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The Raw Material

Stocks Aren't Merely Trading Chips, Pru Executive Reminds "Investors"

*When **Prudential Financial** Vice Chairman **Mark B. Grier** went down to Washington early last month to participate in a roundtable the **SEC** convened to discuss the not-always scintillating topic of market structure, he was odd man out. He was the only certified seer on the panel, having warned the SEC in a meeting only weeks earlier that a runaway market event, like May 6's flash crash, was all-too-possible. Mark was also the only speaker, out of the 23 who appeared, who did not trek to the capital to voice the interests of traders, brokers, electronic speculators or institutional investors – even though the Pru, with nearly $700 billion in assets under management, is no slouch in that last department. What was on Mark's mind was speaking up for corporate issuers of stock, who these days are being treated, he says, as mere raw material to feed Wall Street's high-tech trading machines – with decidedly negative implications for the quality of the information stock prices constantly feed into every nook and cranny of the economy. Mark's global remit has had him on the road virtually constantly ever since the SEC's gathering, but I caught up with him last Tuesday when he checked back into Pru's Newark, NJ headquarters, and got him to expand a bit on what has him irked enough to get him to mull what alternatives corporate issuers may have to public ownership. Listen in.*
KMW

It was refreshing to hear someone rising above the "market innovation" gibberish that largely pervaded the SEC's market structure roundtable to urge the regulators to pay attention to the consequences of their actions on the capital formation process that the markets are supposed to support. Though I confess the proceedings weren't easy to listen to – either live or in replay.

You should have been there!

Long experience kept me away! I did notice, though, that yours was the only voice from the corporate sector. How did that happen?

I had happened to go down to see [**Robert Cook**] the head of the SEC's division of trading and markets, and several of his staff members, maybe two weeks before the flash crash. I went in to see them basically with the same messages I carried to the roundtable, about the deteriorating quality of the markets, what's really going on and how much – or rather how little – fundamental content there is in prices. My

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main point was that there was a risk that the markets would take on a life of their own and run off by themselves – that was the phrase I used in that first meeting, and repeated at the panel. Then, about a week and a half after I met with the regulators, that exact thing happened. The market ran away with itself in what quickly became known as the flash crash. So they gave me full credit for having some insight into what might happen – and into how much risk there was in the market! As a result of that – and the discussion we had prior to the flash crash, they invited me to participate in their panel.

You were probably the closest they had seen to a certified market seer in quite some time!

That wasn't at all my perspective when I went to visit them or when I joined the panel. My perspective was that of an issuer and of an officer of a listed company. A company that is genuinely concerned about the *fundamental valuation of stocks* as opposed to a company which is in the business of markets. I'm drawing a distinction between people in the business of investing, people in the business of employing capital, and people in the business of markets. My key theme in the discussion on the panel was, "When does it cross over? When do you go past the point where it's a capital market valuing companies and into something that has a life of its own and where its fundamentals are *not* the values of the companies? What happens when the market's fundamentals are algorithms and signals and pings and all the stuff that goes on between the machines? What happens when the machine doesn't know whether it's buying Prudential or **McDonald**'s or **Continental Airlines**. What happens when that is really the way in which stock prices are being determined? And how much should we worry about that?

What you're asking, essentially, is whether we should care if the market has become a casino?

Well, I have used that analogy to describe what's going on when the stock market is not really acting like a capital market. There's that fundamental level of my concerns, where the basic issue is around valuations and what the market is all about. But then all that gets extrapolated into all of the interdependencies and consequences of what happens in the market. Part of the reason I went down to have that first discussion with the SEC was to make the point that I believe that this disconnect between company fundamentals and stock prices is a much more serious source of systemic risks than anybody is giving it credit for. The systemic risk – if the markets are materially wrong, if they are broken down, if they are not reflecting fundamentals, and if, as a result, real investors are hunkering down and not participating – could be devastating.

"I believe that this disconnect between company fundamentals and stock prices is a much more serious source of systemic risks than anybody is giving it credit for."

