

Not Just Stocks: High Frequency Traders Manipulating Futures, Options, Bonds, Currency and Commodities Markets

By [Washington's Blog](#)

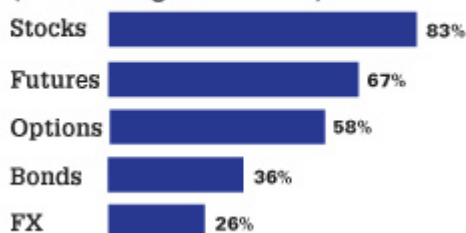
Theme: [Global Economy](#)

Global Research, October 29, 2010

[Washington's Blog](#) 29 October 2010

As I [noted](#) earlier today, high frequency traders trade not only stocks, but also futures, options, bonds and currency:

Asset Classes Traded by HFT Proprietary Shops (Percentage of Firms)



Source: TABB Group

We know that high frequency trading is used to manipulate the stock market. The prevalence of high frequency trading in other markets means that it might be used to manipulate those markets – perhaps virtually all markets – as well.

Indeed, by manipulating futures prices, it is possible to manipulate the current price of the underlying asset.

As the New York Times [reported](#) in September 2009:

It could well be that Optiver's cowboy trading tactics [manipulating the price of oil through high frequency trading] are unique to the company. But as concern grows over the effect that high-octane computerized trading is having on markets worldwide, Optiver's conduct in the oil futures market raises questions as to whether the relentless competition of this business is forcing companies to engage in similar practices. "These are proprietary trading shops that are masquerading as market makers," said Tim Quast of Modern IR, a consulting firm that advises corporations on market structure issues.

The Securities and Exchange Commission has opened up an investigation into high-speed-trading practices, in particular the ability of some of the most powerful computers to jump to the head of the trading queue and — in a fraction of a millisecond — capture the evanescent trading spread before the rest of the market does.

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