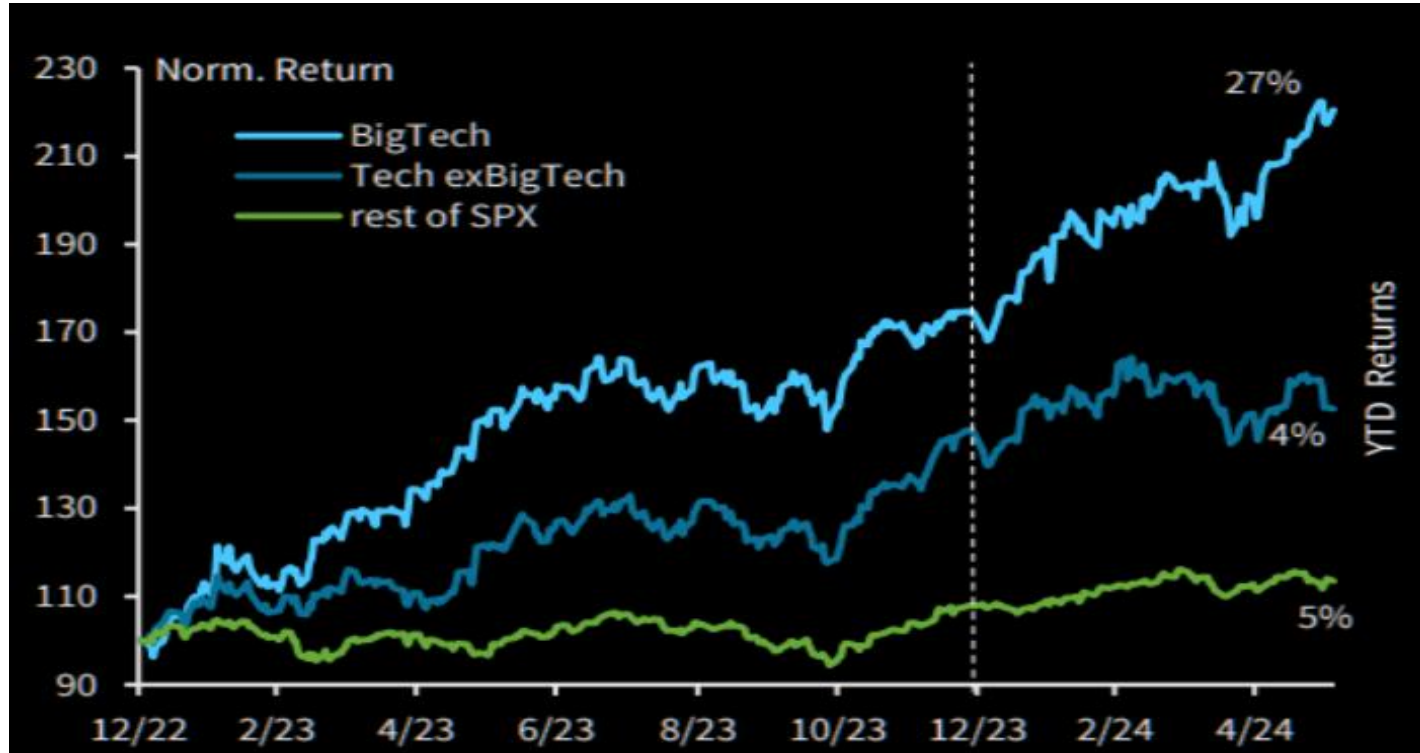
Top 50 vs Bottom 450



Past performance is no guarantee of future results. For illustrative purposes only.
Data source: Fidelity Management and Research Company

