



THE

STAMPEDE

Understanding and Surviving Bank Runs



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The Sword of Damocles: The Threat of Bank Runs

In ancient times, there was a courtier named Damocles who served under Dionysius, a powerful king of Syracuse.

Damocles envied the king's wealth and power, believing that Dionysius led a life of ultimate luxury and pleasure. One day, Dionysius offered Damocles the chance to experience his life.

Overjoyed, Damocles accepted, and he was treated to a grand feast where he was surrounded by opulence and adoration.

However, Dionysius had arranged for a sword to be hung directly above Damocles' head, held up by a single horsehair. This was to symbolize the constant danger and uncertainty that came with power.

Damocles, once envious of the king's life, was now consumed by fear. He could not enjoy the feast or the luxuries, for the sword could fall at any moment. This ancient tale is the origin of the phrase "the sword of Damocles," representing a looming threat that can strike at any time.

Now, let's consider the banking system, specifically the Silicon Valley Bank in 2023, and how it relates to this old tale.

Banks operate on a system of trust. When you deposit your money in a bank, you trust that the bank will safeguard it and return it to you upon request. However, banks don't just hold on to your money.

They use it to provide loans to other customers, thereby making a profit from the interest charged. As you know from the previous chapter, this is called *fractional reserve banking*.

The problem arises when too many people want to withdraw their money at the same time, a phenomenon known as a bank run. If a bank cannot meet these demands, it can lead to bankruptcy, causing a ripple effect throughout the economy.

This is the sword of Damocles hanging over every bank's head—the constant threat of a bank run.



In 2023, the Silicon Valley Bank faced this very threat. Rumors started circulating on social media about the bank's financial stability, causing panic among its customers.

According to Fortune, large depositors, like billionaire Peter Thiel, advised their startups to pull their cash from the bank. That made the downward spiral even worse.

Other depositors rushed to withdraw their money, fearing they would lose everything if the bank collapsed.

This is the essence of a bank run - it's driven by a lack of confidence, and once it starts, it's hard to stop. The bank's reserves were quickly depleted, and it struggled to meet the demand.

The Sword of Damocles fell on the Silicon Valley Bank, just as it threatened to in the Tale of Damocles.

The bank run was a stark reminder of the fragility of trust and the precariousness of the banking system. It showed how quickly a bank's fortunes can change when the balance of trust is tipped.

The story of the Silicon Valley Bank is a sobering one. It serves as a warning of the inherent risks in our financial system and the constant threat that looms over it. Just as Damocles couldn't enjoy his feast with the sword hanging above him, banks operate under the constant threat of a bank run.

Footnote:

3. <https://edition.cnn.com/2023/03/14/tech/viral-bank-run/index.html>

4. <https://fortune.com/2023/03/11/silicon-valley-bank-run-42-billion-attempted-withdrawals-in-one-day/>



The Echoes of History: Lessons from Past Bank Runs

Bank runs are a common phenomenon in the financial world, and they follow certain patterns.

Let's delve into the specific patterns that were observed in each of these bank runs:

1. Northern Rock (2007): The British bank Northern Rock experienced the first bank run in the UK in over 150 years. The pattern here was that the bank's risky business model and heavy reliance on the international capital markets led to a crisis of confidence among depositors. When liquidity dried up during the global financial crisis, customers rushed to withdraw their deposits, fearing the bank's insolvency.

2. Washington Mutual (2008): The largest bank failure in U.S. history, Washington Mutual's downfall was precipitated by a 10-day bank run. The pattern observed here was the bank's exposure to risky subprime mortgages and a deteriorating financial condition. As news of these issues became public, panic set in among customers, leading to a rapid withdrawal of deposits.

3. Wachovia (2008): Wachovia experienced a bank run that was stemmed only by its acquisition by Wells Fargo. The pattern in this case began with the bank's acquisition of Golden West Financial, which had a significant portfolio of risky adjustable-rate mortgages.

