

Zero Magic

Shifting the Valuation Convention

Simon Goldin (part of Goldin+Senneby)



DOCTORAL DISSERTATION

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<p>Abstract: Zero Magic is a trick for the financial markets, which has the capacity to undermine the perceived value of a publicly traded company and profit from this.</p> <p>Short selling is a way of profiting from loss: Making money if and when a target company loses in value. It is a fundamental market activity that goes as far back as the first stock, yet to this day little is publicly known about the strategies employed by short sellers. On the US exchanges there is no requirement for hedge funds to disclose short positions, and in other jurisdictions such requirements are very limited.</p> <p>Zero Magic was developed by covertly infiltrating a secretive hedge fund specializing in short selling, and reverse engineering its methods. In brief, the hedge fund's trading strategy is based on identifying suitable short selling targets through analyzing networks of corruption, and then framing critical newsworthy stories about these target companies that can be anonymously distributed among journalists. Profit is gained when a target company loses in value. Rigorous measures are taken by the fund never to be identified as the source of a negative campaign.</p> <p>Access to the hedge fund was gained through the art world. The founder and co-director routinely supports artists and art institutions and is said to have gotten the idea for his fund when looking at a Mark Lombardi drawing (an artist known for mapping networks of power and corruption). It is hard to tell whether the founder's engagement with art merely entertains personal vanity, or if it functions more strategically as a means of "secret publicity" for the fund; giving access to investors, while staying under the radar of more mainstream public relations. Covert techniques such as hidden recordings and proxy researchers were used to uncover the fund's methods.</p> <p>With the assistance of Théo Bourgeron, sociologist of finance, Zero Magic not only reconstructs the workings of the trading strategy, but offers a fully operational magic gimmick. The magic gimmick is a computer program providing non-expert users the means to identify relevant short selling targets (companies with weak "valuation conventions"), and a step-by-step guide to undermining their perceived value. With this gimmick one can execute a successful short sale without any previous contacts in the investor community or access to insider information. A US patent application for the trick was filed in January 2016.</p> <p>The artistic PhD "Zero Magic: Shifting the Valuation Convention" concludes with a stage performance and a magic box:</p> <p>The stage performance, "On a Long Enough Timeline the Survival Rate for Everyone Drops to Zero" with magician Malin Nilsson, performed on May 11 and 12, 2016, at Cirkus Cirkör, Stockholm. Through the ticket sales, audience members are drawn into the Zero Magic trick, buying into the predicted future loss of a target company.</p> <p>The magic box, prepared for public archives, contains the Zero Magic computer software, a US patent application for a "Computer Assisted Magic Trick Executed in the Financial Markets" and four historical examples of magic tricks played out beyond the stage, in the world at large.</p>		
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