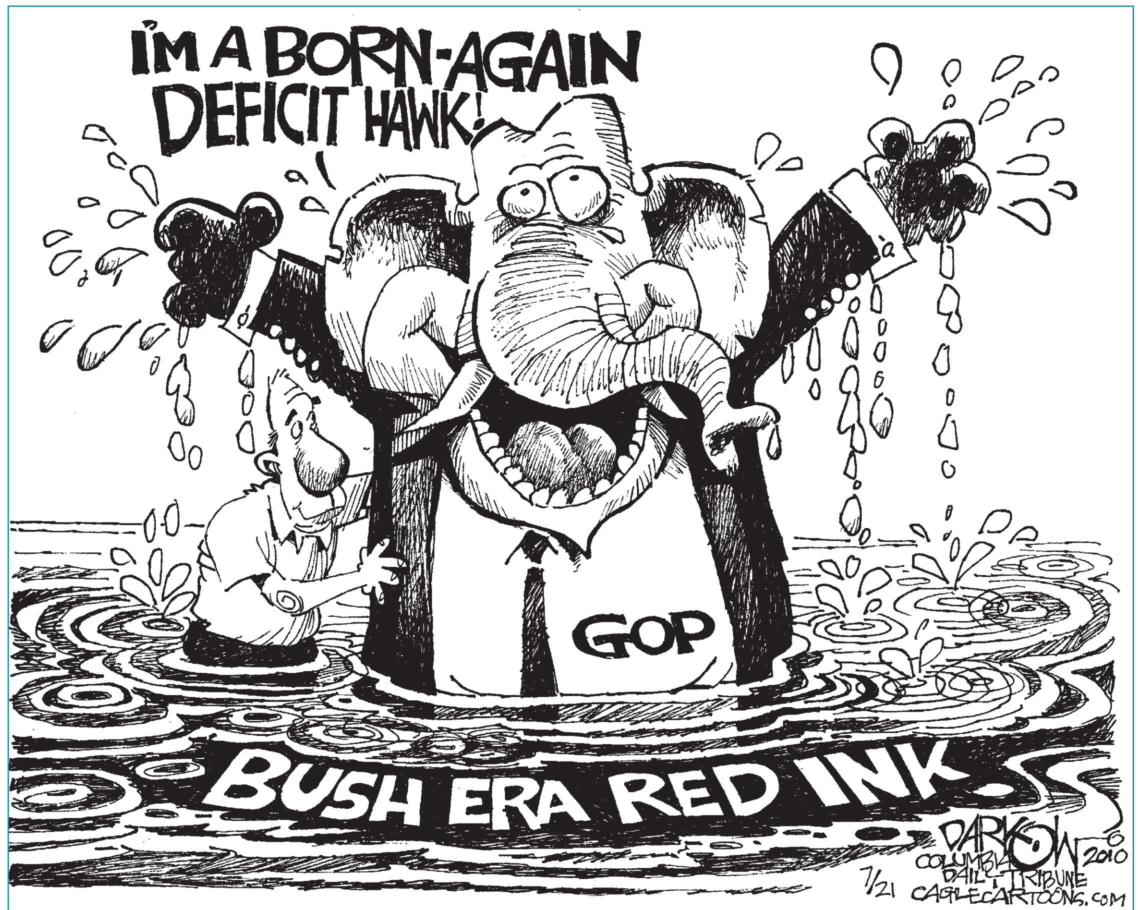
Not just in Wall Street, you're implying?

That's the least of it, in some senses. Because our financial system uses the markets as its scorecard. Stock prices are reflected in corporate accounting statements, in the financials, in earnings, in capital, in mark-to-market valuations, in regulatory capital. Then we have the rating agencies that use them. We have all the headline risks that go along with the market volatility as they affect employees and as they affect clients.

It's not great for corporate managements, who are being told to manage for the long-term, yet also being told to tie more and more of their compensation to the performance of their stocks, either, is it?

This is an issue that we have had extensive discussions about within Prudential, relating to the intersection between compensation and incentives and the valuation of our stock – how all of that plays out over time to reward management for doing the right things and to insure that shareholders are rewarded for hav-

ing made the right investment decisions about Prudential. There's a big move to pay executives more and more often in stock and to focus on alignment with shareholders' interests. But the challenge for us is that we're managing the company's fundamentals, mostly on a, say, 3-7 year time horizon yet we live in a daily valuation environment for the stock. We live with the headlines that creates; we live with what that does to rating agencies, how directors react, all the short-term consequences of stock gyrations. We essentially have to focus on managing the company and make the bet that some day we'll see the coincidence of value equaling price. But there's a basic conflict between using the stock price as our report card and the way in which that price gets set.



