

# Don't Dismiss This Rally

## Fantasy Free Economics, James Quillian

Posted on [December 27, 2018](#) by [Fantasy Free Economics](#)

This article was posted originally on December 27, 2018. To just read or re-read the original post, skip the italics because that is the update.

*When I make forecasts, I win some and lose some. This forecast was not based on supply and demand, technical analysis or fundamental analysis. Standard dogma does not apply because belligerence rules the day. Dogma is useless in a rigged market. Actually, it is more than useless. Following traditional trading dogma guarantees losses.*

*We are now in stage 4 of a rigged rally. Just as is discussed below. The deep state is buying outright now. Yes, corporate buybacks constitute, the Deep State buying outright. There is other money being thrown in now on top of buybacks. Is the Deep State insane, you might ask? No, the Deep State has nothing to lose by adding to their holdings. The only other alternative they have is to get destroyed in a bear market. Individual corporations are happy to lend support. Why? Stock buybacks are the fastest way for corporate insiders to make the most money for themselves in the shortest period of time. That is why each of them is doing what is immediately in their best interest. Why would they do it any differently? They are not risking their money. **There is absolutely no way the Deep State is going to quit buying stock without being forced to quit.** Owning enough in financial assets is a lot like owning all of the railroads are anything else. Whoever owns close everything can determine what is worth and impose that on everyone else. Once stock ownership has been consolidate in the hands of the elite, values can be pushed to just about any level and they have to do that in order to survive.*

*The long term consequences of a rigged stock market is the complete destruction of the economy and individual Americans losing everything they own, in the stock market, real estate and normal savings. This will fail in the end.*

When will too much damage be done for economic growth occur? That point was reached in 2008. Consequences have been successfully shifted forward.

Have I ever said that I rely on facts when I make a forecast? Decisions are made in the present moment. With one exception, the present moment is devoid of facts. We just don't know who is doing what at exactly now. We do know people's incentives and those are facts. So when for purposes of



decision making, we assume folks are acting in keeping with the incentives that are in front of them, we are being prudent.

To the elite, the stock market is like a bank. Stock is money to the rich. They convert it into currency to spend it but they don't have to. They can borrow against it. While stock lacks a few important characteristics of good money it possess others in abundance. Most importantly, it is scarce. The scarcity of stock is being purposefully increased, while for the longest time, the scarcity of our currency has been severely reduced. Isn't that a cute way to transfer wealth?

It is no accident that the amount of tradeable stock is being severely reduced. As stock leaves the market, the market gets easier and easier to manipulate higher. With the majority of stock in the control of folks who manipulate, pushing stocks higher and higher becomes easier and easier. Only about 15% of volume involves stock actually changing hands. The other 85% is skimming money, a lot of which is coordinated with Federal Reserve activity. It doesn't take a lot of Deep State Money to generate an uptrend.

It looks like the Deep State Syndicate has decided that actually buying at this point will increase the value of their total holdings. Up to this point very little of this kind of money has been used to buy outright to determine the direction of the market. It looks like that has changed.

It is better to risk some money in order to increase the value of all holdings than to let a decline continue and take enormous losses.

The chart at the top is an indicator that measures ETF volume relative to stock volume. When ETF volume rises in the way it has over the past three days, you can count on a heroic effort to get the market moving higher. What this looks like to me is the beginning of a "no matter what it takes" decision to move the market up.

Another indicator I keep for sentiment is the ratio of TZA volume to TNA volume.



For those unfamiliar, these are the 3X bear and bull

ETFs for small capitalization stocks. This ration has moved drastically in the TNA direction. This has not happened in anything close to this magnitude in the history of these two securities. When it is time for demonstrative action there is boat loads of buying in derivatives at critical points.

I think we can count on an elevated level of affirmative action for the foreseeable future.

Very few Americans actually own stock so it is common to assume no damage is done by an ever rising stock market. I am telling you. It will destroy the country. How? That will have to be a topic for another article.