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## Market Structure Map

Helping IROs understand short-term market structure to maintain long-term peace of mind.

### Mar 14: Body Language of Stocks

Comment on this story at the Market Structure Map blog: <http://www.modernir.com/msm>

We are writing an algorithm that will identify when the performance of your shares is “sexy.”

Just kidding. Mostly.

It's no joke, however, that trading behaviors can be measured. We said in Market Structure reports for clients this morning: “Broadly, lock-step group behavior means markets are at risk for another move up or down of some magnitude.”

It happened March 13, and may recur this week or later, following options expirations. We're measuring body language in the crowd behind trading data. If many of its biggest and fastest members break into a jog in the same direction, it's evident.

[Jan Hargrave](#), expert on what bodies are saying, is coming to Denver in April to [visit our NIRI chapter](#). From the telltale signs of mendacity in somebody's stance, to ways your body language can help you move from jittery to intrepid, she's made a business of marking meaning in physical movement. Because actions speak. I've not yet heard Jan, but colleagues say she's fantastic.

We're mesmerized by extracting meaning from behavior. Well, there's language in trading behaviors. Erratic, slow, suggestive, fearful – all these manifest differently in trading activity and tell you what money thinks about your shares and the market that surrounds it. If your market structure has folded its arms and crossed its legs in answer to news you just released, it's potent body language.

But more often than not, the market is caught up in crowd-watching. It likes to hang out near the red carpet trod by the celebrities, such as economic data and central-bank actions. That's what happened on March 13, when the DOW jumped 218 points. The pupils of the market dilated when the Federal Reserve surveyed its foot soldiers, the primary dealers, and pronounced them fit and sexy.

How? The Fed released “stress test” results for the big banks central – pun intended – to implementing policy initiatives. In telling markets that Behemoth Banks have the resources to do all the things they do – submit bids at Treasury auctions, underwrite hundreds of trillions of notional derivatives value, trade currencies, make markets in bonds and commodities, provide liquidity for equities – the crowd thought the Fed said that love was in the air.

If your stock has been left off the Freeway of Love (one of Jan Hargrave's books), you may know only through trading behaviors, rather than in changes to ownership. It's body language.

Stock markets are complex, like human emotions. But trading behavior has its own versions of smiles, frowns and shrugs. It's not that complicated to understand if you take the time to know what you're seeing.

Have a good week,

Tim Quast  
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