Did George Soros Profit from U.S. Credit Downgrade?

Many suspect leftist billionaire George Soros (left) of having profited from Standard & Poor's recent downgrade of the U.S. credit rating. According to ETF Daily News, an "invisible trader" bet nearly $1 billion that the rating would be downgraded. Kenneth Schortgen of the Examiner notes:

While the identity of the "mystery investor" remains unknown, many indicators do point to George Soros as the principal benefactor. First, Soros has been tied to the Obama administration since the 2008 elections. In February of this year in fact, a Soros investment fund profited well on President Obama's new green energy policies.

> Secondly, right about the exact same time as the $1 billion bet took place on the US credit rating downgrade, Soros made public the move to divest his management fund of outside investors, and quietly go private. This move allows him to make trades and investments without being required to notify the SEC under the new Dodd-Frank act passed in Congress last year.

Most notably, Schortgen contends that most other hedge fund managers do not have the "inside contacts with the Treasury Department and Obama administration that Soros does."

Prior to suspicions that the bettor was George Soros, *Bloomberg* reported:

> The $1 billion trade placed in the bond market Thursday bet that the United States would lose its AAA credit rating — and the trader confident in that could make $10 billion. This means someone with the ability to place an $850 million bet was likely privy to inside information on the debt-ceiling debate. After the morning trade was placed, the bond market saw a flurry of activity. People who were long 30-year Treasuries panicked as they saw the huge short put on in the futures market, and started to unwind their long exposure.

Similarly, *ETF Daily News* reported:

> Someone dropped a bomb on the bond market Thursday — a $1 billion Armageddon trade betting the United States will lose its AAA credit rating. In one moment, an invisible trader placed a single trade that moved the most liquid debt market in the world. The massive trade wasn't placed in bonds themselves; it was placed in the futures market. The trade was for block trades of 5,370 10-year Treasury futures executed at 124-03 and 3,100 Treasury bond futures executed at 125-01.

Jack Barnes of Money Morning indicates that the "invisible" bettor had inside information on the recent debt limit talks: "I believe what happened in a debt ceiling deal was done in Washington and leaked to a major propriety trader. Everyone knows the debt negotiations in Washington have been an extreme game of brinkmanship between political parties, but now someone knows how that game played out."

Barnes believes hedge heavyweight John Paulson is a likely candidate because he profited from similar trades years ago when he bet against subprime mortgages — making approximately $6 billion from the move.

Another paper which points to Soros as a likely candidate for the mystery bettor is the *Daily Mail,* which notes that Soros is famously known as “the man who broke the bank of England” because of his dealings similar to this trade. It explains, “He made more than $1 billion on currency speculation when the British pound left the Exchange Rate Mechanism on Black Wednesday in 1992.”

Soros managed to “break the bank of England” through the process of short-selling, in which one makes a profit by sellng assets and then buying back those same assets at a later date for less money.