DISCLAIMER: This report is for educational purposes only and does not constitute financial advice. It is not a recommendation to buy or sell any securities, currency or commodity. All investments involve risk, including the loss of principal. Past performance is not indicative of future results.

THE PREHN INSTITUTE | RESEARCH

Published August 2, 2026

The $1 Trillion, 40-Minute Warning

How the yen carry trade connects the US–Japan intervention, Korea's historic sell-off, US debt and Wall Street

FELIX PREHN

Economist and former investment banker
The Prehn Institute

REPORT SCOPE

Plain-English explanation of the video.

RATING

None

PRICE TARGET

None

BOTTOM LINE:

The approved video script describes four events that appear separate but share one transmission mechanism: cheap yen-funded leverage. When the yen strengthens, the cost of repaying yen debt rises, leveraged investors sell liquid assets, and stress can move quickly from currencies into stocks and bonds. minutes in which the script says nearly $1 trillion was erased from US stocks

About Felix Nikolas Prehn and The Prehn Institute

Felix Nikolas Prehn

Felix Nikolas Prehn is an economist and former investment banker. He writes and lectures on how the financial markets work, with a focus on how ordinary savers can protect what they have built.

The Prehn Institute

Felix Nikolas Prehn is the founder of The Prehn Institute. It publishes research on the financial markets and provides instruction in how they work. It gives no financial advice.

It takes no sponsorships and no endorsements, ever. So its work answers to its readers and to nobody else.

Our work online

youtube.com/@felixprehn

prehninstitute.com

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

Contents

Overview 5

One machine, four warning lights 6

Why separate headlines can share one cause 7

The biggest intervention described in the script 8

“Buy Japanese Yen — $5–10 billion” 9

From +0.70% to −1.20% 10

The market was repricing a loan, not every 12

Borrow cheaply. Invest elsewhere. Keep the 13

The repayment currency suddenly gets stronger 14

Why the exit can become a stampede 15

Japan is central to America's bond market 16

Yen defence can feed back into US rates 17

The Kospi's worst month in history 18

The same pattern in a different market 19

A plan matters most when headlines feel 20

Keep an emergency fund — but understand the trade-off 21

Hard assets and companies with pricing power 22

Own the plumbing, not only the passengers 23

Five questions before the next warning shot 24

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

Overview

CONTENTS

Bottom line: one machine

4–5

The intervention and the notepad

6–7

The 40-minute shock

8–9

Carry trade, explained simply

10–12

Why the US stepped in

13–14

Korea: the canary

15–16

What it means for investors

Three-step framework

18–20

Action checklist & free seminar

Sources, methodology & disclosures

How to use this report.

Read it beside the video. The sections follow the script's information and order. The goal is not to predict the next market move. It is to explain the plumbing that can make apparently unrelated events move together.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

BOTTOM LINE

One machine, four warning lights

BOTTOM LINE:

Japan's record currency intervention, the US Treasury's participation, a violent US stock reversal and Korea's historic monthly decline are presented in the script as connected symptoms of leveraged money being forced to move.

Japan and the US buy yen

→

Yen-funded loans become costlier

→

Leveraged investors sell liquid assets

THE TRIGGER

A stronger yen. The carry trade works while investors can borrow cheaply in yen, convert the funds and invest elsewhere. The script's central warning is that a stronger yen reverses that comfort.

THE TRANSMISSION

Margin calls turn theory into selling. When the repayment currency rises, the loan becomes more expensive. Investors may need cash quickly, and liquid US stocks can be among the fastest assets to sell.

THE WIDER SYSTEM

Stocks, currencies and government debt are linked. Japan's position as the largest foreign holder of US Treasuries means defending the yen can also matter for US interest rates and America's debt burden.

THE LESSON

Do not confuse plumbing with company quality. A sudden stock decline can reflect forced selling and liquidity stress rather than a new verdict on every underlying business.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

THE FOUR STORIES

Why separate headlines can share one cause

Headline What the script says happened Connection

Japan intervenes About $53B used in one day to buy yen Yen strengthens

US joins NY Fed buys yen for the US Treasury Coordinated signal

US stocks reverse From +0.70% to −1.20% in roughly 40 minutes Leveraged positions unwind

Kospi has worst month More than 30%, worse than 1997 and 2008 comparisons in the script Leverage cracks in Asia first

Key idea.