MATASII MACRO MAPS

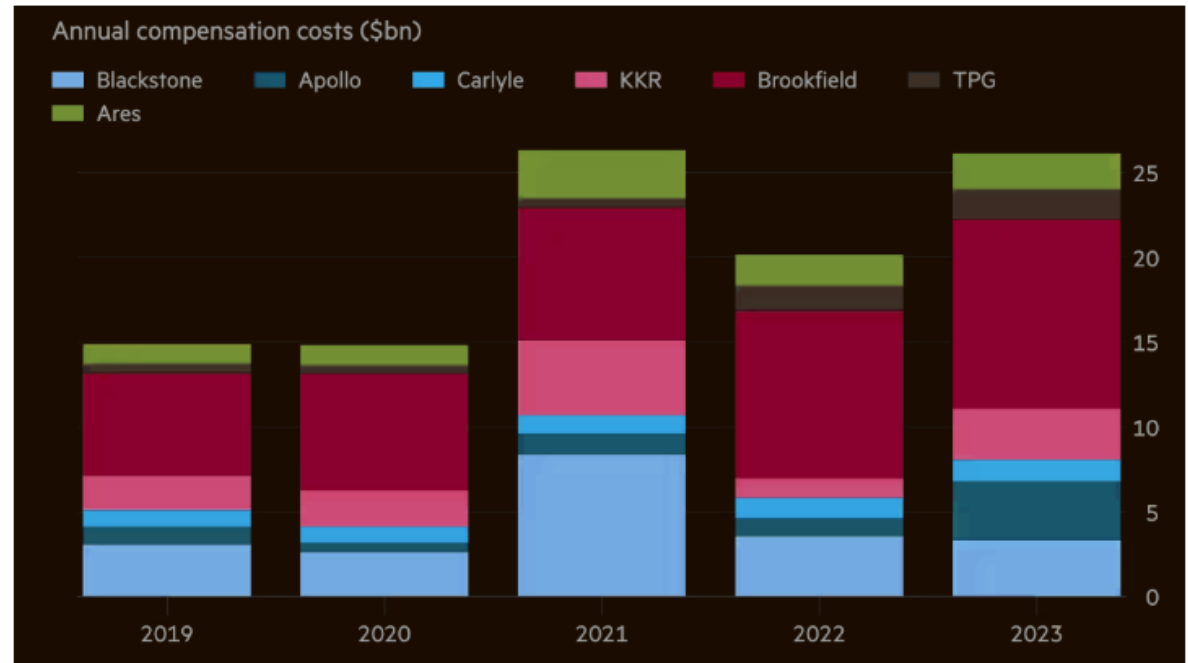
OPTION COMPLEX GROWTH



THE SIZE OF PRIVATE CREDIT

The labor and stock-based compensation costs of the largest listed North American private capital players, and they've totaled over \$100bn over the past five years.

Where are the customer yachts?

