

# US Fed probing market trades before policy release

September 25 2013

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The US Federal Reserve said Wednesday that it is looking into allegations that traders received information about its policy decision last week ahead of the official release time.

The Fed said it would be reviewing how it disseminates often market-moving monetary policy decisions after an analyst said that movements on the gold exchange just before the release last Wednesday could suggest someone had the information early.

The Fed's shock decision not to begin tapering its \$85 billion a month [stimulus](#) was officially released at precisely 2 pm last Wednesday (1800 GMT), sending prices for stocks, bonds and gold soaring.

Most analysts and [economists](#) had expected that the stimulus would be reduced, and anyone who had the information early stood to rake in easy profits when it became public.

"We will be conducting follow-up conversations with news organizations to ensure our procedures are completely understood," a Fed spokesperson said.

Media organizations were as usual allowed early access to the decision, to prepare reports under embargo that could not be released prior to 2 pm.

Some news organizations release, upon expiration of the embargo,

market-moving information like Fed decisions directly to clients' computers which are programmed for extremely high speed trading.

According to Eric Hunsader of Nanex, which created technology that allows real-time analysis of market trading, there were clear, unexplained rises in the gold and gold [futures markets](#) just before the official announcement.

"It was a pretty substantial move on gold two minutes and a half before," Hunsader told AFP.

"It started in Chicago and NYC (New York) reacted about 6 [milliseconds](#) later.

"It was enough of a move that actually I sent out a [tweet](#) to the effect that somebody got the news early. It was something that surprised me."

Nanex published charts of the movements backing its claims but it has not been directly contacted by the Federal Reserve.

Hunsader said the problem could have arisen from a news organization placing the no-taper information, ahead of the release and still under embargo, onto a computer server in close proximity to programmed trading machines

That would not break the embargo, but give the trading machines a minute, millisecond advantage over others at 2 pm."Or somebody knew the information beforehand. That's more a conspiracy theory," he said.

"But one way or another, the info was at the exchange before 2 o'clock."

According to Hunsader, the first movements in gold were immediately followed, at 2pm precisely, by sharp changes in the prices of other

securities and commodities.

"It was really everything: financial futures, Treasury futures, precious metals, corn, soybeans, all equities... right at two o'clock"

"The only thing that had activity before two o'clock was gold."

The Fed said the [media organizations](#) that receive information under embargo—which include AFP—"agree in writing to make no public use of the [information](#) until the time set for its release."

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