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A Flash Crash, or Just Volatility?

October 11, 2016

I wish we could get away from calling every bout of extreme price volatility a flash crash. Markets crash and rebound - they always have. Today it can happen in a few minutes, back in the 80's it would take a few days. But the causes are often the same.

The same can be said for price volatility. And volatility is something market participant revenues could use more of these days. So while the recent GBP overnight price movements are notable, I don't believe they are a cause for panic. In fact, the more often we have market moves like this, the better market makers and their algos will become at handling (and profiting from) them.

And profiting from them is not a bad thing. It is the potential for profit that keeps market makers of all stripes in the market. Therefore,natural market forces should see many of these short lived price shocks flatten out overtime.



I spoke with Bloomberg TV about this, and why, despite the limited need for alarm, the market should still work to understand how they events occur and how to get better at managing them in the future.

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