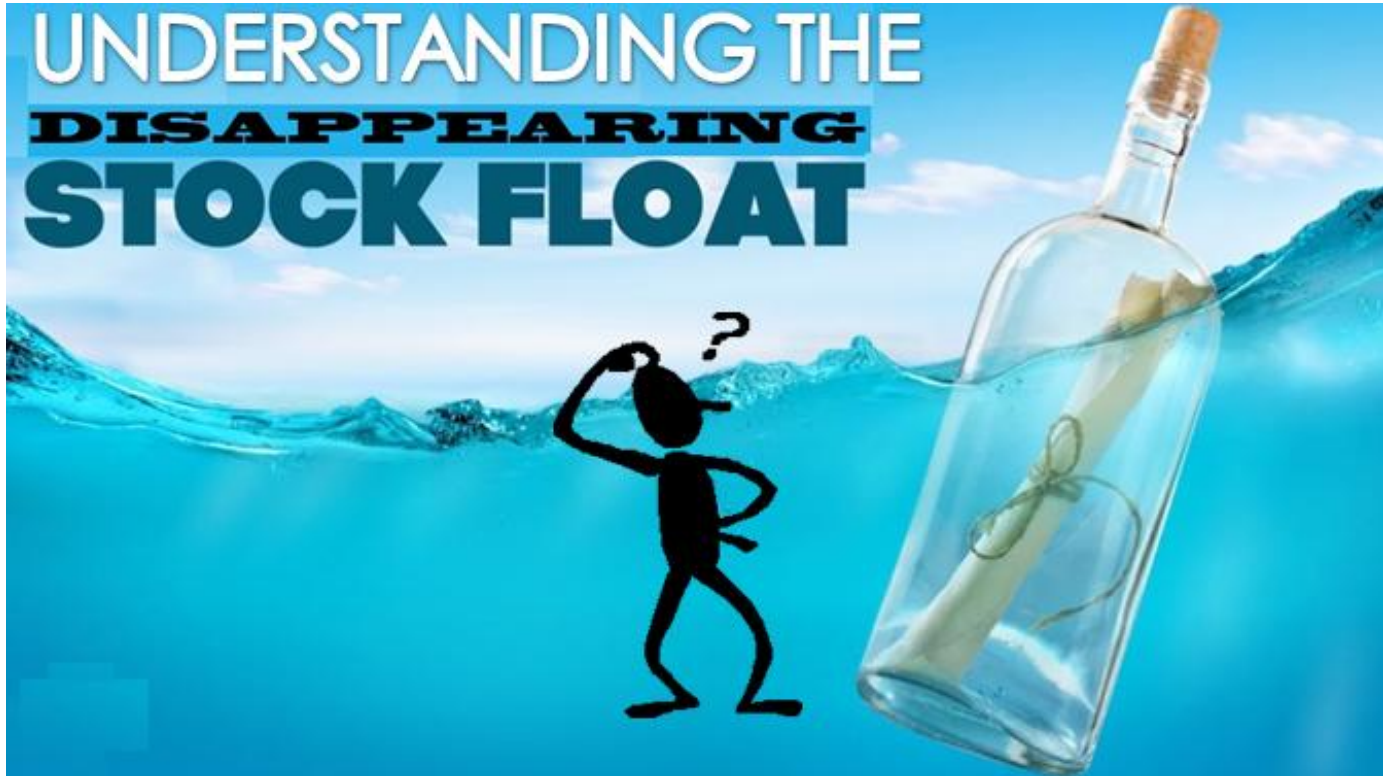


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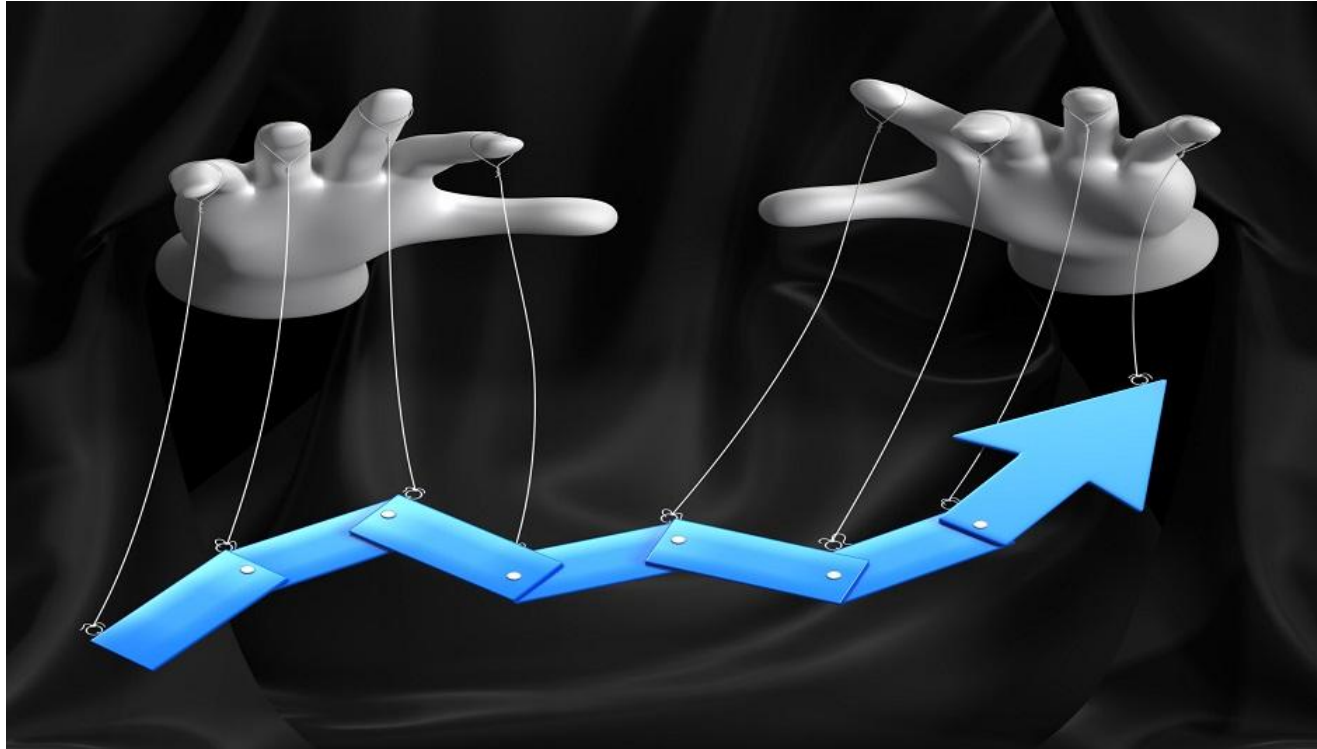


LONGWave – APRIL 2018 – THE DISAPPEARING FLOAT



MATASII MACRO MAPS

LONGWave – SEPTEMBER 2018 – THE DISAPPEARING EQUITY & FLOAT POOLS



April 11th, 2018

STOCK FLOAT

THE DISAPPEARING STOCK FLOAT

The **Float** is the number of shares actually available for trading.

Float is calculated by subtracting closely held shares -- owned by insiders, employees, the company's Employee **Stock** Ownership Plan or other major long-term shareholders -- from the total shares outstanding.

Can be difficult to determine – depends on definitions – available public information

April 11th, 2018

CHANGING THE RULES

The S&P 500's Dirty Little Secret
*How Quiet Changes in the Methodology
Are Fundamentally Transforming the Index*

*Three examples of how the S&P 500 Index
Methodology has been quietly, but
substantially, changed over the past
16 Years:*

- 2002: Removal of all Foreign Companies from the Index
- **2005: Float Adjusted Market Capitalization**
- 2014: Inclusion of Mortgage REITs

THE DISAPPEARING STOCK FLOAT



April 11th, 2018

CHANGING THE RULES

Since 2005, S&P 500 has been float weighted. That is it is a “Float Adjusted Market Capitalization”

When the individual market cap is calculated for a company part of the index, only the outstanding shares that can be freely traded without any restrictions are taken account.

Not all outstanding shares of a company are available for common investors to trade, for example shares held by individuals with access to insider information are under special regulation.

The float adjusted value of S&P 500 index in ~2016 was around one trillion dollars smaller the unadjusted total cap.

THE DISAPPEARING STOCK FLOAT

April 11th, 2018

THE DISAPPEARING STOCK FLOAT

CHANGING THE RULES

Shareholders concerned with control of a company generally include:

1. Officers and Directors and related individuals whose holdings are publicly disclosed
2. Private Equity, Venture Capital & Special Equity Firms
3. Shares held for control by another Publicly Traded Company
4. Strategic Partners
5. Holders of Restricted Shares
6. ESOPs
7. Employee and Family Trusts
8. Foundations associated with the Company
9. Holders of Unlisted Share Classes of Stock
10. Government Entities at all levels except Government Retirement/Pension Funds
11. Any individual person listed as a 5% or greater stakeholder in a company as reported in regulatory filings (a 5% threshold is used as detailed information on holders and their relationship to the company is generally not available).