The script does not treat these as four unrelated accidents. It treats them as evidence that a large, hidden financing trade can transmit stress across markets quickly. underlying financing mechanism visible warning lights minutes for the US reversal described in the script

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

THE FIRST WARNING LIGHT

The biggest intervention described in the script



FINANCIAL TIMES

US COMPANIES TECH MARKETS CLIMATE OPINION LEX STOCK PICKING GAME LIFE & ARTS HOW TO SPEND IT

Central bank intervention + Add to myFT

US Treasury undertakes historic intervention in yen market

New York Fed sells euros to buy yen following recent speculation that Tokyo intervened to support Japan's currency

Treasury secretary Scott Bessent says the US and Japan 'continue to enjoy a strong relationship and close co-ordination' © Magnus Lejhall/EPA/Shutterstock

Illustrative source image supplied with the video materials. The approved script describes Japan using about ¥8.45T, or roughly $53B, in one day, followed by US participation.

WHY INTERVENTION MATTERS

It is not routine. The script emphasizes that America buying yen alongside Japan breaks with roughly three decades of normal practice. That makes the action a signal, not merely a transaction.

WHAT CHANGED

Two large public-sector balance sheets acted together. Japan bought its own currency. The New York Fed, acting for the US Treasury, sold euros and bought yen.

WHAT IT DOES NOT PROVE

Intervention is not a complete forecast. It tells us policymakers saw enough risk to act. It does not tell us the exact path, speed or endpoint of the yen or stock market.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

THE SECOND WARNING LIGHT

“Buy Japanese Yen — $5–10 billion”



The Bessent notepad photograph supplied with the video materials. The script uses this image as direct visual evidence that buying yen was on the Treasury Secretary's agenda.

Why this image matters.

It compresses an abstract policy story into one concrete instruction. The report does not add a theory beyond the script: the point is that the plan to buy yen was visible, handwritten and photographed before the market fully absorbed the action.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

THE THIRD WARNING LIGHT

From +0.70% to −1.20%



+0.70%

earlier S&P move described in the script

40 MIN

time for the reversal

−1.20%

later move described in the script

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

WHY CURRENCY NEWS HIT STOCKS

The market was repricing a loan, not every

COMPANY

Reuters reports US yen-market action

Investors anticipate a stronger yen

Yen-funded trades become less comfortable

Liquid US assets are sold to raise cash

THE TELL

Japan-related currency news moved US stocks. The script treats that cross-market reaction as evidence of a financing link.

THE DISTINCTION

Price pressure is not always fundamental deterioration. Forced selling can hit many securities at once, even when their individual business outlooks have not changed in 40 minutes.

PRACTICAL USE

Separate “what is being sold” from “why it is being sold.” The reason can be leverage, collateral or liquidity rather than a fresh judgment on every company's moat.

→

→

→

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

EXPLAINED SIMPLY

Borrow cheaply. Invest elsewhere. Keep the

DIFFERENCE.

1. Borrow yen near zero

→

1. Swap yen for dollars

→

1. Buy assets that pay more

BOTTOM LINE:

The carry trade is a financing strategy. Its attraction comes from the gap between the low cost of borrowing yen and the higher expected return on assets purchased with the converted funds.

THE APPEAL

The spread feels like free money. Borrowing at almost zero and investing at a higher return creates a profit opportunity while the exchange rate remains friendly.

THE HIDDEN ASSUMPTION

The yen must stay weak. The investor borrowed yen and must eventually repay yen. Currency direction can overwhelm the apparent interest-rate advantage.

THE SCALE

Many investors can rely on the same assumption. That is why a reversal can become crowded: the same financing idea is embedded in many portfolios.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

THE CATCH

The repayment currency suddenly gets stronger

The yen rises

The yen loan costs more in dollar terms

Collateral pressure and margin calls increase

Investors sell what they can sell quickly

Simple analogy.

Imagine borrowing ten bags of rice when rice is cheap. You spend the proceeds elsewhere. Before repayment, rice becomes much more expensive. You still owe ten bags, but buying them back now consumes far more of your money.

