Below are some bloggers comments I read about the Portuguese Bank non-event and I was wondering if our local banks were playing similar games? There's also a comment on commodity pricing which is pretty disconcerting.

With $1500 trillion CDS out there, no CDS trigger event will be allowed to happen. Everybody else will take losses, shareholders, junior bond-holders, depositors and tax-payers of course.

CDS only appears in a fake financial bubble where worthless junk has to be shown on banks books at full value to keep banks looking solvent. It's a way to prevent regulators marking down the value of those securities and it operates on the 'M.A.D' principle. You destroy us and we will destroy the entire financial system. This is why the financial system won't collapse. CDS will allow banks to keep their fake financial bubble going forever. It's why CDS were created.

CDS are not meant to pay off. CDS is a way to legitimize worthless securities so they can be carried in the books at full value. It's just an accounting gimmick allowing worthless junk to be shown on the books at full value. It works on the 'M.A.D' principle. Mark these securities down to true market value, trillions of dollars of CDS will trigger and the whole financial system will collapse. So, no, don't mark them down, don't even think about it. And not just CDS. All markets are now geared to prevent price discovery. I doubt that a single large western bank could survive having its assets marked to true market prices.

Commodity pricing: If oil and other commodities were stored as collateral for derivatives the price would be 50% less per supply/demand including bona fide hedging. (Flakmeister had it around 20%).

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Of all the big banks, European banks must be the most insolvent which is why Europe is such a mess (my own personal observation this)