

# Part 2 Affirmative Stock Market Engineering War Room

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It is really hard to convince folks that there is something going on in a system given when they already see and know everything and are convinced they have noticed all that matters. The truth is none of us have critical information at important moments.

**Conventional wisdom is that the Federal Reserve creates massive unearned money and that money ends up in the stock market.**

**Corporations use that money to buy back their own stock. Therefore the stock market always goes up. The stock market will go up until this particular episode comes to the end.**

That line of reason happens to be true but there is more to it. There are other mechanisms in operations that are in place which are of even greater influence.

### Legislation

There is the legislation. During the 1970 the IRA was born. What a great thing for taxpayers the government has given us was the the response of citizens. All with money loved IRAs

. All were impressed that a bunch of politicians would develop a concept that would actually benefit their constituents. Does anyone know who actually thought of and worded the legislation? Does anyone care? Is there a way to find out? I am not sure it is actually possible to find answers any of those questions? This was five decades ago but the nature of legislation is the same now as it was then. All legislation is for profit. So, who profits from the legislation related to IRAs? That would be the financial sector.

Even though equities may not have been allowed in the original legislation, the are allowed now and have been for a long time. What do IRAs contribute to stock market manipulation? Money routinely flows into IRAs on a long term basis. Equities in IRAs are not going to be sold on a whim. Politicians are motivated to support all initiatives which support stock prices. Doing otherwise would subject them to the ire of their constituents when their retirement accounts declined in value. If private accounts in social security are ever allowed, driving up asset prices will be even more of political endeavor than it is now.

In 1978 the Full Employment Act of 1978 was passed. This bill mandates that the legislature, president and Federal Reserve engage in central economic planning. Ronald Reagan embraced the provisions of this bill and the era of perpetual stimulus began. Reagan also initiated the practice of government tampering with the financial markets. Our system of modern top down socialism was born.

### **New Normals and Paths of Least Resistance**

As interest rates have been reduced alternatives to yields other than those of equities have disappeared. Higher interest on Granny's CDs has been stolen and given to Goldman Sachs. Grannie has been encouraged to chase higher yields in equities. Laws that previously protected Granny from being enticed into risky inappropriate investments are not being enforced or have been repealed. This process started years ago and has been adopted as a new normal by Grannie. Even though she has been positioned to fall on a sword for her country, she is unaware of it. A whole generation knows only high stock prices and has never been in any other kind of market. Increasingly, investors have become comfortable with stock prices which are elevated far above what would occur in a free market.

### **Nongap Earnings**

Accounting can now be done routinely on a non-gap basis. This allows corporations to report just about any figures that suit them for any given quarter.

### **Networking At High Levels**

It is interesting that the same folks who socialize and network constantly in their own lives view those in high places as being sequestered, never coming out of their own office. Seriously, is there any reason to believe that absolutely no one in the world has access to the thoughts and actions of the Federal Reserve early and independently of the public? We hear about constant leaks from inside the FBI, CIA and Whitehouse. So are we to believe no one gets leaks from the Federal Reserve. Have corporate buybacks just sprung up organically or, are buybacks coordinated purposefully with with Federal Reserve policy. The result regardless is an ever rising stock market, at least until the whole economy is destroyed.

**Media** The media is independent of a lot but it is not independent of who owns it. Those who own it have agendas and the media supports those agendas. The media reports only superficial news and reports news that is positive for the stock market. News announcers do not know much of anything themselves even though each presenter appears to know exactly what he is talking about. Everything that is positive with respect to stocks is reported with excitement. From time to time the media has no choice but to report what it would rather not. In those cases the news is reported just as a fact with few if any details. The media never reports any controversy as to what the Federal Reserve is doing. The media clearly supports the goals and aspirations of the cartel type team that keeps asset prices moving higher.

### **Trading the News**

The stock market has lost its news discounting characteristic. Anything that can be deemed even slightly positive, for the last two decades works opposite of how it has always worked in the past. It works this way today because the stock market is not a free market. It takes a controlled market to destroy the stock market's news discounting function.

An atmosphere of buying on the news and making a profit has been cultivated. One famous analyst used to say "News is for losers." Some sayings work out to be only platitudes. If one was going to sell, it generally worked out better to sell on the news. It doesn't work that way anymore. These days uptrends often begin when positive news is announced. The ALGOs make certain news is interpreted in a positive way.

**Low Volume** Not too many years ago there was a wall street adage. "It takes volume for the market to move higher. Without volume, the market will fall on its own weight.", Low volume and low volatility are cultivated and are critical tools for managing prices.

The ALGOs can move the market higher only if volume is low and most trading is intraday. Is it any surprise that low volume now drives bull markets.

**Stimulus** Stimulus can be either monetary or fiscal. How is stimulus money used. Those to whom stimulus is made available to directly use it by whatever path enables them to make the most money in the shortest period of time. So, stimulus money is used to buy back stock and to pay dividends which normally would not be paid.

My observation from a fantasy free vantage point indicates that an cartel like organization purposefully moves asset prices higher. Certainly there is no formal organization. There may not even be verbal agreements. Modern stock market manipulation began with the Reagan administration's introduction of The President's Working Group on Financial Markets. It has taken 40+ years of constant stimulus for the necessary tools for elevating the market to develop into what they are today.

Symbiotic relationships form naturally among those who benefit from the same outcomes. Nothing need be written down. It doesn't matter whether or not we are talking about a formal organization.

At the time, it appears ALGOs are losing their abilities to create and maintain uptrends because volume is too great due to non intraday supply hitting the market in increasing quantities. Once Rommel explained to Hitler that as powerful as Germany was, they couldn't win a war against the whole world. Rommel was right. The stock market will not hold its value when everyone in the world wants to sell.

Notice that I am not giving advice on how to trade this corrupt market. I am still in cash. The future of our political system as well as that of the economy is completely up in the air. The mindset of Americans is nothing that supports either democratic principles or free markets. The lack of those make it impossible to have a genuine recovery to occur. There is no telling what heroic measures will be taken to save the stock market.

