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The Role of the Economy in Financial Markets: Digital Manipulation and Information Direction

Abstract

This research examines the transformation of financial markets under the influence of the digital economy and manipulative information, the effects of these transformations, and the misunderstandings that arise between buyers and sellers. Specifically, it investigates how market participants, including individual investors and institutional players, can counteract the effects of digital manipulation and information steering, as well as the strategies that can be employed to turn disadvantages into advantages in such an environment.

The study will analyze how major states, multinational corporations, and high-status individuals exploit informational advantages to intervene in financial markets, how brokers and other financial institutions use digital manipulation to create artificial price fluctuations, and how these processes result in financial losses while, in some cases, offering potential gains. The primary objective is to develop effective strategies that enable investors and traders to make informed decisions in response to these market distortions.

Additionally, the research will explore the fundamental principles of risk management, guiding new entrants in financial markets on which investment instruments to choose, which strategies to adopt, and which pitfalls to avoid. The impact of various factors on trading decisions, the role of market trends, and the application of fundamental and technical analysis methods in a manipulated digital environment will be thoroughly examined.

Furthermore, the study will investigate the development of economic psychology in an environment of digital manipulation and information steering, emphasizing rational decision-making and behavioral models. A particular focus will be placed on strengthening psychological resilience among investors, mitigating the effects of information overload, and constructing strategies based on objective market analysis to avoid falling into manipulative traps.

Ultimately, this research aims to comprehend the impact of the digital economy and information manipulation on financial markets, identify the risks posed by these phenomena, and provide individual investors with effective risk management strategies.

Keywords: *digital economy, financial markets, information manipulation, trading strategies, risk management, market psychology, price fluctuations, investor resilience*

Introduction

The financial markets and their various types differ in structure and functionality, allowing users to select the most suitable option based on their individual needs. Users may either directly engage in these markets or access them virtually through brokers, thereby transitioning from digital trading platforms into the broader economic landscape.

In the realm of digital financial markets, traders primarily operate within three distinct trading styles: binary options, stocks, and forex. Among these, certain mechanisms exhibit a manipulative nature, and, according to some sources, may even be classified as forms of gambling.

The influence of economic news, major corporations, governmental entities, and high-status individuals on these markets can result in unpredictable fluctuations and manipulated outcomes.

A particular focus will be placed on binary markets, examining their potential resemblance to gambling, strategies to counteract their manipulative aspects, and methods to safeguard traders from exploitation. Furthermore, the research will explore the broader role of financial markets in the economy, the nature of market manipulation, and the strategic dissemination of information to influence market dynamics.

Research

Digital financial markets perform the same fundamental functions as traditional markets; however, brokers act as intermediaries, enabling users to participate in virtual trading. Through these brokers, individuals can engage in trading across forex, binary options, and stock markets.

A crucial aspect of virtual trading is understanding its underlying mechanisms. Once a trader successfully completes the security registration process with a broker, they gain the ability to deposit funds into their virtual wallet. After making a deposit, the trader assumes full responsibility for their transactions, as brokers, according to their protocols, bear no liability for any losses incurred.

The next step involves choosing a trading avenue: binary options, forex, or stocks. While all three operate on similar principles, they differ in execution. In the stock market, a trader invests in shares of a chosen company or currency, effectively becoming a shareholder. Their profits and losses are directly proportional to the rise and fall of the share price. This type of trading does not impose a time limit; traders can close their positions at any time, provided the market for their selected asset is open.

Forex trading, however, presents a different structure. Instead of acquiring ownership of a stock, forex traders speculate on the price movements of assets, earning profits or incurring losses based on their predictions. Investments are made in a chosen asset, company, or currency, and traders set an entry price. Their trade's outcome is determined by fluctuations in price. A notable feature of forex trading is leverage, which artificially amplifies the size of a trade, allowing for higher profits but also increasing the risk of greater losses. Unlike stock trading, forex does not impose a time limit, though it includes liquidation and closure price parameters. If a trade's loss reaches the investment amount, the position is automatically closed, resulting in a loss. However, there is no cap on potential profits; traders can close their positions at any desired profit level.

To mitigate risks, forex markets offer stop-loss and take-profit mechanisms, allowing traders to predetermine acceptable loss and profit levels before initiating a trade. This is particularly beneficial when traders are away from the market, ensuring their positions are managed automatically. Additionally, setting a stop-loss at half the total trade volume allows traders to enter high-volume trades while limiting potential losses.

Binary trading, on the other hand, differs significantly from both forex and stock trading. Various sources classify it as deceptive trading or even gambling. Similar to forex, binary trading involves price predictions; however, each investment index comes with a predetermined payout percentage, which fluctuates throughout the day. If a trader invests in an index with a 90% payout, their profit will consist of their initial investment plus 90% of that amount. In contrast, losses always equal the invested amount. Notably, binary trading platforms never offer a 100% payout, ensuring that brokers never provide returns exceeding the initial investment.

