

Grievous Bodily Calm: Beware Pump & Dump

Portfolio Attribution

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As a matter of law, it is a blatant offense to “**Pump and Dump**” individual securities, however, it is appearing that one does not wonder into legal jeopardy if they extralegally do so over an entire bourse, marketplace or sectorial subset.

The spurious proposition that a V-like recovery can be realised, curtailing the shortest official bear market in recorded modern history, helmed by US Central Bankers going all-in and “*whatever it takes*” (parroting Mario Draghi’s famous speech on 26 July, 2012) is not only casuistic and nonsense, it’s **horseshit**.

As argued within our [3 May Update](#), April’s extraordinary Risk Asset rallies – which saw the best monthly performance since January 1987 for the DJIA and S&P500 and the best April for US Risk Assets since 1938 – are not hopeful signs of troubles nearing a conclusive end but rather a reopening of an all too familiar institutional playbook, which sees Risk Assets artificially and very temporarily propped back up, so that the institutional *powers-that-be* may offload their positions before allowing gravity to take over the reins.

The currently conspicuous institutional playbook has attempted to ratchet up S&P500 price levels towards the 3,000 strike – which they have now accomplished – and now will [allow, more natural, ‘Price Discovery’ processes to take over](#).

Cite:- [The Monetary Interventionist Wildcard & Start Of A Deeper Corrective Process](#), 3 May 2020

As prosecuted within our [22 April Update](#), the unacceptably high probability of imploding stockmarkets and furthermore, cratering at unrecognisable velocities is not only dangerous ground for conservative investors to stand upon, its reprehensible that their advisors stand by waiting for the carnage to ensue.

Cite:- [Equity Market Implosions Imminent: Evidence, Economics And Lead Indicators](#), 22 April 2020

The S&P500’s most recent trough came on Monday, 23 March, with the S&P500 index’s closing at 2,750, marking the fastest bear-market low to a bull market since another bullish period during a longer-term bear market: the eleven trading days ending on Monday, 8 December 2008.

That bull market did not last long, with stocks hitting new lows within months.

It then took ten trading days for the index to rise twenty percent from its 666-point bottom in March 2009, beginning what

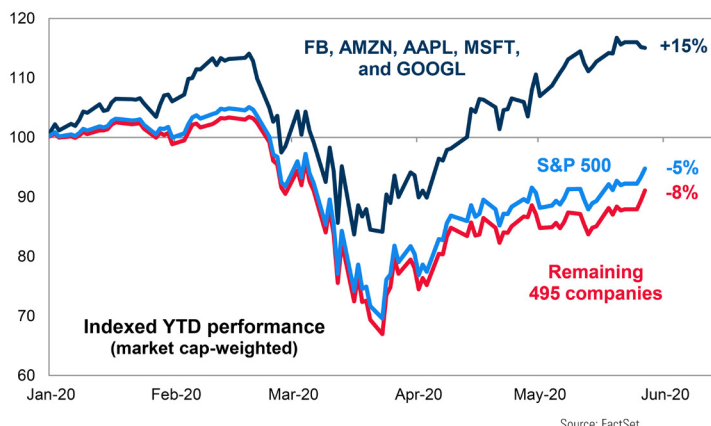
became the longest bull run (11 years) on record, which ended in February 2020.

It took the S&P500 just sixteen days to tumble twenty percent from that record high – the quickest descent into a bear market since July 1933 – add another seven trading days and the index hit its March 23 low, down thirty four percent from 19 February.

the ossification of the existing system has allowed phantom earnings and “*Creative Accounting*” to specifically propel the S&P500 for specious reasons.

Cite:- [A Year Of Phantom Earnings](#), 17 May 2020

The average S&P500 stock has returned negative thirteen percent *Year-To-Date* and the equal-weighted S&P500 index trades fifteen percent below the record high and has lagged the cap-weighted index by 650 basis points this year.



The coronavirus bear market that allegedly ended on Wednesday, 1 April 2020, lasted for nineteen trading days, marking the shortest bear market since a fifteen-day stretch in November 1929.

The rise of automation of markets and tapering of human lead trading cannot be blamed for this expediency, it is a ruse well witnessed by those arraiging **Pump ‘N Dumpers**.

Cite:- [Automation, Artificial Intelligence & Bionic Markets](#), 1 March 2019

On Wednesday, 19 February 2020, the S&P500 closed at 3386, an all-time high and three months later, the index stands eleven percent lower at 3030 points, representing negative six percent performance *Year-To-Date*.

[The Ides of March](#) saw US equities bottom concurrently with the announcement by the US Federal Reserve that it would support the investment-grade bond market and relieve liquidity and solvency pressures threatening many US conglomerates.

Congress also acted swiftly and passed the CARES Act that extended support to small businesses and provided extended unemployment benefits to individuals who lost their jobs due to the pandemic.

The index has rallied by thirty five percent during the past forty-six trading days since the aforementioned began.

However, as explained within our [May 2020 Circular](#), on **page 3 in particular**, the S&P500 bellwether index has not been matched by other US composite bourses and

The stellar return of the five largest stocks in the S&P500 – Microsoft Corp. [MSFT:US], Amazon.com Inc. [AMZN:US], Apple Inc. [AAPL:US], Alphabet Inc. [GOOGL:US] and Facebook Inc. [FB:US] – is the primary explanation for the large difference between the cap-weighted index and the average stock and the gaping dispersion variance with the other US composite indices aforementioned.

The history of Asian bear markets since 1970 shows that sharp rallies frequently occur which affect and effect Australia’s ASX200 composite and these typically have gained ten to fifteen percent and have lasted one to four weeks – we today are within the fourth week of Australia’s late April ‘*Recovery Rally*’.

Given that equity markets are pricing in a lot of good news given what still lies ahead, with P/E multiples already back at 16x 2021 consensus earnings (from a low of 13x) and even higher if you assume that 2021 earnings projections will demonstrably come down, the principal drivers of the recovery in risk appetite is deceit itself.

If the saying goes that Doctors bury their mistakes, Lawyers gaol theirs and Journalists publish theirs for all the world to see, then what say the conduct of investment advisors who allow their conservative clientele to pile back into this charlatan recovery rally? **Caveat emptor, Buyer beware.** ■

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