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## The Cacophony of Daily Commentaries – Distorts Reality

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Ashok Dhillon has over 40 years of front-line business experience in Canada and International markets.

Mr. Dhillon's experience includes start-ups, venture capital, seed funding, and heading companies in construction and international power development. His extensive experience gives him in-depth knowledge and intuitive insights into macro and micro, national and international, geo-political and economic realities and trends. He has been invited to speak on international business at various forums, including as an expert witness for the Standing Senate Committee, Government of Canada, on "The Rise of Russia, China and India".



From January 2016, as the global stock markets fell, some precipitously, many reasons were trotted out daily to explain the sudden drops and reversals. Since then, as they have gyrated, risen and fallen - risen and fallen again, almost daily, it has been amusing to listen to the explanations of their constant very erratic movements. In all the daily noise of market movements and the constant accompanying commentaries, the underlying reality of the 'real economies' that affect some 7 Billion common people in the World, gets distorted and drowned.

The primary and most popular reasons, commented on daily, have been the crash in oil prices, China's weakness, the strength or weakness of the U.S. dollar, the Euro, the Yen or the Yuan, the interest rates, and most infrequently, the fundamentals of the global economic slowdown. And because the long term trend is more or less, an unchanging slow moving reality, on a daily basis, and doesn't lend itself to constant 24-hour commentary, it get short changed. The larger trends and movements of global geo-political economic movements are glacial, grinding, and relentless, and therefore easy to ignore.

The speed with which the stock markets have at times whipsawed lately, has forced the commentators to assign reasons for the reversals, that a couple of days ago, or that morning, were the same reasons that were apparently having the opposite effect. This need to try and rationalize the often seemingly irrational movements of the markets, often border on the absurd.

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At times the commentaries from different business news channels were so confused as to give the distinct impression that there was no coherent reason at all for what was happening, but since the reporting entities had to 'report' 24 hours, all reasons, however superficial, were good enough.

And in fact just about any reason is good enough, because the markets have always been controlled and manipulated, since time immemorial, to a greater or lesser degree, directly and indirectly, mostly in an opaque manner, but over the last few years most openly by the Central Banks.

Lately there have been the Governments and their Central Banks, forcefully directing the financial and other asset markets. These assets they drove to unprecedented heights, unapologetically, in order to create the desired 'wealth effect'. In that endeavor they succeeded brilliantly, for years, though in the secondary objective to such actions - to influence the direction and pace of economic growth – they failed miserably.



These 'open market' manipulations, and the house of cards they were building, were taking place in the most 'free markets' of the World, while the more controlled emerging markets tried gamely to follow.

Apart from the Central Banks, there were the usual suspects in the U.S., U.K., some Euro countries etc. that took to manipulations of markets and assets, to new heights, with greater levels of 'hutzpah' than ever displayed before by the most brazen banks, their underwriters, brokers and traders.

Just consider all the 'insider trading' - 'price or key interest rates fixing, including the globally critical LIBOR rate' – gargantuan 'accounting and financial engineering' scandals, fraudulent trading and credit underwriting practices, amongst others - that surfaced in the last few years alone, that resulted in the imposition of hundreds of Billions in fines for the financial institutions involved. The ease with which these institutions were able to pay these fines, with no critical damage to their Balance Sheets, their Management and their reputations, speaks to the profits they made with all

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and the power they wield with governments, regulatory bodies, and the public. These financial institutions were the very who's-who of the Western world, and the institutions that control much of what happens in the global financial markets, as they are most influential advisors to governments, financial institutions, including the most powerful hedge funds and the biggest and most influential investors, and almost always on the other side of the trade.

In other parts of the World the problem is even more pervasive and blatant. In those markets that are partially 'free' (*Japan, India and others*) or the altogether not 'free' such as China, Russia and other dictatorial countries for example, there is a large degree of control exercised at almost all times to determine the direction of stock and other assets markets, and/or their indexes. Again, the economies, the financial markets, and the concentrated wealth at the top is just too important, to those in absolute control, to let mere retail investors, or the law of supply and demand, determine the direction of the markets and the economies.