4. Bank of East Asia (2008): This Hong Kong-based bank was hit by a bank run fueled by false rumors about its financial health. The pattern here was the role of misinformation in triggering a bank run. Despite the bank's solid financial condition, the spread of false rumors led to panic among customers, resulting in a bank run.

5. Silicon Valley Bank (2023): This recent bank run was unique due to the role of social media in spreading panic among depositors. The pattern here was the amplification of panic through social media. As rumors and fears about the bank's financial health spread rapidly online, a modern bank run was triggered, demonstrating the power of social media to accelerate financial crises.

In each of these cases, **a crisis of confidence among depositors, often fueled by the bank's exposure to risky assets**, a deteriorating financial condition, or the spread of misinformation, led to a bank run.

These patterns repeat consistently across history, and they are not accidental.

Bank runs, while resulting in large losses for most people involved, can make a few players extraordinarily rich.

Therefore, the question of who profits from it may lead to understanding who caused it.

And all this brings us to the current year, when a very interesting pattern happened across hundreds of banks, resulting in some of the largest bank runs since 2008.

But to understand who will profit from this, first we need to dwell on a relatively obscure (but crucial) subject: CBDCs.



Sailing the Stormy Seas of Modern Financial System

The Fog of the Future: The Uncertain Outlook for Investors

The future of small investors is shrouded in a fog of uncertainty. The financial landscape is shifting, and the outlook is anything but clear. Let's delve into the reasons why.

- **The US Budget Dilemma:** The US is grappling with a budget crisis that could lead to the country's demise. The national debt is skyrocketing, and the government's spending habits are unsustainable. What does this mean for small investors? Uncertainty and risk.
- **The Real Estate Crash:** The commercial real estate market is melting down. Offices and commercial centers are sitting empty due to the rise of remote work. This is causing a plunge in the stocks of regional banks with leveraged portfolios of commercial real estate loans and investments. As a result, almost half of all office buildings in America are sitting vacant. What happens when these loans can't be paid back?
- **Bankruptcy Risk:** A staggering 722 US banks are facing the risk of bankruptcy. These banks have unrealized losses that could lead to devastating financial fallout. This could trigger a series of collapses that could reduce hundreds of banks to dust.

So, what does this mean for small investors?

- **Increased Risk:** The risks associated with investing are increasing. The stability of the financial institutions where you keep your money is in question.
- **Potential Losses:** If banks go bankrupt, the money you've invested could be lost.
- **Uncertain Future:** The future of the financial landscape is uncertain. This makes it difficult to make informed investment decisions.

Empower Your Portfolio!
Learn More Today!

The Last Stand: Protecting Your Financial Freedom in the Age of CBDCs and Big Banks

Here are some ways to protect yourself against the enormous potential drawbacks that may result from CBDCs implementation:

1. **Diversify Your Asset Portfolio:** Don't put all your eggs in one basket. Consider investing in alternative assets such as precious metals, or tangible assets like art or real estate. These can provide a secure and private alternative to CBDCs.
2. **Educate Yourself:** Stay informed about the developments and potential impacts of CBDCs. Understand how they may affect your financial privacy, security, and freedom. Knowledge is power, and in this case, it can be a protective shield.
3. **Protect Your Digital Security:** Ensure that your digital devices and accounts are secure. Use strong passwords, two-factor authentication, and other security measures. This can help protect your financial assets from potential threats associated with CBDCs.
4. **Use Cash or Non-Digital Payment Methods:** Where possible, use cash or non-digital payment methods to make transactions. These methods can be more private and secure than digital payments.

5. Prepare for Emergencies: In case of emergencies or crisis situations, have alternative stores of value such as physical cash, precious metals, or other assets. These can be used in case access to funds or goods is restricted.

6. Seek Professional Advice: Call American Alternative Assets to discuss options to secure your financial future.

By taking these steps, you can potentially protect yourself from the negative consequences of CBDCs and maintain your financial privacy, security, and freedom. Remember, the goal is not to fear the change but to adapt and protect your interests.

**Maximize Your Returns with
American Alternative Assets!**



THANK YOU

Want to discuss this report further? Please reach out to us at info@americanalternativeassets.com or 888-503-1553

