

## **Dark Pools**

**07-31-2020**

Most nations are reporting their worse growth quarter in decades, if not like the US a 32.9% crash that is almost 3 times more than the -12.9% depth of the Great Depression in 1932 (the worst of the 2009 GFC was – 4.9%). Yet with all of this the financial sector had markets contradicting record real economy lows with fictitious economy highs.

How can fake overcome real when that reality is more than 600,000 dead in a pandemic that was expected to ease up in the summer but instead is now at its worst? Clearly it would take much more than fake news shills telling people things are OK when they obviously are not, and keeping them buying, or at least holding, despite everything crashing around them. Only a small number of companies move the markets, and a significant portion of trades that could negative consequences are never transacted in the visible market, they are done in big investment bank back rooms.

Such trading is forbidden but is often overlooked on certain occasions. It would obviously jack up prices if a public company buying up stock to go private did it in the open market. Holders would hang on to shares knowing their value would increase, thus the desire for secret trading. But a favorite of the dark pool is wash trading. That's when a firm makes numerous fast trades with an entity that is in reality its alter ego. A good way to manufacture interest. We hear a lot about the nefarious dealing going on in the Dark Web. But that is child's play compared to the Dark Pools operating in the largest investment banks with as much moral vision as a Black Hole.

## **Economic Info**

– A House committee recently documented how very large companies like Amazon are able to grow without any competitive risk. In 2009 Amazon realized it was steadily losing diaper business to Diapers.com. It merely engaged in the tried and true under cutting its competitor by using its huge reserves to price cut Diapers.com to the extent that it had to sell itself to Amazon. Then, of course, Amazon recouped its losses with price hikes. Time and again legislation is enacted to prevent such dirty dealing. They always are circumvented because the system runs on profit not scruples.

– The weekly unemployment filings were touted as the best way to determine the trajectory of the US economy. Prior to the pandemic weekly filings were around 200,000. In week ending March 21 it was 3.31 million. The following week it peaked at 6.87. Then the weekly numbers gradually declined. Soon we should be back around 200,000, but July 18 was about 110,000 more than the previous, and most recent report was also higher. This appears to be a bottoming out and if true it means many of the unemployed have been shifted from temporary to permanent. More than 54 million applied for unemployment and 32 million are still receiving it. Congress is currently wrangling over how much more aid will be employed to maintain social peace and well being.

– The US government has disbursed about \$9 billion to pharmaceutical companies working on Covid 19 vaccines. Moderna received about \$1 billion which is projected to turn a profit for the company even if it fails to develop an acceptable vaccine. Should it be successful it will retain ownership of the vaccine and reap all the profit without any repayment to the government and taxpayers for financing their business.

– The EU may be nearing a breaking point if the combined economic and pandemic recession isn't soon over. After much wrangling an EU revival sum of 750 billion Euros was approved with only 390 billion being outright grants, the rest loans. The divide between the penny pinching north and the easy living south is nearing a breaking point. Macron did his best to strengthen the union by financing its economy the way countries normally do; a standard form of issuing securities by a central government. Each member state has retained its own bond system. When the bond systems in southern Europe began to collapse the EU central bank because to buy up what no other country wanted. But that is not the same as a debt mutualization that incorporated the entire member states. Time will tell which way the EU goes.

– China more or less ordered its bankers to open up their coffers for new stimulus loaning. \$1.7 trillion dollars worth of loans were made over 6 months, many to risky private firms. Another indicator for which way the world economy is heading.

<http://unrealeconomy.org>