April 11th, 2018

THE DISAPPEARING STOCK FLOAT

CHANGING THE RULES

The following holders' shares are generally considered part of float:

1. Depository Banks
2. Pension Funds
3. Mutual Funds & ETF providers
4. 401K Plans of the Company
5. Government Retirement/Pension funds
6. Investment Funds of Insurance Companies
7. Asset Managers and Investment Funds
8. Independent Foundations
9. Savings and Investment Plans

THE DISAPPEARING STOCK FLOAT

STOCK FLOAT

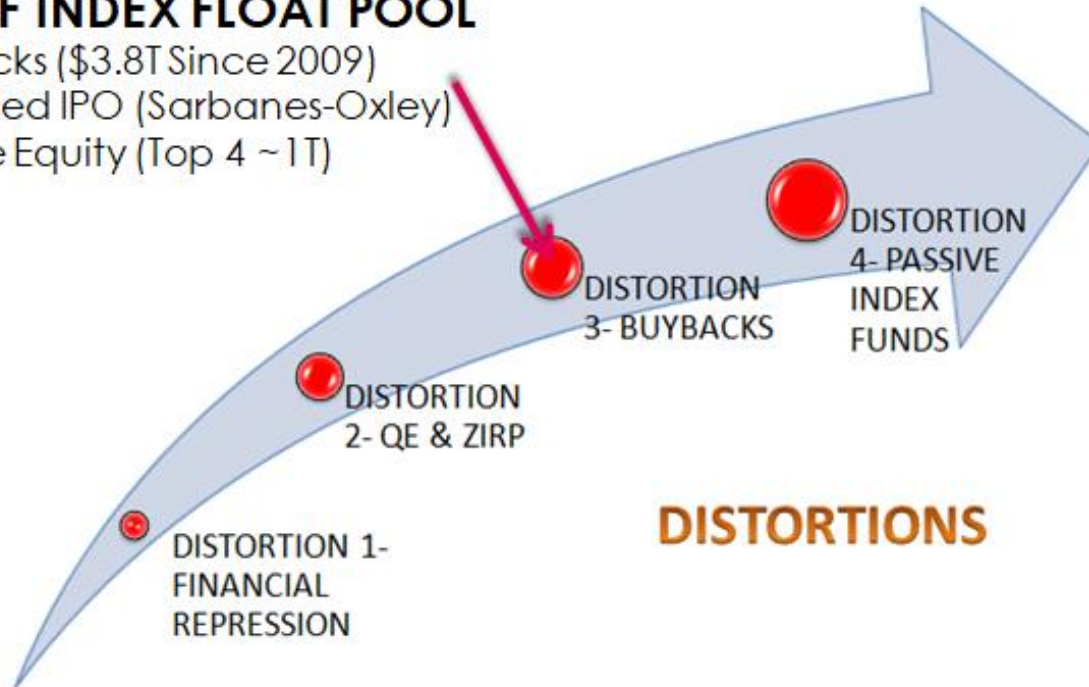
- When a firm reduces the number of shares available to trade, then so-called *float manipulation* occurs:
 1. The price of the stock is often driven up,
 2. Stock prices are raised significantly when there are differing opinions about the value of shares,
 3. When risk averse investors have differences of opinion and are short-sale constrained, reductions in the float freeze out pessimistic investors, pushing up prices,
 4. When the float is released, prices fall.

See Harvard Business School Paper – May 2005 – “Float Manipulation & Stock Prices”

THE INDEX FLOAT POOL

SIZE OF INDEX FLOAT POOL

- Buybacks (\$3.8T Since 2009)
- Reduced IPO (Sarbanes-Oxley)
- Private Equity (Top 4 ~ 1T)



DISTORTIONS

MATASII MACRO MAPS

KICKING-THE-CAN-DOWN-THE-ROAD: THE LIQUIDITY



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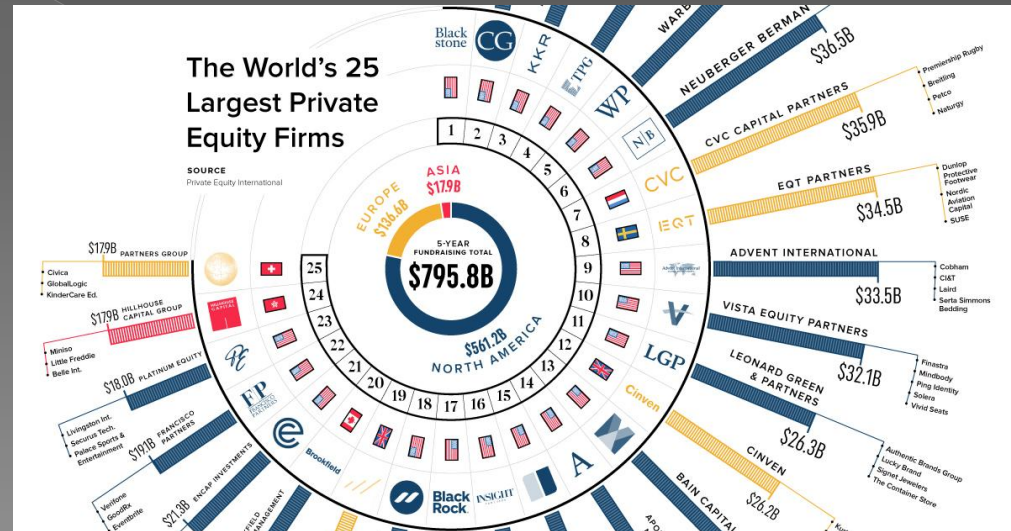
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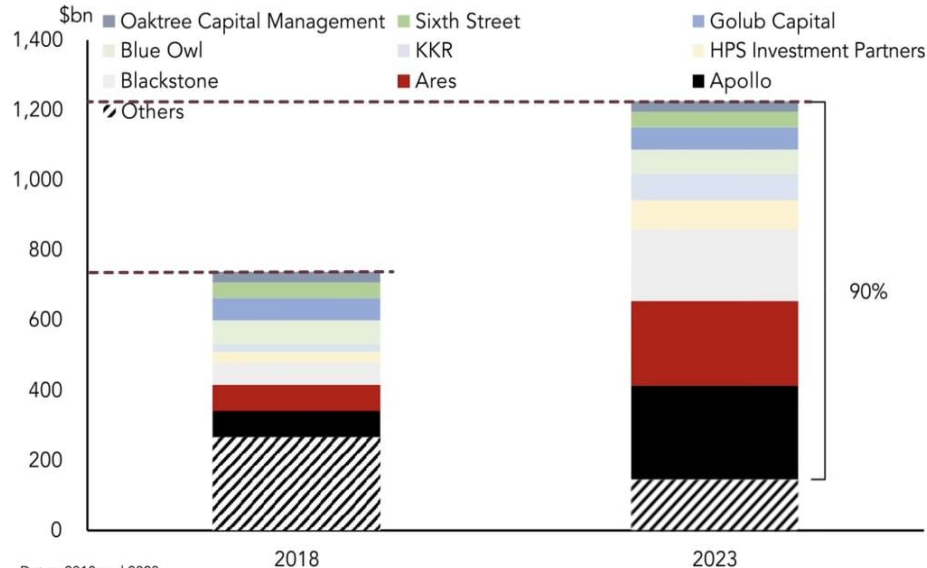


