



## Happy New year's eve at Rosina's Bar

Rosina is the owner of a bar, one of those where you drink strong.

Realizing that almost all of his customers are unemployed and therefore have to reduce consumption and attendance, she devises a brilliant marketing plan, allowing them to drink immediately and pay later. He then marks the drinks on a book that becomes the book of credits (that is, the debts of the customers).

The formula "drink now, pay later" is a huge success: the rumour spreads, business increases and Rosina's bar becomes the most important in the city.

She occasionally raises the prices of drinks and of course no one protests, since nobody pays: it's a virtual rise. Thus the volume of sales increases again.

The bank of Rosina, reassured by the turnover, increases its trust. Ultimately, risk managers say, the credit is guaranteed by all the credits that the bar has towards customers: collateral as collateral.

Meanwhile, the "Bank's Investment & Alchemy Office" has a brilliant idea. They take the credits from Rosina's bar and use them as collateral to issue a brand new bond and place it on international markets: "Bond Hangover".

The bonds immediately get a rating of AA + like that of the bank that issues them, and investors do not notice that the securities are in fact guaranteed by the debts of unemployed drunkards. So, since they make it well, everyone buys them.

Consequently the price goes up, so the managers of the Pension Funds also come to buy, attracted by the irresistible combination of a bond with a high rating, which makes so much and whose price always rises. And the wallets, around the world, are filled with Bond Hangover.

But one day, a new director arrives at the bank of Rosina who, given that there is a lot of crisis around, not to risk it reduces her trust and asks her to return for the part in excess to the new limit.

At this point, Rosina begins to ask customers to pay their debts to find the money. Which is obviously impossible because they are unemployed people who have also drunk all their savings.

Rosina is therefore unable to repay her credit and the bank cuts her funds.

The bar fails and all the employees are on the street.

The price of Bond Hangover falls by 90%.

The bank that issued them goes into liquidity crisis and immediately freezes the business: no more loans to companies. Local economic activity is paralyzed.

Meanwhile, Rosina's suppliers, who by virtue of her success, had provided her with alcohol with great payment delays, now find themselves full of bad debts since she can no longer pay.

Unfortunately they had also invested in Bond Hangover, on which they now lose 90%.

The beer supplier starts firing first and then fails.



The wine supplier is instead acquired by a competing company that immediately closes the local plant, sends the employees home and relocates 6,000 kilometres away.

Fortunately, the bank is instead saved by a mega government loan without guarantees and at zero interest.

To find the necessary funds, the government simply taxed all those who had never been to Rosina's bar because they abstained or were too busy working.

Well, now you can enjoy applying the dynamic of Bond Hangover to the news of these days, just to make it clear who is drunk and who is sober.

Happy New Year!!

**PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR QUERIES.**

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