



MARKET MAYHEM · RESEARCH SHEET · EPISODE 07

The Stock Market in the Desert

A Parking Garage. Postdated Cheques. And \$94 Billion in Promises.

Kuwait City, Kuwait · 1982 · v1.0 · July 2026

Inside an air-conditioned parking garage in Kuwait City, an unregulated stock market ran entirely on postdated cheques. At its peak, roughly \$94 billion in promises underpinned it, in a country of 1.7 million people. Then one cheque bounced.

Key Facts

Event	The Souk Al-Manakh collapse — Kuwait's unregulated parallel stock market
Location	Kuwait City — a converted air-conditioned parking garage
How It Ran	On postdated cheques carrying large premiums — a private credit market with no clearing house
The Trigger	August 1982 — a single bounced postdated cheque unravelled the whole chain of promises
Government Response	A KD 3.5 billion Difficult Credit Facilities Resettlement Fund, a decade-long workout
Regulation Before the Crash	None — no regulator, no listing rules, no clearing house, no position limits, no price transparency

By the Numbers

Outstanding cheques: ~\$94 billion — roughly three times Kuwait's entire annual GDP

Population: ~1.7 million — making it the largest per-capita financial crisis on record

Largest single debtor: Jassim Al-Mutawa, personally liable for ~\$9 billion, reportedly in his twenties

The six largest debtors owed ~\$14 billion between them

\$94 Billion in Postdated Cheques

The Souk ran on a simple trick: buy shares now, pay with a postdated cheque carrying a hefty premium, and settle later when the price had risen. It worked while prices rose. When one cheque bounced in August 1982, the entire chain of promises unravelled. Investigators found roughly \$94 billion in outstanding cheques, in a nation of 1.7 million people.

“ Without a clearing house, you do not own an asset. You own a promise, backed by another promise. ”

How It Happened

Kuwait's official stock exchange was tightly controlled, so an unofficial market grew up beside it, literally in a converted air-conditioned parking garage called the Souk Al-Manakh. It had no regulator, no listing standards and no clearing house.

Trades were settled with postdated cheques that included large premiums, effectively a private credit market where buyers promised to pay much more in the future. Prices spiralled as the same shares changed hands on ever-larger promises.

Because there was no central clearing, every participant was directly exposed to everyone else's ability to pay. The market's apparent wealth was a chain of interlocking IOUs.

The Collapse

In August 1982 a single postdated cheque bounced. Because each promise depended on the next, confidence collapsed across the whole chain almost at once.

When the government investigated, it found roughly \$94 billion in outstanding cheques, around three times Kuwait's GDP. The six largest debtors owed about \$14 billion between them; the single largest, reportedly a young man, owed around \$9 billion.

Kuwait set up a KD 3.5 billion resettlement fund and spent most of a decade unwinding the damage, a process later interrupted by the Iraqi invasion of 1990.

Timeline

Late 1970s	The Souk Al-Manakh operates informally in a converted parking garage as the official market fills up
1981–82	Market capitalisation swells to rival the London Stock Exchange
Aug 1982	A modest postdated cheque bounces; confidence collapses across the interlinked chain of promises
1982	Investigation reveals ~\$94bn in cheques; the top six debtors owe ~\$14bn; the largest owes ~\$9bn
1980s	The KD 3.5bn resettlement fund begins a decade-long workout of the broken promises
Aug 1990	Iraq invades Kuwait, interrupting the financial system's recovery

Mind · Method · Money — What This Means for You

MONEY · Counterparty risk is always real

In regulated markets a clearing house guarantees settlement. In unregulated ones — OTC derivatives, crypto lending, repo chains — you are directly exposed to the other party's ability to pay. Every Souk participant thought they owned assets; what they owned was a promise, backed by another promise. Know what you own, and who is on the other side.

METHOD · Genuine price discovery matters

The Souk had no mechanism for honest price discovery; prices were opaque bilateral deals. Before you invest, ask whether the prices you see reflect real supply and demand, or the output of a system with hidden structural pressures. Thin, illiquid and opaque markets all carry this risk.

MIND · You cannot see the full shape of a systemic crisis from inside it

The Souk's participants were mostly rational people responding to the incentives around them, but no individual could see the \$94 billion aggregate exposure or the full chain of interdependencies. Seek the view from outside: not just whether your position is sound, but what happens to it when the architecture changes.

Modern Parallels

Any market without transparent price discovery and a credible clearing mechanism carries the Souk's risk: thinly traded assets, opaque over-the-counter deals, crypto lending built on rehypothecated collateral. When you cannot see the whole structure from inside it, the question is not only whether your position is sound, but what happens to it when the chain of promises breaks.

Read & Listen

Read the full write-up and listen to the episode: [The Stock Market in the Desert \(EP07\)](#)

Related Research

Previous episode: [EP06 · Silver Thursday \(1980\)](#)

Next episode: [EP08 · The Latin American Debt Crisis \(1982\)](#)

The next one forming: [The Next Market Crash — 5 Scenarios](#)

Sources & Further Reading

Charles P. Kindleberger, *Manias, Panics, and Crashes: A History of Financial Crises*

Contemporary press coverage of the Souk Al-Manakh crisis (1982–83)

Market Mayhem: When Greed Meets Gravity, *The Complete Trader's Edge*

How to cite: van Riet, L. (2026). "The Stock Market in the Desert" — Market Mayhem Research Sheet EP07, v1.0. The Complete Trader's Edge, completetradersedge.com.

GO DEEPER

Free: take the [M-M-M Assessment](#) and explore the full podcast series, interactive maps and tools at [completetradersedge.com](#).

Learn the framework behind these lessons in [The Complete Trader's Edge](#) — 70 chapters of Mind, Method and Money.



FROM THE BOOK

This crash is dissected in full in **Market Mayhem: When Greed Meets Gravity** — 22 chapters, four centuries of bubbles, one repeating blueprint.

[Get Market Mayhem →](#)