THE SIZE OF PRIVATE CREDIT

Share of Firms in Private Credit



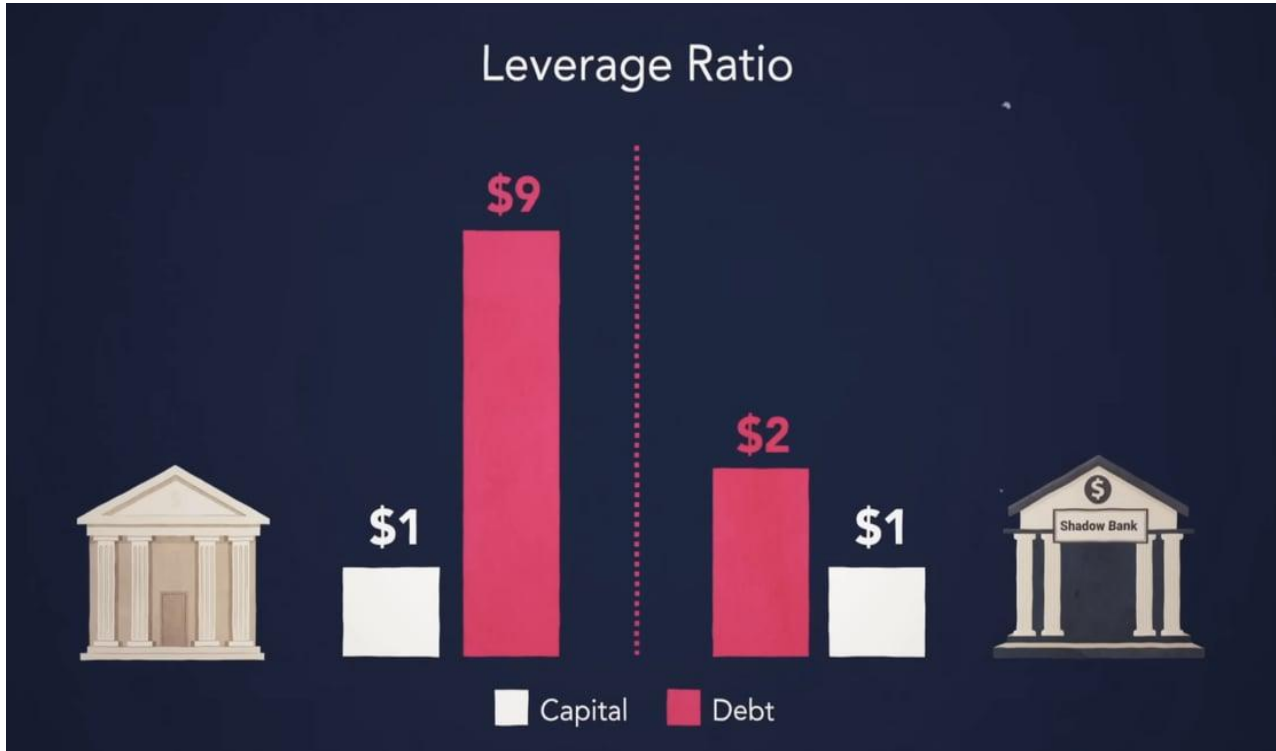
Private Credit Assets Under Management by Investment Firm



Dates: 2018 and 2023.
Source: The Wall Street Journal, Game of Trades.