Not to mention that stock prices, more broadly, affect consumer and overall economic confidence.

Yes, you have this whole potential spillover effect, in which bad markets can lead to a whole lot more unfortunate outcomes. If you want to talk in terms of macro themes, the stock market is supposed to be a capital market. It's supposed to allocate capital but it is also supposed to send us messages and signals that help us make economic decisions, make plans, be comfortable or not. And so when the stock market goes off the rails, it is a tough time.

In other words, the markets might be trying to tell us something when there have only been a handful of initial public offerings in this country this year — and the biggest IPO anywhere has been of a virtually bankrupt Chinese bank?

The Agriculture Bank in China! Yes, well, the market is telling us something that's a direct reflection on the quality of the capital markets and the lack of availability of capital here – reflecting valuation uncertainties, trading issues – there are a whole lot of reasons that there's a cloud over the capital market here. But the market's difficulties, I think, are in large part attributable to the market itself, not to the macro things that everybody is thinking about. I think it's because of what we saw happen in the financial crisis.

What, more specifically?

Although the last financial crisis, when it began, was concentrated in the mortgage market, what we saw happen was that *the market became the fundamental*. Instead of reflecting fundamentals, the market itself became the fundamental. And that's not the way it's supposed to work. Because when the market becomes the fundamental, it's a whole new ball game. Everybody is scratching their heads trying to figure out what's going on and that gets translated into expectations and plans and spending and pretty soon into *real behavior.* So pretty soon the economy was going through a cycle that was driven by the market itself – as opposed to some imbalance in the real economy

driving the market through a cycle, which is normally how we think about business cycles and the relationship to the financial markets.

Okay, but what do you mean when you say that the market itself became the fundamental?

Well, I'm coming from the perspective of a director and officer of a company whose stock is traded on the NYSE, right? In this trading environment our stock – and all the others – have become the raw material that gets worked over by all the different machines running on all the exchanges. And I'm trying to work out how we ought to view this and what this market means to us. The framework that I have in mind is a framework that begins with us running our business. In doing so, we do find ourselves more and more frequently reminding ourselves that *we manage the company, we don't manage the stock price*. Because there are a lot of days when we can't really connect to the things that are going on in the market, or specifically going on with respect to our stock price. We start with a fundamental environment, in which we run a business. Then that *business fundamental* environment goes into a screen that's defined by a whole range of traders and investors; short-term oriented, long-term oriented. They take a million different approaches to thinking about the value of Prudential and then they begin to interact with the market. As they begin to interact with the market, we move into a realm that's defined by *market fundamentals* – and market fundamentals, particularly as they relate to high-frequency trading, would cover things like order flow, relative prices, patterns of pricing behavior and such that might have some relationship to what's happening with business fundamentals. But they also include others that are just separate topics, like latency patterns and issues around just how and where orders move through the markets. The question for us is: When does that environment of market fundamentals become disconnected from the environment of company fundamentals? And when does it become disconnected in a way that makes the market itself into the fundamental?

The *market* is the fundamental in that sense?

What I mean by that is that the prices are being set based on this menu of market – structural – fundamentals as opposed to company fundamentals. The market prices are then sending the wrong signals – and those wrong signals have consequences. So there's more to it than just the way in which prices get set by whatever mechanism sets them. Those prices then have consequences. Now in the grandest view of information and fundamentals – everything is a fundamental. How much insurance we sell is a fundamental; what the exchange rate is a fundamental; but so is the order flow in the stock market and so is whatever a trader can suss out of the market through clever detective work, through reading signals or watching for patterns and employing all those micro technologies that create the flow of whatever leads to action on the part of high frequency traders. Now, we have high-quality investors who tell us that they *want* the market to reflect *all* these fundamentals – they want everything in there, our business fundamentals and the trading dynamics, reflected in prices. But from my perspective, it then becomes a matter of degree. When do the market dynamics overwhelm the business fundamentals to the extent that the market itself becomes the fundamental in a way that is no longer constructive? What happens when stock prices are more reflective of market dynamics than business fundamentals? When there's a disconnect between value and price? When does that disconnect become so big that we ought to start to worry that the right fundamentals aren't driving things anymore? I've given several speeches saying that sometimes the internal market fundamentals take over and it's just off to the races. The market takes on a life of its own, divorced from business fundamentals, and then we need to get that balance back again.