→

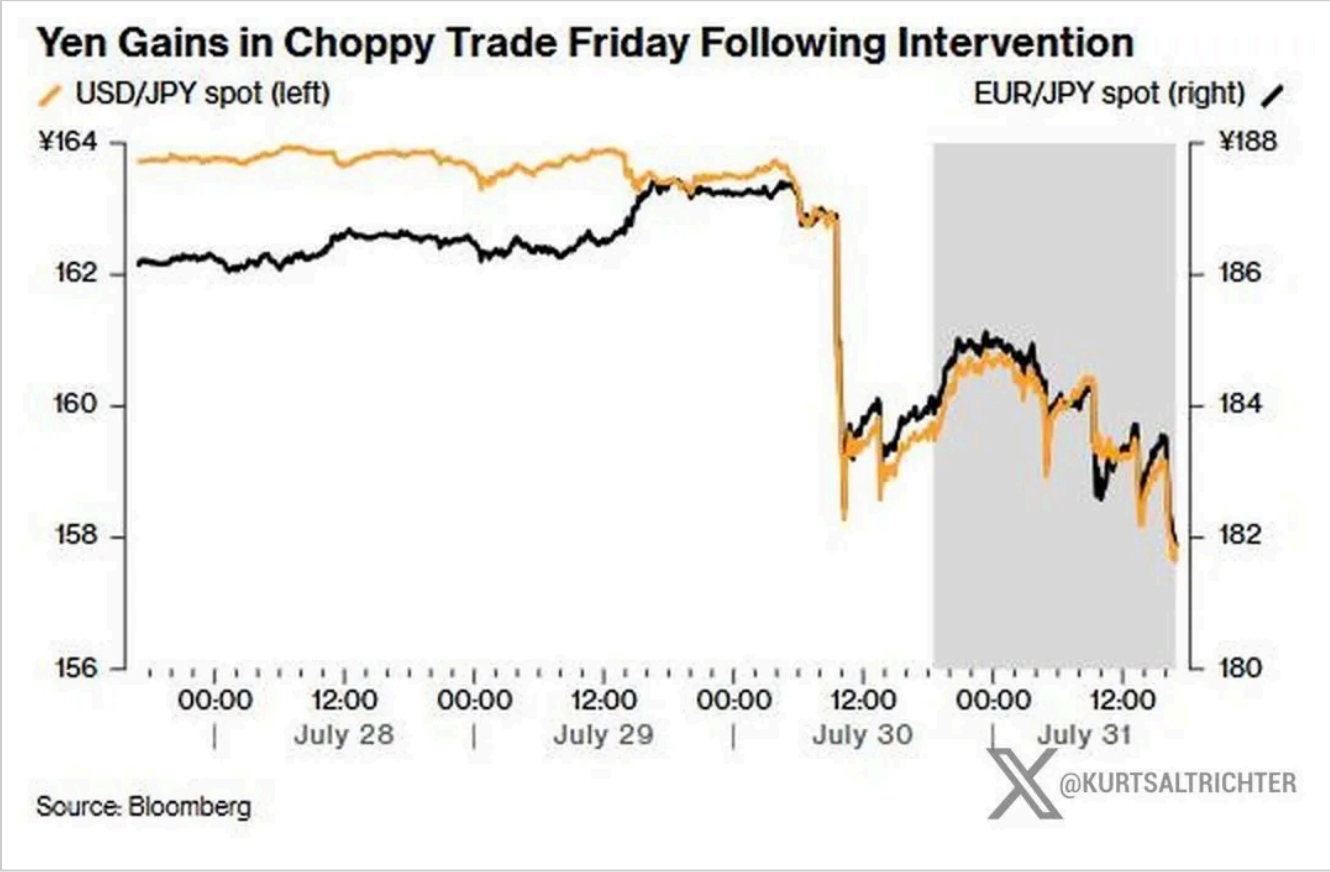
→

→

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

SMALL CURRENCY MOVE, LARGE MARKET REACTION

Why the exit can become a stampede



Illustrative currency chart supplied with the video materials. It shows the yen strengthening after the intervention.

CROWDING

Many funds can share the same trade. The script cites roughly $9.5B of hedge-fund bets against the yen. When the direction changes, the exits can become crowded.

LIQUIDITY

The easiest asset to sell may be sold first. Investors facing repayment pressure do not always sell what they dislike most. They sell what can raise cash fastest.

