Affirmative Stock Market Engineering War Room Part 1

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There is little doubt in the minds of those who think critically that Federal Reserve monetary policy has been and is used to elevate asset prices, especially stocks. While true, Federal Reserve policy is only part of the picture. What we actually have is what amounts to a stock market engineering war room, even though there is not an actual room where all of the manipulation thought of is put in place.

How do I know this? Well, I don't based on any facts at my disposal. I have no such facts. Why would I? If I could demonstrate factually that the stock market is being purposefully engineered higher due to an organized effort, everyone would know what I know and it would stop. The fact is that in the present moment, no one has any facts as to what all others in the world are thinking and doing. Insight based on human behavior in terms of knowing what powerful people are prone to do based on self interest, in fact turns out to be the best tool for determining what is going on in the world under the public's radar. I don't use facts for this type of analysis because there aren't any specific facts. The facts I do use are present eternally and are not part of standard economic dogma. It is a fact that self interest is the only relevant incentive when it comes to behavior in large aggregations of people. It doesn't work that way in families and other close nit groups.

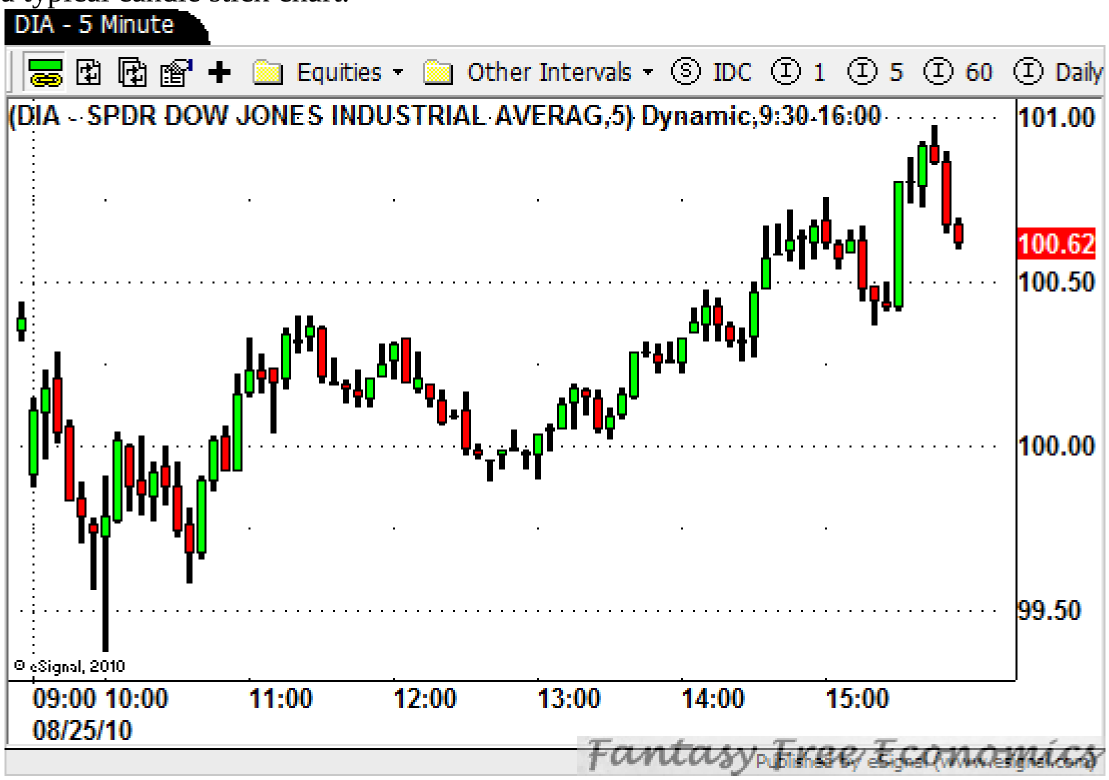
I start with the word suppose. Lets suppose for sake of example, how the stock market would be rigged if it was. Then entertain a few questions. Would wealthy powerful people rig the stock market if they could? They certainly have the means. Then, assuming they could, would they? Why would they not? Would it be in their best interest to do so? Only self interest drives aggregate behavior. It only makes sense that they would.