You're asking plenty of questions—

Because, my concern, first of all, from the perspective of a listed company, is with respect to the valuation environment and the fundamental content of prices. But more broadly, my concern – as an executive of a big, important financial institution that has responsibility for a lot of client money – is about fair prices and about good markets. We all have a huge stake in having markets that reflect appropriate fundamental inputs, have the right kind of content, and that don't lead to the kind of systemic breakdowns we lived through in 2008-2009; that don't send the wrong signals through all of the sorts of things I listed, accounting statements, regulatory statements, headline risks etc., that then drives a whole lot of other things in this complex, interwoven economy.

On many, many levels, when you take into account all of the intermarket and international linkages that exist today, not merely directly but through often impenetrable layers and layers of derivatives.

True. You know, we take for granted that market prices are right. We start with that premise every day, when people wake up to do stuff, no matter what it is. But if that's no longer true, what are the consequences that we should be thinking about – and addressing?

But isn't it really the case that "a market price is a market price is a market price," with apologies to Gertrude Stein?

I don't think so. As I said, I think they're supposed to represent perceptions of fundamental value. But you can make a pretty strong case, if you dig into the microstructures of today's markets, that it's hard to find any reasons why they ought to be right a lot of the time. And if market prices don't reflect fundamental valuations, then what other consequences should we be thinking about? It's a big and serious issue – a source of systemic risk – and as a public policy issue, this isn't getting enough attention.

Even though we've all just lived through the harrowing experience of the markets freezing up, as the economy tottered on the edge of the abyss —

Well, to that point, the discussion at the SEC roundtable was focused pretty much exclusively on trading in the New York Stock Exchange-listed stocks. Presumably, the most liquid, most sophisticated, largest, and best-run of all markets in the world, even in its current fragmented state. But take a step or two away from there, into the credit derivative swaps market or the corporate bond market or the municipal bond market. Think about what can go on there, when you don't have the market structure, the regulatory structure, that organizes trading in New York Stock Exchange stocks. Actually, I'm not sure how different the trading in New York Stock Exchange-listed securities is now. It used to be more different. With all the fragmentation of trading venues, they're "catching up" with everybody else!

The NYSE is almost an also-ran today, with more trades in its listed stocks occurring in other venues.

And those other markets then signal each other. The markets are supposed to be telling each other things that are supposed to result in consistency and alignment and the right messages and valuations converging from market to market. But when that doesn't happen, when those signals are not right, you see the kind of things that we've seen in the past two years.

Especially when robotic systems are sending those signals across market venues — based on everything from discredited academic theories to all sorts of pattern recognition algorithms — everything except corporate fundamentals, it seems.

Yes. These are genuinely black boxes. The fundamental content in them is, for the most part, pretty light. They tend to be based on bidding or pricing patterns and signals and relationships and relative prices as opposed to on any of the real corporate fundamental valuations. When it is the machine that is driving the production of market prices, I think you have to be a little bit uneasy about what you're seeing.

What drove you to the point of going down to Washington to talk to the SEC about all this last spring?

It was sort of my own personal crusade. I just decided this isn't getting enough attention. It's something I'm focused on and I'm worried about and I decided that I ought to start talking to people about it. So, I took the initiative and asked for the meeting.

So it wasn't that the Pru's portfolio managers were up in arms over trading issues and demanding support from the corporate brass?

Nothing like that. Although, to the extent that I've had input from them, they have been generally supportive of my concerns. I'm certainly not getting push back here. Actually, before I started asking for input, I was expecting that I would find some people who disagreed. But other than the people who run the high-frequency trading shops, just to generically categorize them, I haven't found very much disagreement. But I also think that there are a lot of people who can't quite figure out how to think about what has happened to the markets, or how to articulate their concerns, or even what kind of concern it is. Because I've found that there's certainly a level of discomfort about the market out there among *a lot* of companies and investors.

Don't you find that the "eye glaze" factor is pretty high, though, when you start talk-

ing about the ways something as "inside baseball" as market structure is influencing companies — and the economy?
Yes, it definitely is. And that is one reason that it turns out to be so easy to spin the story about narrowing spreads and increasing liquidity and "the work of God" to use an infamous quote from an executive at another financial institution. As you know, if you listened to the whole panel at the SEC roundtable, almost all you heard was "the work of God. We bring liquidity, the spreads are narrower, the markets are all better because of what the high frequency traders do." Because people's eyes do start to glaze over when the conversation turns to the nitty gritty of market structure, it's easy for them to tell that story and say, "See, this is really good stuff. We're all helping."

