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What Is Next After the Second Largest Bank Failure in US History?

News:

Silicon Valley Bank collapsed last week and Moody's Investors Service downgraded the credit rating of Signature Bank sparking fears of a major financial crash. CNN now reports, "Moody's puts 6 US banks on watch for potential downgrade."

Comment:

The interest-based economies have brought the world to financial disaster once again, with persistent inflation, a collapsing dollar bond market, and now the biggest US bank failure since the 2008 financial crisis. Six other banks are under threat from: "extremely volatile funding conditions for some US banks exposed to the risk of uninsured deposit outflows" according to Moody's. Credit Suisse Bank has advised that it is suffering "material weaknesses" after media speculation that it could collapse. Credit Suisse lost $7.8 billion last year and its shares are falling in value.

Biden has stepped in to guarantee that depositors of money in Silicon Valley Bank will be protected, but if the contagion spreads, as it did in 2008, the capitalist system will be at the brink of collapse. After the 2008 crisis, the US Federal Reserve responded by launching 'Quantitative Easing' and buying trillions of dollars of government bonds. Silicon Valley Bank also invested heavily in these bonds taking advantage of the so-called cheap money. Eventually inflation made everyone poorer and the Federal Reserve started raising interest rates aggressively to try to control inflation, but inflation has been slow to decline and the Fed has gotten into a never-ending rut of interest rate rises causing dollar bonds to lose their value. Then, suddenly, investors lost confidence in Silicon Valley Bank, its stock value dropped by $160 billion in 24 hours and people rushed to take their non-existent money out of the bank causing the second largest bank failure in US history.

Now the Federal Reserve is trapped between continuing to raise interest rates to slow down inflation or reverse its policy to counter the risk of more banking collapses! The Federal Reserve caused inflation with Quantitative Easing, then it sought to reverse the effects of that by raising interest rates with the likely effect of unemployment and economic recession, and now the banks are at risk and everyone wonders what magic trick the Federal Reserve will do next.

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