

# Suspicious trading points to advance knowledge by big investors of September 11 attacks

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In the two weeks preceding the September 11 terror attacks on New York and Washington, there was a sudden and unaccountable rush of speculative trades on the US stock and bond markets that indicate some wealthy and well-connected investors had advance knowledge of the impending catastrophe.

Those involved bet large sums on the prospect of a major crisis that would drive down the value of stocks in the airline, tourism and insurance industries, and undermine confidence in the US economy as a whole. Investigations are currently under way by the Securities and Exchange Commission (SEC), the federal watchdog agency for the stock and bond markets, the Secret Service and the FBI. These probes have been given little prominence by the media, in stark contrast to the round-the-clock warnings of new terrorist plots and reports of suspects detained in the US and Europe.

The SEC has issued terse acknowledgements that it is looking into suspicious financial transactions to see if they are connected to terrorist organizations. But the scale of the stock and bond activity under scrutiny belies the notion that it could be the work of Osama bin Laden's guerrilla band, let alone the fanatics who carried out the September 11 atrocities.

Over the past several days the *Wall Street Journal* has carried reports of the SEC and Secret Service probes, and dispatches have been published by the Associated Press and *USA Today*. But the *New York Times* and the *Washington Post* have remained strangely silent, and the network news outlets have said nothing.

The *Wall Street Journal* reported on October 2 that the ongoing investigation by the SEC into suspicious stock trades had been joined by a Secret Service probe into an unusually high volume of five-year US

Treasury note purchases prior to the attacks. The Treasury note transactions included a single \$5 billion trade.

As the *Journal* explained: "Five-year Treasury notes are among the best investments in the event of a world crisis, especially one that hits the US. The notes are prized for their safety and their backing by the US government, and usually rally when investors flee riskier investments, such as stocks." The value of these notes, the *Journal* pointed out, has risen sharply since the events of September 11.

The article went on to quote Michael Shamosh, a bond-market strategist for Tucker Anthony Inc., who said, "If they were going to do something like this they would do it in the five-year part of the market. It's extremely liquid, and the tracks would be hard to spot."

The SEC is investigating a surge in short-selling activity in a variety of stocks in the days preceding the attacks. It has asked US securities firms to produce customer accounts and stock-trading records involving short selling prior to September 11.

Short sellers borrow shares and then sell them at the current price. They wager that at the future date by which they must pay for the borrowed shares, the price will have fallen, enabling them to pocket the difference.

In the week prior to September 11, shares in airlines, insurance firms, tourism-related businesses and financial companies with offices in the World Trade Center suffered disproportionate drops in their prices, arousing the suspicion of the SEC following the hijack-bombings. After the attacks, these stocks were hit particularly hard by the sell-off on Wall Street.

The SEC has been extremely tight-lipped about its probe, in which it has enlisted securities firms and

government agencies in Europe, Canada and other countries. But on Tuesday the Investment Dealers Association, a trade association for the Canadian securities industry, posted on its web site a list sent by the American SEC of 38 stocks. The US agency had asked the Canadians to look into trading in these stocks between August 27 and September 11.

As soon as US officials became aware of the Internet posting, they demanded that the Investment Dealers Association yank it from the web site, and the Canadian organization complied. However, reporters and others were able to copy the list before it was pulled.

The list includes the parent companies of American, Continental, Delta, Northwest, Southwest, United and US Airways, as well as Carnival and Royal Caribbean cruise lines, aircraft maker Boeing and defense contractor Lockheed Martin. Several insurance companies are on the list—American International Group, Axa, Chubb, Cigna, CNA Financial, John Hancock and MetLife.

The SEC list also includes several big companies that were tenants in the collapsed Twin Towers of the World Trade Center: investment firms Morgan Stanley, the complex's largest occupant; Lehman Brothers; Bank of America; and the financial firm Marsh & McLennan.

Other major companies listed include General Motors, Raytheon, LTV, WR Grace, Lone Star Technologies, American Express, Bank of New York, Bank One, Citigroup and Bear Stearns.

Testifying on Wednesday before the House Committee on Financial Services, Dennis Lormel, chief of the FBI Financial Crimes Section, said, "To date, there are no flags or indicators ... that people took advantage of this." However *USA Today* quoted co-founder of PTI Securities Jon Najarian, described as an "active player" on the Chicago Board Options Exchange, who said, "The volumes were exceptional versus the norm."

It is impossible at this point to say which individuals, groups or corporate entities had advance knowledge of the September 11 attacks and used this knowledge to cash in, or whether any of them were based inside the US. But the otherwise inexplicable rush of Treasury note buys and short-selling in specific stocks is a further indication that those involved in the planning of the attacks included highly sophisticated and well-

endowed people with a deep understanding of many facets of American society.



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