



Written by [Bob Adelman](#) on June 8, 2017

Venezuela's Bonds Selling at Massive Discounts for Fear of Default

When it was learned that Goldman Sachs had purchased \$2.8 billion of Venezuela's bonds for just \$865 million — a 69-percent discount — the firm received criticism from opponents of Venezuela President Nicolas Maduro (shown). The critics claimed that by buying them, even at such a fire sale price, Goldman allowed Maduro to pay some critical bills that kept his corrupt Marxist regime afloat for a little while longer.



Now comes word that Maduro [has resorted to desperation financing](#) — what the *Wall Street Journal* calls “unorthodox” — by issuing bonds to one of its state-owned banks, which then turned to Haitong Securities USA, a unit of China's Haitong Securities, to resell them to vulture bond funds in the United States. According to unnamed managers, they were offered at an 80-percent discount. If they can be sold, which is dubious because of the nature of the unregulated black market in which they are being offered, Maduro would receive \$1 billion in hard currency in exchange for a promise to pay it back, by 2036.

Some are likening the move to that of an individual hocking his TV set in order to buy groceries. In the case of Venezuela, Maduro is hocking the country's future in order to keep himself power for a little longer. Russ Dallen, a managing partner at Caracas Capital, a brokerage house that tracks the company's bond offerings, said: “Venezuela is borrowing at loan shark rates, as if they were going out of business and had no intention of paying these bonds back.”

There's no “as if” about it. The only way those bonds would be redeemed would be from surpluses the government would generate from a thriving economy. Venezuela's economic woes, on the other hand, are legendary and getting worse. *The New American* has been tracking Maduro's — and his country's — decline, reporting on his success in turning one of South America's richest countries into a banana republic. The economy has shrunk by one-quarter just since 2013. Inflation has turned the paper currency into, well, paper. Unemployment is soaring, critical supplies of medicine are resulting in deaths not only of those sick with otherwise non-life-threatening illnesses, but newborn babies as well.

Unfortunately, these are just statistics. As former Soviet dictator Joseph Stalin once famously said, “The death of one man is a tragedy. The death of millions is a statistic.” Thanks to Daisy Luther, the author behind *The Organic Prepper*, one individual living in the socialist hell has told what life is really like there. The letter from Ale is presented here in its entirety along with grammar and spelling errors, as English is Ale's second language.

I'm a venezuelan mom of a 1 year old baby. And we are living a war here ?.

You can't go outside to buy food or supplies or medication because each activity is a high risk and more with a baby. So I stay home as much as I can. There are a lot people outside trying to live normaly, trying to go to work and buy foods and continue there lives. But when you are working or whatever thing your doing you dont know is you will be able to come back home safe... people



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continues to work to get whatever miserable pay to buy some food. Everything is so expensive. Perhaps the beans and rice are affordable but still not cheap and is so hard to find food. options are limited because of the price... you can only buy one item or two of pasta,

Everything is so expensive. Perhaps the beans and rice are affordable but still not cheap and is so hard to find food. options are limited because of the price... you can only buy one item or two of pasta, rice, like I say the less expensive food , and you have to wait in long long lines at your own risk because there are a lot of fights in this store. imagine tones of people wanting to buy the same product. this have being worst since perhaps about 5 years now... because of scarcity.

Malls and big stores are basicly alone because there are places where “colectivos” use to attack, with bombs and there is a group of about 40 men in motorcicles that have been creating chaos in the whole city, every day the take the city they have plenty of arms and the just go through the city shooting building houses, stealing stores, people on the streets, batteries of cars, everything the want... this situation is far worst that we ever imagine. they kill people every day and they are pay mercenaries from the goverment because no one does nothing.

The goverment people is also killing innocents. kids... teenagers, the youth. we are panicking. We boughr a land 3 years ago. I got pregnant and we decided to wait. the land is a safe zone but is 5 hours from here. is a very small town 11. 000 people. I live ib a city with about 3 million people. at least for now the town are peaceful but there isnt electricity and the isnt an asfalt road so this doesnt sound lovely for thief that are now looking for biggest fish to cash. according to our neighbours the town is in calm nothing has happen. We need to go as soon as possible. I am scared because what you say is also true. But in the city there are no options at least not now. . what do you thnk we should do? I realize appreciate what you recommend.

I’m sorry for my bad english I’m trying to write this while playing with my baby.

Venezuelan houses are already bunkers. This has being like this ever since I can remember. Perhaps 20 years... Every regular house is made like bunkers. Pure concrete from the botton to the walls to everything. Every house has also 2 to 3 security doors really big and heavy ones and on top of that we have fences and electric fences on top Of BIG GATES.

And trust me is not enough to be safe.

The army has damaged gates and has entry to different houses looking for students, or rebelds... and also innocents people has died because they were sadly in the middle of this events. I don’t doubt that country land might have problems too. But so far cities are pure anarky and maddness.

There are several groups creating chaos... the army, the mercenaries, the thieves, and the rebels that want to kill chavismo and politics and whatever on their way. A few days they put a bomb into a propane gas distribution cargo and it blew away and this have being affecting every single thing, they steal cargo transporting food or gas and even fuel... so there is no much to do now.

Communities in the city are not organize since they really need to find food and basic resources so each individual is waiting in long lines to buy a bread or a medicine or whatever they need... and people doesnt want to organize they dont see this could go like this for years... I assume that we got used to live in some sort of chaos and violence.

But the true is most people is praying and just wishing this will pass soon. that this will pass as the moment a new presindent arrive.



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And what if it doesn't? Let's be clear that we have so many resources, and Canada and USA are pulling all of the gold and all minerals now so no country really matters what we are suffering as long as they can get their way.

We really feel hopeless.

(Signed) Ale

This is the human tragedy of socialism. For Maduro it's not quite the end. Best estimates are that he is hoarding about \$10 billion in gold to pay the army, which is keeping the protesters at bay. When those reserves are gone, so will he be.

Photo of Nicolas Maduro: Government of Venezuela

An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelman@thenewamerican.com.

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