You're not impressed that stocks are now traded at the speed of light?
Right. By co-locating an HFT's servers in the same basement where the computers that run the exchange are – and using software that calculates in nanoseconds.

Precisely. Not to mention that those black boxes are being fed proprietary data streams that are fractions of a second faster than the consolidated tape the public sees. And that those server farms are coming out of the basement. The New York Stock Exchange is opening a huge new one in Mahwah, NJ next month.
Yes. There was a time when listed companies were king at the New York Stock Exchange. They were the clients. They were the most important part of what the exchange was all about. But as I said earlier, when I opened my comments at the SEC roundtable, I said, "I'm here representing the raw material." I feel like now listed companies are simply the raw material for the trading machines that the stock exchanges are sponsoring. We get worked over through all the different machines that run. That makes me uncomfortable and I really wonder about the sustainability of that business model.

I'm with you there, just in case my bias hasn't been apparent.
The day after the flash crash – or actually, it was the evening of it – I saw a lot of quotes from some of the leaders of the stock exchanges. One of them was, "This is the business model that we signed on for." Well, my first thought was that it is *not* the business model I signed on for. Prudential didn't list on the NYSE to go through this. So speak for yourselves, exchange executives. This is *not* the business model that a quality company, one that wants a fair economic valuation, signed on for. This isn't what the deal ought to be for us as a company participating on the exchange.

But it's small wonder listed companies are no longer kings at the exchanges. Listing fees don't even register in their business models these days. It's all about fees for data feeds and co-location and such.
Oh, absolutely. We're not a client of the stock exchange anymore. That's why I said that as a listed company we really are just raw material. The clients of the exchanges are all the people who are paying those trading fees and buying information from them, buying co-location and generating the trading revenues for them. It's not us.

So the traditional relationship between exchanges and listed companies has been completely up-ended?
It's completely different than it was 15 years ago – but you don't even have to go back that far, just pre-**Archipelago**, to find the environment in which listed companies were courted by the exchanges.

But what alternative does a Prudential have? Going private?
Well, when I'm walking my dogs and thinking, I wonder about the alternatives to being traded the way we're being traded. I don't have an answer to that yet. But I've had some conversations with people who are interested in asking that question as well. I'm not sure where it may go. I don't know whether it might mean going private. But I have given some thought to the kinds of things that might be better choices for us, relative to being part of what's currently going on.

You are that seriously disaffected?
Yes. It's a serious issue for all listed companies. I think everybody should be concerned about how prices are being set and how the markets are running.

Have you had executives from other major listed companies specifically tell you that they want to join your crusade?
I haven't, but part of the reason is that I haven't been looking for that. I have had a few casual conversations and I have found people to be quite responsive. Unfortunately, since I participated in that SEC panel discussion, I've been on the road

and tied up in other duties almost constantly. But I'm back now and I do intend to spend more time back on this issue; have some more conversations and see what might be out there in terms of other people's thoughts or ideas about the relationship between listed companies and the markets.

I suspect that when you check the comments that have been submitted to SEC you'll be disappointed by the paucity of contributions from other publicly traded companies — and other asset managers, for that matter. Though there's a fair quantity of self-justification on the SEC website from the exchanges and ETF-types. [http://www.sec.gov/comments/s7-02-10/s70210.shtml]

I'm not surprised. I haven't had a chance to respond as fully as I would have liked to issues raised at the roundtable because of my logistical issues through most of the summer. But, as I said, it's time to get back into it.

What does the SEC have to hear that did not come out at the roundtable?

Essentially, I think the way to characterize it is that they're not really necessarily focused on the right questions. The first things they should go back to are just focusing some attention on things like the quality of stock prices, the quality of the markets, the fundamental information content of prices – and the consequences of all those things being missing. That's the starting point. Now, I don't have all the answers here. I don't know what the optimal solution is. If I had do something tomorrow morning to fix everything, I'm not sure what I would do. But this unhealthy disconnect between stock prices and fundamental values ought to be recognized – and worked on.

I've actually read their concept release. That's not in there. They want to know if their rules have kept up with changes in technology and trading practices.