NON-LINEARITY

A small trigger can cause a large reaction. Leverage turns modest price changes into urgent balance-sheet decisions.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

THE TREASURY LINK

Japan is central to America's bond market

BOTTOM LINE:

The script argues that US participation was self-protection, not charity. Japan is described as the largest foreign holder of US government debt. A disorderly yen defence could therefore affect US Treasury prices and US interest rates.

Actor Pressure Potential response Why America cares

Japan Weak yen Buy yen, potentially fund action by selling reserves Japan owns a large amount of US Treasuries

US Treasury Risk of higher long-term rates

Join yen purchases Higher rates increase the burden of servicing

US debt

Leveraged investors

Stronger yen Close carry trades Forced selling can hit US stocks and bonds

Rounded debt figure.

The script uses approximately $40T for US debt as a simple, human-scale figure. This report repeats that rounded script figure and does not refresh it with outside research.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

ONE CHAIN

Yen defence can feed back into US rates

Japan needs resources to support the yen

US Treasuries may be sold

Treasury prices fall; yields rise

US borrowing costs increase

BOND MECHANICS

Price and yield move in opposite directions. If a large holder sells Treasuries, prices can face pressure and yields can rise.

DEBT MECHANICS

Higher rates make refinancing more expensive. The script connects this to America's roughly $40T debt burden.

POLICY MOTIVE

Prevent a destabilising loop. Supporting the yen may reduce the pressure that could otherwise lead Japan to sell more US debt.

→

→

→

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

THE CANARY IN THE COAL MINE

The Kospi's worst month in history

30%+

Kospi monthly decline described in the script

27%

1997 Asian crisis comparison

23%

2008 global financial crisis comparison

BOTTOM LINE:

The script presents Korea as a smaller, faster market that showed what a leveraged unwind can look like before similar pressure reaches larger markets.

SEVERITY

The comparison matters more than a precise point estimate. The script's consistent claim is that the month was worse than both 1997 and 2008 comparisons.

MARKET BRAKES

Circuit breakers fired on consecutive days. The script uses this as evidence that selling pressure became exceptional.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

CHIPS, AI AND BORROWED MONEY

The same pattern in a different market

Cheap borrowed money crowds into hot AI and chip trades

→

The trade wobbles

→

Borrowed money rushes for the exit

THE SCRIPT'S FRAMING

The details differ; the structure rhymes. Korea's sell-off involved chips, AI expectations and leverage. The carry-trade story involves yen funding. Both become dangerous when many investors use borrowed money to own the same popular assets.

THE LEVERAGE LESSON

Leverage removes patience. An unleveraged investor can choose to wait. A leveraged investor may be forced to sell because a lender demands cash.

THE CANARY LESSON

Stress often appears first where liquidity is thinner. The script uses Korea as the early warning, not as proof that every market must follow the same path.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

WHAT THIS MEANS FOR YOU

A plan matters most when headlines feel

OVERWHELMING

panic-sell at the bottom freeze while bargains pass follow a prepared framework

THE BEHAVIOURAL RISK

Confusion creates bad timing. The script says regular investors often either sell after the fall or do nothing while informed buyers act.

THE ANALYTICAL RISK

A market shock can blur company quality. If forced selling hits a broad group of stocks, investors still need to distinguish strong businesses from weak ones.

THE RESPONSE

Use a simple framework. The script proposes three ideas: do not over-hold cash, own assets that can cope with paper-money stress, and own the financial plumbing.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

CASH

Keep an emergency fund — but understand the trade-off

BOTTOM LINE:

The script recommends three to six months of expenses as an emergency fund, while warning that excessive long-term cash exposure can lose purchasing power through inflation.

Emergency cash

→

Stability and flexibility

→

Beyond the buffer, inflation matters

The script's image.

Cash is an ice cube on a warm counter. It looks unchanged at first, but purchasing power can melt over time. This does not mean “hold no cash.” It means separate short-term safety from long-term wealth storage.

Use of cash Purpose Main risk

Emergency buffer Unexpected expenses and flexibility Too little creates forced selling

Long-term excess Optionality Purchasing power can erode

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

ASSETS UNDER PAPER-MONEY STRESS

Hard assets and companies with pricing power

HARD ASSETS

The script names real estate and gold. The intended role is to own things that may retain value when confidence in paper currencies is under pressure.