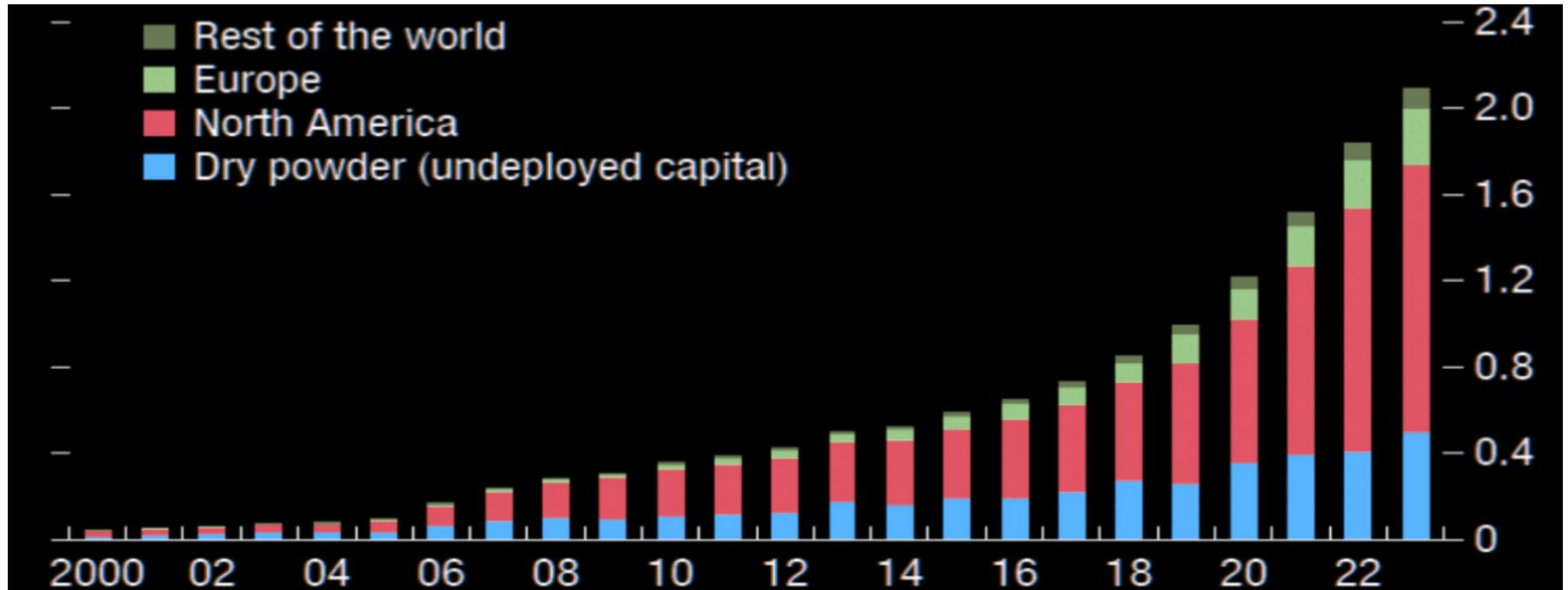
MATASII MACRO MAPS

THE SIZE OF PRIVATE CREDIT



MATASII MACRO MAPS

THE SIZE OF PRIVATE CREDIT

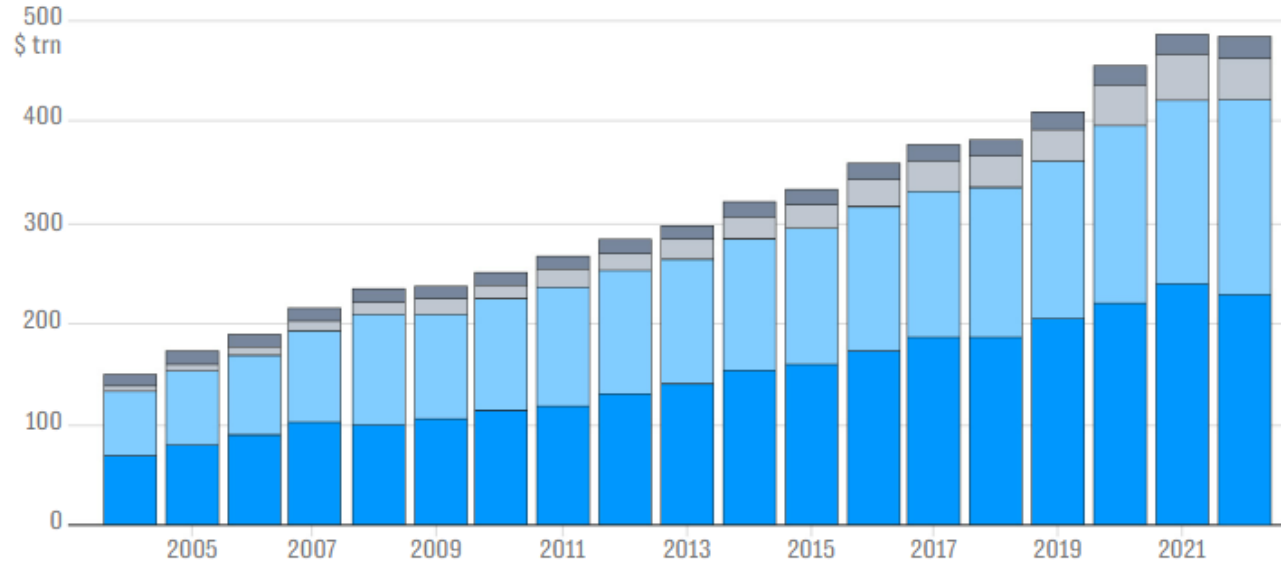


THE SIZE OF PRIVATE CREDIT

Shadow banks bigger than traditional lenders

Total global financial assets

Shadow banks Banks Central banks Public financial institutions



FSB

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WHAT MOST DON'T GET ABOUT THIS MARKET!