There is simply too much money (*in the Trillions*) that flows through these systems on a *daily basis*, to let chance dictate the direction entirely.



And of course in the past years, the Federal Reserve and the other major

Central Banks have openly and directly tried, and to a large extent succeeded, in controlling the markets. Therefore, the claim in the Western countries that in the free markets, supply and demand dictates prices and direction, has been merely a superficial claim, not one rooted at all in reality, and we haven't even mentioned the 'Specialist' system that has been there from the very beginning.

In the large emerging markets like China, Russia, Brazil and India, that are prone to even greater political interference and more pervasive systemic corruption, free markets are also a myth, even more so.

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If markets are being influenced, and have always been influenced, by the large and influential participants, like the Central Banks, Banks, Investment Banks, other large and powerful financial institutions, major businesses, large and small institutional and private investors, and of course last but certainly not the least, (*and in some markets the most*) the Governments - one wonders where the myth of arms-length, solely driven by supply and demand, 'free markets' comes from?

And more importantly, in the face of all the open and blatant manipulations that have been going on forever, but in the last few years most openly and directly, in the name of economic support, 'economic stimulus' – 'wealth creating effect' – 'zero interest rates policy', have been utilized, and hundreds of Billions are injected directly - daily - to change direction of naturally falling markets, how this delusion still persists, and how it is still believed by the gullible and regularly short changed public, we don't know.



We just wish there was such a thing as a fair and free market, but human nature being what it is, primarily self-serving, it is for the most part not possible.

With all this manipulation taking place on a daily basis, mundane and inane reasons are trotted out all day long to explain the movement and direction of markets, yet the long term trend is hardly worried about. To the active market players, the long term trend is hardly of consequence, it's the daily, weekly or monthly volatility that matters, as that can be traded frequently to make money. The long term investors are interested, but they not the daily audience that the business news networks thrive on, it's the short term investor, the daily trader that is the desired audience. For them any or all explanations for the daily gyrations of their markets are good enough as most of them depend mainly on technical analysis to make their trading decisions. But these are also the majority of traders that usually trade right off the cliff edge as they seldom see 'the drop' coming, so focused are they on the movements of the tree leaves that they don't see the forest collapsing.

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Our contention is that with most of the major players and manipulators of the global markets, secure in their sense of control, especially after the management of the 2008 crash where they actually got rewarded for blowing up the markets, and economies, and were then backstopped by the Central banks for practically 8 years on all market risks, to them this time looks no different. And most are still quite adamant that everything is fine and in fact the prospects for select economies (*like the U.S. and China*) are looking very good indeed. We of course beg to differ.

In our opinion, this time the risks are far greater because, as we have said before, the sub-prime credit problem is now on an international level, across the globe, instead of being a local problem confined to one country. This time, banks that created this problem are not regular banks but Central Banks, and the borrowers are not weak individual creditors, but bankrupt or near bankrupt governments, that are carrying, just as in the sub-prime credit crash, more debt than they can handle.

All these years the Central Banks managed to suppress the ever widening swings, but now with the ammo almost all spent, and the volatility becoming more pronounced and uncertainty in all sectors, economic and geo-political, increasing dramatically, we don't think the Central Banks have control any more.

So, in airplane flying jargon, "no-one has control". Today's global economies and the financial markets are akin to dangerously overloaded planes flying with the various crews scrambling to get control, but knowing that they are losing control. And as the structurally damaged planes increasingly make their own moves, as they start to break up, the players that brought about this condition, are at a loss of what to do to prevent the pieces from coming off, and the planes from crashing.

In our opinion they can't do much except keep up the noise daily, reassuring the hapless public even as the economies keep heading for the ground.

