

Lynch branch manager in Europe reports that the institution's current biggest earner is margin loans to offshore customers, including a high proportion of drug dealers. It appears that Merrill's salesmen discovered that high-rollers in the drug business preferred ultra-high-margin, speculative accounts, buying securities for as little as 10% down. Merrill Lynch takes an interest spread of several points on such margin loans, making this business its most profitable line.

Collapse of stock market boom?

One of the prime attractions of the London Eurobond market which Michael Von Clemm and Yassukovich have created has been the fact that it deals in "bearer bonds," meaning unregistered securities. This is important for anyone in the "underground economy," as there is no transaction record. Crédit Suisse, Merrill Lynch and other large international houses with access to Swiss banking secrecy, have made a killing in this market in recent years. Now, under the deregulated City of London, these same actors will set the rules for the "self-policing" regulation of the City of London after Big Bang. In a scenario a little like placing the fox to guard the henhouse, the London Stock Exchange in September agreed to merge with the Eurobond regulatory agency, the International Securities Regulatory Organization. Under the terms of the merger, the new "regulatory" body, to be known simply as the Stock Exchange, will be controlled 50% by the Merrill Lynch, Crédit Suisse Eurobond houses. This means that the body which decides penalties for a firm dealing in illegal trading practices will be made up of those firms which have become notorious in recent years with the very abuses themselves.

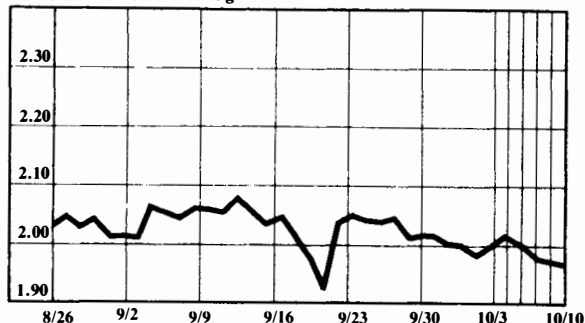
Whether Oct. 27 is an immediate trigger for a global Black Friday, it opens the way for the bankrupt financial houses to expand their cannibalism of the world's real assets massively. With an estimated \$2.2 trillion of publicly traded stock shares held outside the United States, London is a prize target for the international giants like Merrill Lynch. The U.S. firms such as Merrill Lynch, Salomon Brothers, and Chase have already sunk a reported \$4.5 to \$6 billion into merger acquisitions and office and computer facilities in London in advance of Big Bang.

The risk of triggering a global crash from this Big Bang process is enormous, by all estimates. Even *Business Week International* last May 12 admitted, "The risk, of course, is that if the sizzling debt and equity markets cool, investment bankers' grand global dreams could collapse. . . ." One London merchant banking insider was more explicit. "There are very real fears that we are at the end of a global bull [rising prices] market. For the last year, we have seen huge volumes on the stock exchanges of Europe. But this is a one-shot adjustment of undervalued stock prices. If we were now to see a sustained U.S. bear [falling prices] market, under Big Bang integration of markets, this would turn a process of competitive bloodletting into an absolute massacre."

Currency Rates

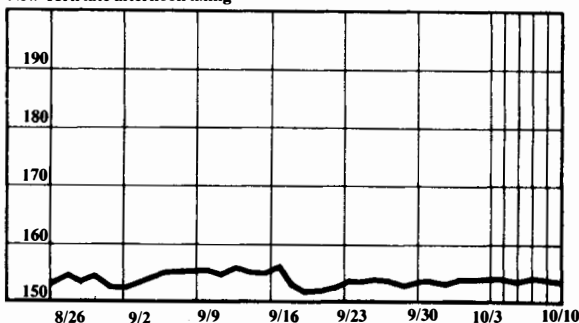
The dollar in deutschemarks

New York late afternoon fixing



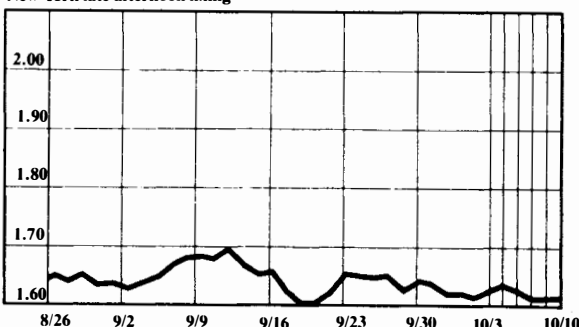
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