Debt equity swaps can improve liquidity

Debt equity swaps can be used strategically

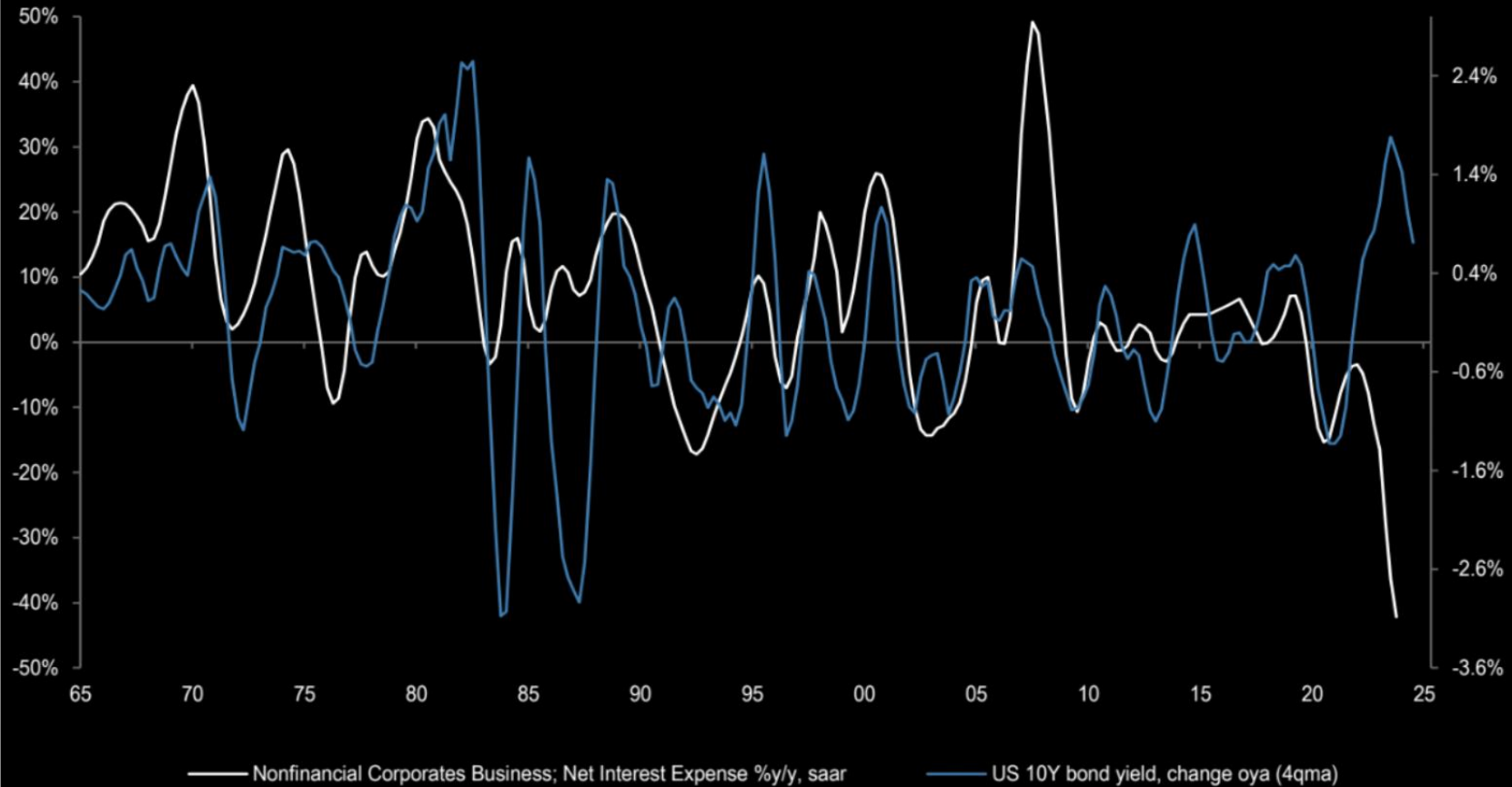
Debt equity swaps can be used to reduce debt levels

1 2 3 4 5

INTRODUCTION
DEBT-EQUITY SWAPS

A diagram illustrating the market for debt-equity swaps. It features a central orange semi-circle labeled "INTRODUCTION DEBT-EQUITY SWAPS" with five numbered points (1-5) around it. Point 1: "Debt equity swaps can be used to reduce debt levels". Point 2: "Debt equity swaps can improve liquidity". Point 3: "Debt equity swaps can dilute ownership". Point 4: "Debt equity swaps can be used strategically". Point 5: "Debt equity swaps can be used to reduce debt levels". A small photo of a man in a suit is in the bottom right corner.

