Financial Manipulation and Inside Information: Did the Stock Market Drop Or Was It Pushed?

How Can We Find The Truth about Tanking Markets?

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The Wall Street Journal headline on the day after we almost lost the market reported that the wise men on the Street were "baffled" by the big drop Thursday. The Financial Times called the event "Shambolic" as if only a shaman can decode it.

A week after CNBC assured its high net worth viewers that Greece would no longer be a problem, there was an uprising there followed by a volcanic market cliff dive that the White House, NASDQ and every regulator is now investigating.

There is still a lot of head scratching, as if to say, how come our casino went batty? It all happened in a couple of minutes, the time it took for that fail-safe state of the a top of the line, secure, and unsinkable oil platform to sink.

The whole world of finance couldn't believe what was happening before its eyes and so quickly.

2:38 PM: Dow down 360

2:48 PM: Dow down 600

2:51 PM: Dow down 900

Help.! We still don't know how the plunge was arrested. I am sure the Treasury Department's Plunge Protection Team and the Fed and every Central Bank in the world hit their red buttons to pump more money in before the balloon popped.

You are not going to believe it but no one really knows what happened yet. Should we blame a trader who made a typo or were there others playing a shadier and covert game of market manipulation which may soon officially be listed as a psychiatric condition?

Floyd Norris in the New York Times just about suggested the market was an insane asylum. Just read his lead paragraph and realize we are being dominated by financial maniacs with rationality is out the window.

"Combine:

One part nervous traders

One part Greek crisis and

One part trader error.

Stir in one part central bank complacency.

Bring to boil.

Panic."

"That combination," he 'explained,' "produced one of the wildest days ever in financial markets."

On display were the usual twin towers of market self-abuse: Greed and Fear.

Angela Merkel, Germany's chancellor, likened the wider crisis to "a battle of the politicians against the markets" and attacked the role played by credit rating agencies. She declared: "The speculators are our adversaries" suggesting there is a financial war underway that no one in the media seemed to get. Financial analyst Max Keyser sees an outbreak of "financial terrorism."

The website Gaming the Market all but argues that this market drop was a calculated maneuver which may be why it's being investigated. I am not financially savvy enough to understand all of the evidence but for those of you are, here's part of what they say, including the idea of a "holy crap" moment, writing:

> "These moves typically occur after 2:30pm Eastern while the market is near a new low or breaking point, with a relatively high VIX. Another characteristic is a large NYSE Adv/Decl negative ratio. One that is negative 10:1 going into lunchtime typically assures a weak close. Ratios of 3:1 negative aren't what you want. They are easier to manipulate by weak bulls. You want a big scary ratio. It is these negative internals that can clue you into the probability of a PPT push. A big push on a big negative internal is the tell. To instantaneously swing the market around on these days takes a massive amount of concerted capital.
>
> If you watched the market every day last year you know what this looks like. Using 5min candles on your favorite index you will see an immediate and massive full body candle, sometimes eclipsing the entire day's range in minutes. There is no mistaking this move. It's a wide-eyed holy crap moment! After this massive push the market will typically close near the high of the day."

Again, I am not sure how accurate this is but I do know that the truth in the world of finance is elusive, and, yes "baffling. "In many ways, money making is more an art as a science." I wrote that two years ago in my book PLUNDER: Investigating Our Economic Calamity reporting on the meltdown in 2007. It was published a week before Lehman collapsed.

Despite all the rules that govern the markets or regulations designed to assure transparency and accountability, crooks, swindlers, and even gangsters are commonplace. Corrupt practices are pervasive; regulation is not even as lightening fast computers now do the heavy lifting. When professionals in the field were asked how they define criminal conduct, the majority surveyed said crimes only occur when you are caught.

Clearly some of our "market makers" know what they are doing. There is also extensive posturing in the industry to mask the often-fuzzy line between risk and uncertainty. In many instances, major decisions are made on the basis of fragmentary knowledge, even ignorance, despite professions of careful reviews and "due diligence." Even "sophisticated investors, can be bamboozled, as we saw in the unmaking of Goldman Sachs and Bernie Madoff.

The Financial Times cites a supposedly knowlegible market economist at Lehman who said: "We are in a minefield. No one knows where the mines are planted and we are just trying to stumble through it." Another market participant put it this way: "It is not the corpses at the surface that are scary, it is the unknown corpses below the surface that may pop up unexpectedly."

This sounds like a horror move

I was talking about this after the last collapse. "Many of the "experts" whom I read or see on TV seem clueless, full of hot air. Many of their predictions turn out wrong even when they seem so self-assured and well informed in making them. Jim Hightower warns against believing them, writing: "Don't be deterred by the finance industry's jargon (which is intended to numb your brain and keep regular folks from even trying to figure out what's going on)."

How does one make sense of what is going on? You have to burrow in the business pages and read articles from the bottom up because the most revealing facts are often buried. You have to break dependence on mainstream media and check out specialized websites, blogs, and alternative sources.

After the NY Stock market took a 340-point drop in 2007, only to quickly recover, I went to the business pages of the New York Times. I figured that they would explain it. But THEY DIDN'T KNOW the reason for it either, reporting "emotion and psychology, not financial fundamentals were mostly at work." They quoted the chief US equity strategist for Citibank: "I don't think anybody can make sense of it."

Part of the problem here is that the traders and brokers have come up with all sorts of highly esoteric and complex financial instruments – ways of securitizing debt and raising capital – that outsiders, even experienced financial journalists, have a hard time understanding, much less explaining. Ditto for regulators (and the laws they theoretically enforce), who are hard pressed to keep up with the pace of change. Market traditionalists are also lost." It seems deliberate.

The scammers are winning.

Two years later after we have read so much about what went wrong, after months of wrangling over financial reforms that Wall Street is beating back like the demand to audit the Fed or break up the big banks, we are back in a big inexplicable mess with a swamp of contradictory information like Friday's news that more jobs were created while unemployment went UP.

Wall Street has gone short on the American people. Their pump and dump games have to controlled or its not just whether there will be a massive depression, but when?

News Dissector Danny Schechter directed Plunder The Crime Of Our Time (Plunderthecrimeofourtime.com) and a companion book The Crime of Our Time on the *financial crisis as a crime story. Comments to dissector@mediachannel.org*

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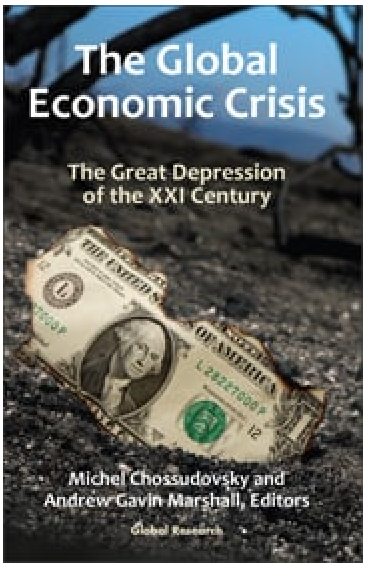

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