

China Financial Markets “Carefully Rigged”. Instruments of Stock Market Manipulation

By [Prof Michel Chossudovsky](#)
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Press TV has interviewed Michael Chossudovsky, a professor of Economics at the University of Ottawa, about China’s recently declared decision to reduce its main interest rates, in a bid to stop global market indices from taking a nosedive.

Following is a rough transcription.

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Press TV: Professor, how do you assess China’s decision to reduce its main interest rate?

Chossudovsky: Well, I think that it is a very symbolic action and has absolutely nothing to do with the mechanisms of stock markets and it is certainly not a solution. Having examined the situation and based on past experience, the collapse of the Shanghai stock exchange is most probably the result of the process of market manipulation.

We have to look at the broader picture; from August of last year to approximately the end of June, the value of the Shanghai stock exchange, the composite index, increased by approximately 150 percent and then it started to collapse. This has all the features of a carefully planned rigging of financial markets where speculators push up the values of the stock market and then ultimately push them down. It is a well-known process that’s called ‘pump and dump’: artificially inflating the price of stock and then selling at inflated prices and then gathering profits subsequently when it goes down again.

Video Interview

Press TV: Of course professor, some have doubts about China being the world’s second largest economy because of this incident. How genuine and credible is such a claim?

Chossudovsky: Well, these economic benchmarks are invariably used to explain major shifts in stock market values whether it is in China or the United States. They say [there is] uncertainty about China’s economy and whether it is 7, 6 or 5 percent growth. I simply do not buy that explanation.

We are dealing with something far more complex. There is no spontaneity in market responses which would trigger this downturn. There are instruments of manipulation which are well-known – short-selling, options trade- in other words, buying an option on let’s say the Dow Jones Industrial Average, under assumption that it goes up and then of course,

these powerful financial institutions have the ability to push it up and they also control the media reports which then influence the broader directions of these transactions.

I should mention that a large share of financial transactions are actually implemented through computer programmed trading. In other words, they are called high-frequency trading programs and Goldman Sachs as well as other major financial institutions are known to use these trading programs with a view to manipulating stock market transactions.

We should not dismiss the fact that the major players in the stock market have been involved in serious manipulations, both of stock markets and currency markets. We recall that last year in fact, several financial institutions were actually indicted for manipulation of the currency markets.

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