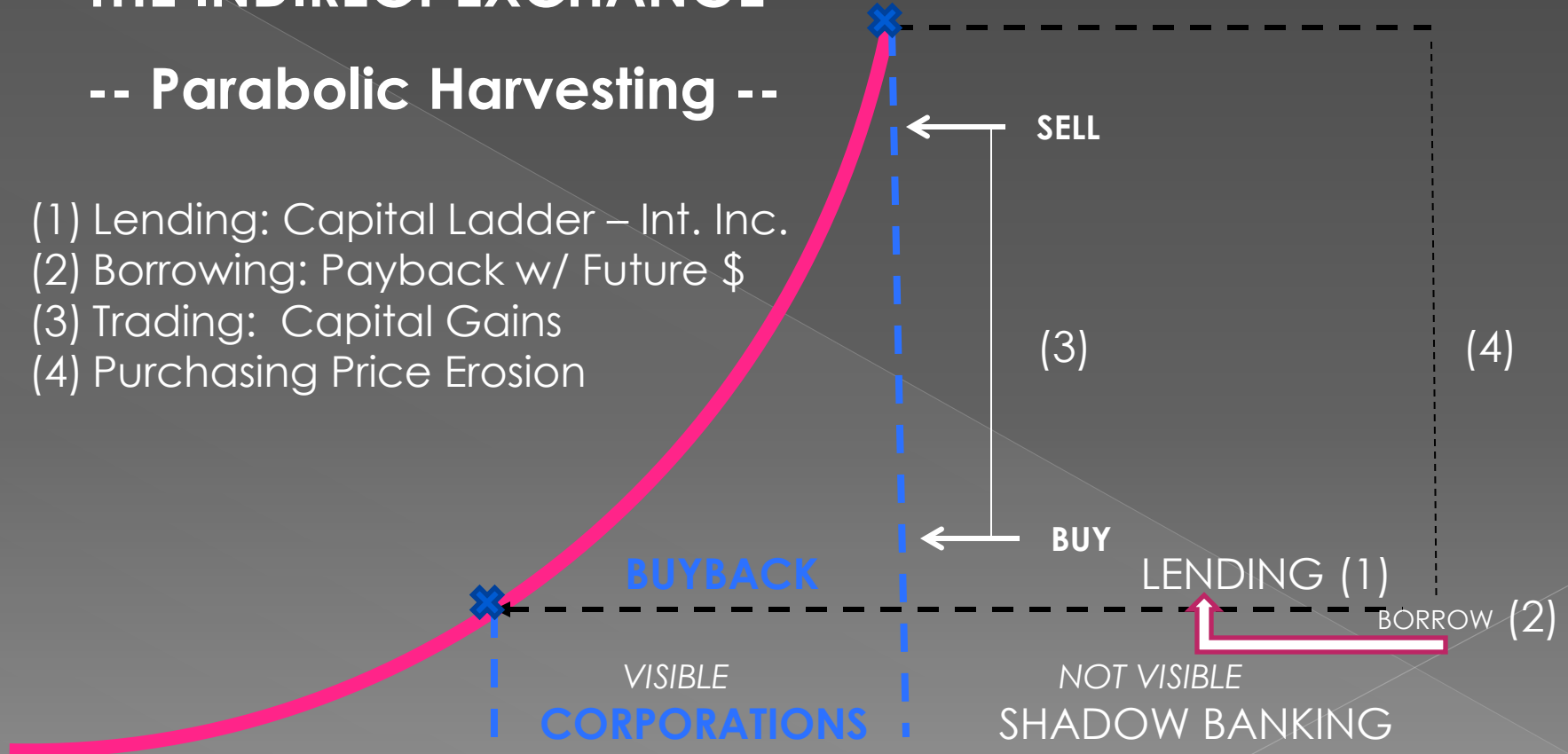
Nonfinancial corporates business: Net Interest Expense versus US 10Y bond yield



THE INDIRECT EXCHANGE


-- Parabolic Harvesting --

- (1) Lending: Capital Ladder – Int. Inc.
- (2) Borrowing: Payback w/ Future \$
- (3) Trading: Capital Gains
- (4) Purchasing Price Erosion



SITUATIONAL STRATEGY

THE DEATH OF PAPER CLAIMS

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OPPORTUNITY: To Prey on the Illusion of Wealth

STRATEGY: Secured Real Collateral

KEY MESSAGES

1. Current Path is Unsustainable and will end with a Crisis.
 - Growth is Debt based in Paper Claims on Real Wealth.
 - Wealth however is Real, Unencumbered, Titled Collateral.
2. Debt will increasingly be harder to get because of Collateral Shortage.
 - Issue of Rehypothecation, Collateral Transformations and Encumbered Collateral
3. The Crisis Will Occur When Debt Growth No Longer Produces Growth.
 - Globally it has already eroded to \$1 Debt for a \$1 of Growth.
 - In the US it Takes as much as \$2.50 of New Debt to produce the \$1 of Growth.
 - In the US it Takes as much as \$1.50 of Deficit Growth to produce the \$1 of Growth.
 - Velocity of Money must be sustainably larger than Money Supply or GDP shrinks.
4. **The Crisis Will Be the Implosion of the Derivative Security Complex.**
 - **An Unprecedented “Super Cycle” degree Collapse**
 - **Collateral Underpins All Derivatives**
 - **Collateral Will Be Swept Up On A Vast Scale.**
5. **The “Great Reset”**
 - **The Government Will Begin the Usage of Contingent Liability Guarantees.**
 - **The “Great Taking” – A Collateral Confiscation Scheme will be Executed.**
 - **“Security Entitlement” & the “Protected Class”**
 - **“Dematerialization”, “Secured Class” and “Safe Harbor “ Global Provisions**

ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ...

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!



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FEEDBACK THAT WILL IMPROVE OUR
RESEARCH ANALYSIS



WORLD CLASS MINDS FOLLOW THIS
CHANNEL & WE VALUE HEARING
FROM YOU!

IT IS THE ONLY PAYMENT WE ACCEPT
FOR POSTING THIS FREE YOUTUBE
CONTENT