Right. I know I'm repeating myself but the real question that needs to be asked is do we have a market that, at least occasionally, reflects the real, fair economic fundamental valuations of the securities that are traded? If it does, why and how? And if it doesn't, why and how? So then how should we be thinking about it?

But are executives ever really satisfied that a market reflects the "fundamental values" of their companies' shares? In my 25 years at *Barron's* I never had a company tell me anything but that its stock was "too cheap," regardless of its valuation.

That's part of the problem with trying to make the points that I'm trying to make. You can spin it into "You're just whining because you think your stock price should be higher and it's not." Or you can spin it into "You just think you're a victim of the short sellers or a victim of the high frequency traders." Then, it becomes a different debate. I'm trying to separate those kinds of company-specific issues from the real structure of the markets and the real way in which prices are determined. Forget about whether I'm Prudential or someone else. Nonetheless, it is all-too easy to get spun around into the argument that "This is just sour grapes because you don't like your stock price."

Clearly. The SEC, in its concept release, tries to make a distinction between the interests of investors based on whether they're long-term or short-term, but can't really seem to define either animal —

I'm not sure that's helpful. But from my perspective there *are* distinctly different categories of participants in the markets. There are the people who are just in the business of trading in markets. They are not really investors at all. They do a whole different thing. And they are more or less who are in control of the markets now. Then there are short-term investors, who look for dislocations or for relative plays that make sense to them. They're trading on the basis of transactional types of returns over a fairly short period of time, but *not* trading solely based on just the context of the market itself. That's how I would distinguish short-term investors from people in the business of trading markets. Then you have the long-term fundamental investors who want to buy good companies, however they define them, and have them do well and make a lot of money and, at the end of their long-term investment horizon, want to get paid well for holding them.

And the guys you categorize as just trading the markets — and controlling them — are the high-frequency traders —

Well, sure. In a way, it's a huge game. The constant pinging and signaling and watching and putting orders in and canceling orders and putting orders in and canceling orders, just to see what happens. That's an awful lot of what goes on.

It wouldn't go on, encompassing such a big proportion of market volume, if it weren't quite profitable — even though it sounds

insignificant when talked about in terms of basis points per trade.

If you trade millions and millions of shares a day, you don't need to make a whole lot per share. Which leads me to another point. The volume statistics that everyone talks about are pretty meaningless today. In fact, I was watching some Wall Street guys talking about the market today on *CNBC* or *Bloomberg*, in terms of volume. The old time Wall Street guys all talk about it when they get interviewed. They're all watching volume. They will say that volume was light today so that means this, that or the other thing. Or, they will say that volume was heavy today and that meant this, that or the other thing. But all that it might mean in today's trading environment is that the machines are talking to each other more or less than usual. What it means in terms of whether or not real buyers were in the market buying or real sellers were in there selling and whether fundamental long-term investors were doing this, that or the other thing– that, you are unable to determine from watching up volume, down volume or any of the traditional volume indicators.

I know some very savvy technical analysts who say just that; that either indicators that have worked for ages — or the markets — are broken.

One of the big frustrations in the asset management world now is the difficulty that the real fundamental analysts and the real fundamental portfolio managers are having distinguishing themselves in terms of performance. Part of that has got to be driven by the fact that there are a lot of algorithms out there that trade away any relative pricing differentials at the speed of light. So even if a company's stock is trying to pull away from the pack, for any kind of fundamental reason, there's going to be a force now trying to push it back into the pack . Not because someone else has a contrary view of those fundamentals, but simply because somewhere there's a model that says if this difference gets this big, start trying to close the gap. You can see how that could lead to a lot of frustration on the part of "stock pickers." But that frustration is just a symptom of the way in which the markets are behaving because prices are being determined by these machines that don't know anything except that they want to close all those gaps – or jump in front of a developing price trend or take advantage of whatever other market discrepancies they're programmed to exploit. They make money trading tiny differences in stock prices. And when the volume of that sort of self-referential trading activity swamps fundamentally directed trades, prices can get quite unhinged from fundamentals. Which totally separates the opportunity for one stock to do better based on fundamentals from the way its stock price gets set in the market.

It also makes it a tad difficult to justify spending the time and resources needed to analyze the fundamentals of a business.

