



## Cliff's Perspective

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### High-Frequency Derangement Syndrome<sup>1</sup>

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Somehow I still naively think after we write something we're pretty sure we're both right and reasonable about, that the discourse will change in our direction, even slightly. I know, arrogant and solipsistic.

Here's a quick example of this belief being utterly and repeatedly shattered.

People are still writing [crapola](#) like this about high-frequency trading (recall we are not high-frequency traders, we just think they make our trading cheaper, and thus our clients better off).<sup>2</sup> In particular, while seeking to hedge themselves ("This isn't to say that in the good old days we didn't have big swings."), commentators make the same implicit mistake so many do. They casually assume that because today's system isn't perfect, and it isn't, that yesterday's was better.<sup>3</sup> It just wasn't. Yesterday's system was much more expensive on average, crashes still occurred, and human market-makers still didn't throw their bodies and wallets in front of those crashes to stop them by buying at higher than market prices.

But, then again, I've already said this a few times.<sup>4</sup>

[Here in the Wall Street Journal](#)

[Here on RealClearMarkets](#)

[Here on Bloomberg](#)

But, I'm now certain that with this latest missive, I've finally put this stuff to bed for good!

[1] Yes, "derangement syndromes" are becoming a theme for us like [here](#) and we've also renamed [this](#) "Buy-Back Derangement Syndrome" which is the title it will be published under.

[2] I'm picking on this one article and the commentators therein, and they deserve it, but clearly singling them out isn't fair as this stuff is much more widespread than just this piece.

[3] In particular, we do continue to worry not about day-to-day high-frequency trading or even crashes, but a major technological problem (eg., fat-fingers<sup>2</sup>) as a relatively new thing is susceptible to such problems.

[4] There's actually a broader theme going on of people just distrusting technology (save social media, to which they will tell everything) and buying any story that sounds like Skynet is nigh. Although on a different topic, this note shares a lot in common with what we discuss [here](#).

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