

IS THE MARKET RIGGED?

A LOOK AT THE BOOK "FLASH BOYS" ON "60 MINUTES"



On Sun., March 30, "60 Minutes" ran a story titled "Is the U.S. Stock Market Rigged?" It featured Michael Lewis, author of financial-themed books including "Liar's Poker" and "The Big Short," discussing his newest book, "Flash Boys."

The book is a non-fiction perspective of how a small group of Wall Street traders discover that, through the use of faster technological methods, high frequency traders are able to jump in front of other traders and gain an advantage when buying and selling stocks.

The "60 Minutes" story and Lewis' book are both, by design, sensationalized with information portraying high frequency traders as "victimizing" the rest of investors by beating them to trades by mere nanoseconds.

THE FACTS

High frequency traders and their ability to place trades nanoseconds before traditional investors (including mutual funds, pension plans, hedge funds as well as individual investors) are not new. There have been stories for years about the technology high frequency traders use to achieve faster trades as well as the artificial intelligence used to read – and trade on – government releases ahead of the public.

The March 30 "60 Minutes" story has prompted regulators and law enforcement in the U.S. to investigate whether high frequency traders are breaking any laws or creating any abuses.

THE BOTTOM LINE

At Northwestern Mutual, we believe in a level playing field for all investors whether they are individuals or large institutions. Further, we don't believe this story should create worry in investors or drive them away from investing in equities.

The securities industry is still one of the most regulated industries in the world with extensive oversight. This feeling was echoed by Lewis on the April 1 "Today Show." Referring to the matter, he said "...you're talking about scalping. It's pennies each trade...It's unnecessary Wall Street intermediation, but **it's crazy to miss out on investing in the stock market just to avoid being scalped.**"

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