Absolutely. This is becoming a pretty big deal for asset managers. The fundamental analyst used to be somebody who could understand a good business when they saw it. But now you've got to understand a good business when you see it *and then* you've got to get into understanding this behavior of the market. I spoke not very long ago at a conference where the theme was investing in financials. But what I said is applicable to investing in any sector of the market these days. If you're investing at all, you need to think about three things: You need to think about value, valuation, and realization. What you have to recognize is that those are three very different things; that they're not all the same. So put your thinking cap on and work on value but that's *not* going to be enough. You've got to turn that value into a valuation picture, which is the way in which the price is going be determined. And then you've got to come to the realization question. Which is what is going to come together at the end, when you actually want to take out your money and you've picked a good company – or not. What is your outcome going to look like? What is going to drive that? That's the part that frustrates stock pickers who understand value and good businesses and fundamentals, because they have to go through these two more steps. You've got a valuation world and you've got a realization world and those two are becoming more and more frustrating for the traditional, long-term investors in the shares of quality companies.

Driving a lot of them, evidently, into trend following or indexing or hibernation.

One thing that surprises me a little bit is that we don't hear more about these sorts of market issues from the investment/investor activists out there. I would think there would be more voices raised. The same activists who worry about corporate governance ought to be worried about how stock prices get set – that is what's really going to determine their investment outcomes. But they don't seem to be paying as much attention to it as I wish they would. I'm not exactly sure why.

I suspect it goes back to the eye-glaze factor when someone starts talking about the impact of arcane SEC rules on the mechanics of stock trading. That's not nearly as sexy as focusing on some executive's super-sized compensation package.
That's a good point. It is a lot harder to get your arms around. But that doesn't mean investor activists shouldn't complain about it more, because at the end of the day, it's shareholders who have more of a stake in this than anybody.

Likewise, asset management firms that aren't involved in HFT could stand to be lot more vocal. After all, the profits the HFT guys are skimming from the markets are coming out of someone's pockets — and it's probably their clients'. Other than Invesco's Kevin Cronin, who spoke on the panel with you, and a fairly passionate letter that Southeastern Asset Management sent to the SEC, their silence has been pretty deafening.
Yes, those profits are being made at the expense of someone. What's the value of narrower spreads around prices that are wrong? That's my argument, in essence. If the price of a stock is just off by itself somewhere completely unrelated to the issuing company's fundamentals – but with a narrow spread – what's the point? That's the issue.

In fact, you suggested at the roundtable that if wider spreads were a price that had to be paid for quality executions, it's a price you'd pay —
That was in response to something Kevin had said about market makers. I know that the distinction these days between proprietary traders and market makers has gotten pretty blurry and that discussions of how to keep quality market makers in the market can get awfully abstract. But one of the other issues that has concerned me is that today's focus on narrow spreads and low transactions costs may drive some of the quality participants out of the market. So how do we keep the quality market makers in there? If it takes having market makers with lots of capital and wide spreads to support them, then let's let that happen – in the interest of keeping the markets functioning properly. You want quality market makers in the market when you need them; you want to let spreads be wide enough so that you know the markets will still function – with quality flow on both sides – when the going get tough. Yes, it may be expensive and yes, it may require capital. But as a listed company, that is what we want to see happen. We're not coming at this, as I've said before, from a micro dynamic. As an issuer, we are concerned with the quality of our stock price and how it is being set.

Have you looked at all at how the enormous and growing popularity of trading ETFs, instead of individual stocks, may be contributing to the valuation disconnects you're complaining about?
I've paid some attention to them, because I believe the ETFs have an influence on this relative performance issue. ETFs buying and selling in big lumps of the same stocks at the same time are going to dampen the dispersion of prices and the opportunities for the stock pickers to really outperform when they have a bright idea. But I haven't focused as much on the ETFs as I have on high-frequency-trading-type activities.

I suspect they're the flip sides of the same coin. ETFs couldn't exist in the numbers that they exist and issuing the volume of shares that they do, if the various proprietary and high frequency traders weren't taking the other sides of a lot of the trades necessary to create their baskets of stocks and keep them trading at net asset value. It's all kept pretty opaque. But Izabella Kaminska has written some interesting pieces about it in FT.com/alphaville.
Well, I have noticed that the ETFs are getting some attention in the context of the flash crash, where they seemed to have an inordinate number of trades cancelled. And I should say that I do give the SEC some credit for at least focusing on trying to improve the quality of the markets. But they're hearing an awful lot of nonsense from people in the business of markets.

Thanks, Mark.

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