

Title: Reverse Repo Confirmation Bias

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I was just reading the section about taxes in "Naked, Short and Greedy". (page 59)

this is what it says, "The buyer's broker-dealer gains this time-value of the trade's cash over the fail interval by investing any end-of-day cash into investment vehicles such as overnight repurchase agreements that allow them to earn interest on idle cash balances. Individual investors do not share in this compensation. The value of the fails can vary wildly from day to day...."

What I think this means is that the high reverse repo is all of our invested money kept in cash at the bank and they are collecting interest off of our capital from the fed in the overnight RRP. If I'm right, then, we should see the RRP start to go back down now that we are DRSing our shares forcing the banks/brokers to spend the cash on the shares.

I think this could be why we have been trading sideways. If the broker fails-to-receive with the market maker the trade never happened and the brokers hold the money. They put it in the reverse repo and you get your fake phantom share in your account.