PRICING POWER

Strong businesses can raise prices without losing

customers. That ability can help protect margins when input costs and inflation rise.

WINSTON'S MOAT

Competitive advantage is central. The script points to the Winston app's moat score as a way to think about durable pricing power. Stock-related analytical source:

QUALITY RULES

Profitability, cash generation and stability matter. Felix's framework looks for quality rather than forcing a value-versus-growth label.

Question What it reveals Why it matters here

Can the company raise prices? Customer loyalty and competitive advantage Potential inflation resilience

Does profit turn into cash? Business quality and flexibility Helps survive market stress

Is debt manageable? Financial stability Reduces forced-action risk

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

FINANCIAL INFRASTRUCTURE

Own the plumbing, not only the passengers

BOTTOM LINE:

When money moves violently between currencies, stocks and bonds, the infrastructure that processes, settles, holds and routes those transactions remains essential.

More volatility

→

More money movement

→

Exchanges, custody and payment rails stay central

THE PICKAXE IDEA

In a gold rush, sell pickaxes. The script prefers thinking about the systems enabling financial activity, not only the assets experiencing the rush.

WHAT THIS IS NOT

It is not a stock recommendation. The script does not name a security to buy, and this report provides no rating or price target.

THE TEST

Explain it to a 12-year-old. If you cannot explain what the business does and why customers pay it, you may not understand the risk well enough.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

TURN UNDERSTANDING INTO PROCESS

Five questions before the next warning shot

Free live beginners seminar

FASTTRACKFORBEGINNERS.COM

Saturday · 9am Eastern Time · No credit card

Do I have three to six months of expenses available without selling investments?

✓

Am I overexposed to one crowded theme or one source of leverage?

✓

Can I explain why each business I own makes money?

✓

Do the businesses I own have pricing power, cash generation and manageable debt?

✓

Would a broad market sell-off force me to act, or give me choices?

✓

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.

REFERENCES

Sources & disclosures

SOURCES

1. Stock-market data
2. Winston app,
3. app.goatacademy.org . This report adds no new market data.
4. METHOD:
5. This report uses only the approved video script, its embedded source notes and the supplied video images. No new research was conducted. Stock-market percentage data and stock-related analytical references are attributed to the Winston app at
6. app.goatacademy.org , as instructed.
7. Approved video script: “The $1 Trillion, 40-Minute Warning,” including footnotes F1–F18.
8. Winston app: app.goatacademy.org — source attribution for stock-market percentage data and stock-related analysis in this report.
9. Supplied FT headline image: historic US Treasury intervention in the yen market.
10. Supplied Bessent notepad image: handwritten instruction to buy Japanese yen.
11. Supplied SPX chart: illustrative one-minute market reversal image used in the video materials.
12. Supplied Bloomberg yen chart: illustrative post-intervention yen move used in the video materials.
13. Script source notes: Reuters, CNBC, AFR, mishtalk.com, coindoo.com, Yahoo Finance, Business Insider, eciks.org, cryptobriefing.com, the US Treasury TIC context and World Gold Council context — cited here only because they are already listed in the approved script. They were not newly researched for this report.
14. FULL EDUCATIONAL DISCLAIMER
15. Analyst: Felix Nikolas Prehn for The Prehn Institute.

The Prehn Institute

prehninstitute.com

The Institute publishes research and provides instruction. Its published research is open to any reader, and its instruction is given by people who have worked in professional markets. The Institute does not manage money and does not advise on investments.

DISCLOSURES

This report is for educational and informational purposes only and does not constitute financial, investment, legal, tax or accounting advice. It is not a recommendation, solicitation or offer to buy or sell any security, currency, commodity or financial product. No buy/sell rating or price target is provided. All investments involve risk, including the possible loss of principal. Market events, relationships and historical comparisons described here may not repeat. Illustrations simplify complex systems and may omit factors. Readers should conduct their own research and consult appropriately qualified professionals before making financial decisions. Past performance is not indicative of future results. The Prehn Institute makes no guarantee regarding outcomes.

Author: Felix Nikolas Prehn, The Prehn Institute.

© 2026 The Prehn Institute. Published by Skillset Solutions FZ-LLC.