

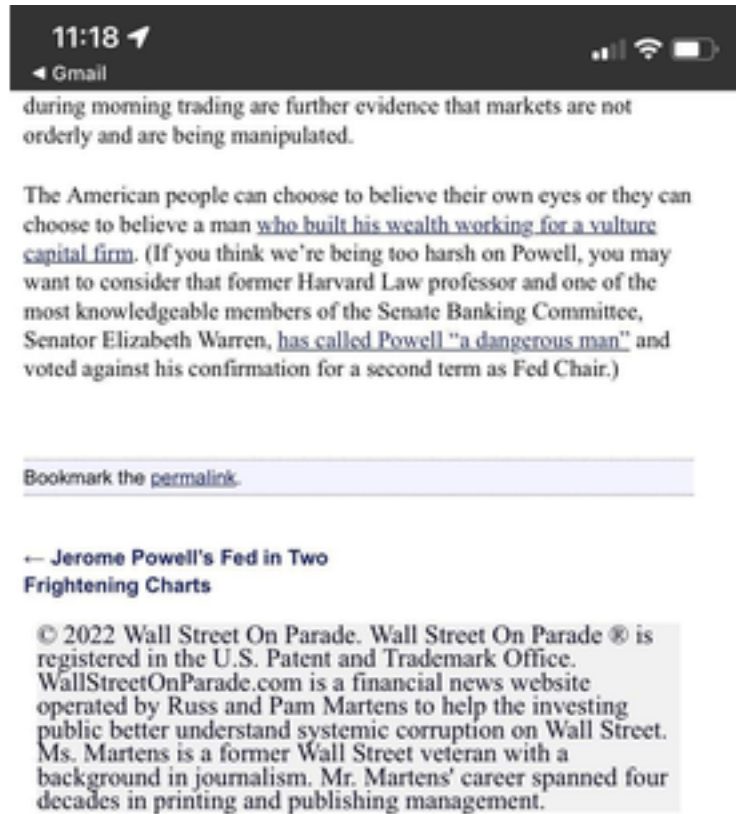
Title: Fed Chair Powell Says "Markets Are Orderly" and "Functioning." They're Not.

Author: disoriented_llama

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that went public on the New York Stock Exchange on January 22, 2021 at \$12 per share. It closed its first day of trading at \$29.51, more than double its offering price – making a lot of people very rich. Yesterday, it closed at \$1.94, a decline of 84 percent from its IPO price. These kinds of losses in newly minted IPOs are not normal – unless one views the rigged research and fraudulent hyping of the dot.com era normal.

Then there were the unprecedented surges followed by plunges in the stocks secretly held by the Archegos Capital Management family office hedge fund last year. (See graph below.) Some of the largest megabanks on Wall Street, which have federal bank examiners on their premises to prevent this sort of thing, were secretly making margin loans with as little as 15 percent equity to 85 percent leverage on massively concentrated positions in single stock names via tricked-up derivatives called Total Return Swaps. Archegos imploded in March of last year, leaving losses of more than \$10 billion ([that the public knows about](#)) at a handful of megabanks.



Under the Fed's Regulation T, stock investing on margin requires putting down at least 50 percent of the value of a stock initially and borrowing no more than 50 percent. What happened with Archegos is not an orderly market; it's not normal; and the fact that [none of the banks were charged](#) with violating Reg T or aiding and abetting the manipulation of the market is further proof that something is [seriously wrong with the U.S. Department of Justice](#) and [seriously wrong with bank examinations by the Fed](#).

And, finally, [the charts we published](#) earlier this month showing weeks of plunges and then spikes in the Dow Jones Industrial Average during morning trading [are further evidence](#) that markets are not

Fed Chair Powell Says "Markets Are Orderly" and "Functioning." They're Not.



How 11 of 2021's IPOs Have Performed.

By [Pam Martens and Russ Martens](#): May 19, 2022 ~

This past Tuesday, Federal Reserve Chair Jerome Powell sat for an interview with Wall Street Journal reporter Nick Timiraos as part of the newspaper's "Future of Everything Festival." During that interview, Powell told Timiraos that U.S. markets "are orderly, they're functioning." The precise exchange went as follows: (Watch it at 24:38 on YouTube video [here](#).)

Timiraos: "A Number of people have suggested to me the one thing that might slow you down or at least make this much more difficult would be some kind of market cataclysm. I wonder, in part, if that is why you are trying to be more transparent, not erratic, making sudden moves on your policy moves. My question there is, where's your level of concern that financial stability and controlling inflation by raising interest rates, maybe a lot, might be fundamentally incompatible in that raising rates causes financial disruption, but doesn't actually bring inflation under control? Where is your level of concern around that situation?"

Powell: "I don't see that happening. We monitor a very broad range of financial conditions, and we're doing that now, we'll keep doing that. Different cycles look different. Sometimes the tightening takes place in one market, sometimes in another, sometimes in credit spreads, sometimes in all of them. So we're watching them all as a group. Volatility has been up a little bit, that has some effect on liquidity in some markets. Nonetheless, the markets are orderly, they're functioning. I think they're processing the way we're thinking – the way the FOMC is thinking about policy – pretty well. And I think the idea, again, is to have financial conditions tighten to the point where growth will moderate but still be positive, but moderate to the point

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thinking about policy – pretty well. And I think the idea, again, is to have financial conditions tighten to the point where growth will moderate but still be positive, but moderate to the point where supply and demand can get back in alignment, and where we can get inflation back down to two percent. I see that broadly working pretty well right now. Obviously, there are some volatile days in volatile markets. But, so far, I see us getting through this fairly well.”

Powell has a law degree, not an economics degree. Thus, his misdiagnosis that inflation would be transitory already makes his judgement suspect. To now suggest that the stock market is “orderly” and “functioning” in the face of a mountain of evidence to the contrary makes Powell look completely out-of-touch with reality.

Yesterday, the giant retailer, Target, lost 25 percent of its market value. In one trading session. That amounts to a \$24.9 billion loss to shareholders. That’s not an orderly market. It’s also not normal.

On May 9, Jefferies tech analyst Brent Thill [appeared on CNBC](#) and said this about his tech trading desk:

“This has taken on more negativity than we could have imagined. We have no buyers on our desk. There’s max pain and it’s darker than I’ve seen in the last decade in covering many of these names.”

A little later in the interview, Thill added this: “I can tell you with high conviction that the biggest names on Wall Street right now are sitting out this and waiting...there’s a massive buyers’ strike right now.”

Memo to Fed Chair Powell: If you have only sellers and no buyers, you do not have an orderly market.

Crypto assets, which have been widely called a pyramid scheme based on the Greater Fool theory but were nonetheless allowed to spread throughout U.S. markets, had climbed to a market value of \$2.9 *trillion* last November. That’s now a \$1.4 trillion market cap with \$1.5 *trillion* of investors’ money going poof in six months. That’s certainly not an orderly market.

Last week [we reported](#) that Senator Catherine Cortez Masto told Treasury Secretary Janet Yellen at a hearing that the crypto market “is now larger than the subprime mortgage market which triggered the global financial crisis.”

Then there is the fact that, similar to the dot.com bust, Wall Street has been allowed by its regulators to bring dodgy companies to the public markets via a broken IPO due diligence system. Above is a chart of what 11 IPOs have done since being brought to the public markets last year. Ticker RLX stands for RLX Technology, a Chinese vaping firm that went public on the New York Stock Exchange on January 22.