In the years leading up to the crash of 1929, there were countless successful efforts to rig stocks. J.P. Morgan himself managed to single handedly temporarily turn the stock market up during the 1929 crash. There are many precedents.

Modern stock market manipulation started in a big way when the Reagan administration, began tampering with the financial markets. Today, stock prices are micro managed.

As High Frequency Trading Firms (HFTs) have evolved, they have become a critical tool for top down management of stock prices. From the beginning, these firms , have derived their earnings by exploiting and sabotaging the trades of honest investors, large and small. In order to do this, they must operate in a politically compatible atmosphere. If they cause and maintain uptrend that is fine. Who will complain? Driving the market down would be a completely intolerable activity. Driving the stock market up is fine. A rising stock market is always good for incumbent politicians who practice the art of not knowing.

HFTs manage stock prices on a tic by tic basis. Prior to their advent, intraday charts looked much differently. The chart below from 2010 is an intraday chart of the Dow. Notice that it looks like a typical candle stick chart.



This is what an intraday chart of the Dow looks on a day in 2020.

The difference is that the second chart is the result of a mechanical trading system. Traders are familiar with various chart patterns, like head and shoulders, flag, pennant, rising wedge, declining wedge and so on. The psychology behind these patterns is explained in the classic, **Technical Analysis of Stock Trends, Edwards and Magee.** Technical analysis evolved as an explanation of stock prices as they occur in a free market setting. Replace the free market aspect with a mechanical system and a different kind of pattern is the result. A good name for this pattern would be something like the **Deep State Snake**. There is always a lot of chaos in a free and open stock market. There are stops, starts and mini panics with respect to both sides of the market. Only a mechanical system is capable of removing these kinds of things from a free and open market.

On this particular day, the market gapped up. Rarely does the market not gap up or down significantly. This sets the tone for the day. Regardless of whether or not the gap is up or down, rarely is the shape of the chart much different. A gap down is to draw in shorts to begin squeezing starting shortly after the first hour's trading is finished. There is generally a dip at about this time, almost without exception. Goal one is to close at the high for the day, even though it appears all through the day that bulls are struggling and the market seems about to fall off a cliff. Actually the market is purposefully made to tread water for the body of the day. There are trial rallies during the body of the day. After snaking up and down throughout the trading day, it is always banged at the close.

If the averages cannot close at the high, the second choice is to close above the open and for sure not down for the day. At critical junctures like at significant moving averages or trendlines we see what I call an up no matter what day. Short squeezing, news announcements, speeches, buying outright and everything else is employed to make sure that nothing technical occurs that might draw in more volume on the sell side. Profits are not allowed in bearish positions because with that, bears can increase their positions and contribute to supply.

Big tech collects information on everyone. Why would the ALGOs not track every open position, account history of every retail customer and anything else they have access to. Do the retail firms mind? Why would they? They get paid every time the ALGOs run one of their customer's stops. It is open season on individual investors.

The ALGOs claim to be necessary for market liquidity. What they do is make certain the the preponderance of liquidity is on the buy side of the market. They have the best market technicians on staff and their function is to fleece honest traders.

The only times the ALGOs cannot park the averages higher on a given day is when there is a shock to the financial markets, or when longer term holdings come on the market. The market can be manipulated if volume is light so a culture of intraday trading is cultivated to prevent that from happening. There is an old Wall Street adage some might remember. "The market needs volume to rise. Without volume the market will fall on its own weight." The relationship between price and volume has reversed. That is because a mechanical system now decides stock price outcomes. It has been this way for many years now. People are used to it but free markets don't work that way.

The ALGOs can change the order sequence flow so that buy orders and sell orders hit the floor in whatever pattern suits them. Perhaps the most necessary aspect of any free market is that all buyers and sellers, as much as possible have the same information. We know have a centrally planned stock market. Any economic stimulus requires removing one or more free market attributes in order to make the system function on paper. Where the overall economy is concerned, stimulus provides no net benefit effect to the economy and just transfers wealth towards the political class. Intervention in the stock market works just as it is intended to because the goal of everyone benefiting is not present.

For manipulating the stock market, high frequent trading firms are highly successful. They are also the most hands on manipulation tools and the only ones that with a high degree of visibility. Their contribution is also easy to understand. This is part one of a series of articles on stock market manipulation.

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