How Market Makers Use Tariff Narratives to Control Crypto Prices

The financial markets have always been a playground for volatility, but recent events have raised eyebrows among investors, particularly in the cryptocurrency space. The announcement of potential tariffs by the Trump administration has sparked fears of a global trade war, leading to a sell-off in both traditional and crypto markets. However, for many, this reaction seems disproportionate or even suspicious. Is the market dumping genuinely due to tariff fears, or is it a calculated manipulation play to accumulate assets at lower prices? Let's dive into the evidence.

This is my speculation. Please note that this is not financial advice, and you should do your own research before making any investment decisions.

The Tariff Narrative: A Convenient Smokescreen?

Since before his inauguration, Trump's tariff policies have been a recurring theme in market discussions. The recent resurgence of this narrative has caused markets to dip, but many are left wondering why this is happening now. If the tariffs were already priced in, why the sudden panic? One possibility is that the news is being amplified to create fear and uncertainty, providing an opportunity for large players to accumulate assets at discounted prices.

According to an article from the *Tax Foundation*. Trump's tariffs have been a significant factor in trade war discussions, but their immediate impact on markets may be exaggerated. This exaggeration could serve as a pretext for market manipulation, particularly in the crypto space, where regulation is still evolving.

On-Chain Data Reveals Accumulation Patterns

For those closely watching the blockchain, on-chain data reveals interesting patterns. Entities like World Liberty Finance, linked to Trump, have been accumulating and staking ETH. This activity suggests that while the public narrative focuses on tariffs and trade wars, some institutional players are quietly positioning themselves in the crypto market. Could the tariff news be a smokescreen to drive down ETH prices, allowing these entities to buy more at lower levels?

Market Makers and Circular Trading: A Controlled Cycle

Market makers like Wintermute, along with major exchanges such as Binance and Coinbase, wield significant influence over price movements. These players manipulate prices through circular trading, a tactic that artificially inflates trade volume without real demand, pushing prices down. Here's how it works:

1. **High Trade Volume With Minimal Demand**:
   Wintermute, Binance, and Coinbase engage in repeated cycling of assets between

themselves. This creates the illusion of high trading activity, but no new buyer demand enters the system, preventing price recovery.

2. **Dumping of Assets**:
   Market makers sell large volumes of assets across multiple exchanges. These bulk sales create an oversupply, driving prices down due to weak demand. This intentional price suppression allows them to accumulate assets at cheaper levels.
3. **Short Selling Profits**:
   By driving prices lower, market makers fuel negative sentiment. Traders see falling prices and assume a bearish trend, leading to increased short positions. Market makers profit from these shorts while simultaneously buying back assets at discounted prices.
4. **Reinforcing Downward Spirals**:
   As prices drop, stop-loss orders and liquidations of leveraged positions trigger further sales, accelerating the downward trend. This cascading effect creates a bearish cycle, enriching market makers and short sellers.

ETH/BTC Chart: A Sign of Bottoming?

Technical analysts are closely watching the ETH/BTC chart, which appears to be bottoming. This could indicate that ETH is undervalued relative to BTC, presenting a buying opportunity. If the recent price dump is indeed a manipulation tactic, the bottoming of the ETH/BTC chart could signal an impending reversal, rewarding those who accumulated at lower prices.

Market Sentiment Manipulation: Fear and Panic Selling

This cycle of manipulation affects investor sentiment. Declining prices and artificially inflated volume create fear among retail traders, leading to panic selling. This enables large players to scoop up assets at bargain prices once their shorting strategy concludes. As highlighted in an *AP News* article, the crypto market's susceptibility to manipulation makes it a prime target for such tactics.

Blackrock's ETH Inflow: A Clue to Institutional Accumulation

On February 5, 2025, Blackrock recorded its highest single-day ETH inflow, as reported by Binance. This data point aligns with the theory that institutional players are accumulating ETH during periods of price suppression. The timing of this inflow suggests that large entities are capitalizing on the fear and uncertainty created by market manipulation.