Another major distinction is that binary trading enforces strict time constraints. When placing a trade, a trader must specify the duration within which their prediction will be valid. If the predicted movement occurs even a fraction of a second after the set time frame, the trader loses their investment. Similarly, if the prediction is incorrect but the price moves slightly in the right direction at the last second, the trade is considered successful.

All three trading markets—binary, forex, and stocks—operate on similar underlying assets, including companies, fiat currencies, and cryptocurrencies. To make accurate predictions, traders must conduct three essential types of analysis: technical, market, and experiential analysis.

Technical analysis involves using various methodologies to assess price movements. Two primary tools for this are indicators known as oscillators and alligators, which function as advanced technological calculators. They measure market volume, volatility, greed index, peak points, and the strength balance between buyers and sellers (bulls and bears). The difference between these tools lies in how they display information: oscillators present data as numerical charts, while alligators visualize price movements using Japanese candlestick patterns. Additionally, traders rely on pattern recognition, which is based on the belief that market behavior is algorithmic and repetitive. Recognizable patterns serve as indicators of potential future movements, allowing traders to anticipate upcoming trends.

Market analysis follows, though it may sometimes precede technical analysis. Here, traders examine news and external factors affecting their chosen assets. For stocks, this involves reviewing company-related developments, investments, and market sentiment. For currencies, economic news releases play a crucial role, as scheduled financial reports can drastically shift market trends. Even if all prior analyses suggest a favorable outlook, a sudden news event can reverse market movements, complicating decision-making. Since trading is essentially a competition between buyers and sellers, poor timing—either too early or too late—can lead to losses.

At this stage, experiential analysis becomes critical. Based on experience, a trader must assess whether a given market situation represents a profit opportunity or a loss trap. However, this is far from easy. While traders compete against each other on the surface, their real competition lies with major corporations, countries, high-profile investors, and, most notably, brokers. Brokers exploit traders' greed, keeping them in a state of continuous engagement. Meanwhile, influential investors—often called "whales"—manipulate the market through large-scale investments, news releases, or even mere statements. These actions create artificial imbalances, which they then exploit for personal gain. Many traders, unaware of these manipulations, find themselves repeatedly incurring losses.

Among all trading markets, binary trading presents the highest risk. Unlike forex and stock trading, binary platforms are designed with user-friendly UI/UX interfaces to appear visually appealing and intuitive. This deliberate design choice aims to lower traders' psychological barriers, making them feel comfortable and confident, ultimately encouraging continued engagement and investment.

Binary options trading conducted through "exchange terminals" remains a contentious issue in both economic and legal discourse. While these activities are linked to financial markets, concerns persist regarding their similarity to gambling and their potential exploitation of regulatory loopholes for manipulative practices (Samaha, 2013, pp. 210-211).

Exchange terminals resemble traditional slot machines and are often installed in public spaces, including areas near schools and social institutions (Izumova, 2013. pp. 80-84). Equipped with cash acceptance mechanisms, these devices enable users to place bets on the price fluctuations of various currencies and assets under the guise of "exchange trading." However, participants in such transactions do not acquire actual ownership of the underlying assets; instead, they merely predict price movements within a specified timeframe. As a result, several jurisdictions have classified these terminals under the category of gambling devices rather than financial instruments. Judicial rulings across various countries have increasingly categorized such activities as gambling rather than legitimate financial trading (Cherry, List, 2001, pp. 256).

Regulatory authorities, including the U.S. Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), the Monetary Authority of Singapore (MAS), and the French Autorité des Marchés Financiers (AMF), have issued warnings about the high risks and fraudulent nature of binary options trading (Ladouceur, 2004, pp. 501-503). These platforms often impose profit limitations while maximizing potential losses, as the trading conditions are predominantly controlled by brokers. Notably, the well-known brokerage firm Banc de Binary was fined $11 million by U.S. regulators for engaging in illegal binary options trading. Global regulatory investigations and sanctions have demonstrated that this market is frequently exploited for fraudulent activities (Terry, 2007, pp. 293).

Law enforcement agencies and central banks are taking measures to regulate binary options as illicit gambling rather than as financial instruments. A critical issue is that these terminals do not provide actual access to financial markets; rather, they create an illusion of trading through a visual simulation while remaining fundamentally disconnected from real market participation. Stricter regulatory oversight of binary options trading is necessary, along with a legal reclassification of exchange terminals as gambling devices rather than financial tools. Strengthening legal frameworks and ensuring transparency in trading conditions are essential steps toward protecting investors and preventing market manipulation (Erianto, Hanafi, Lubis, Siregar, 2024, pp. 44-46).

In trading, investors (traders) must be experienced and psychologically prepared for market fluctuations. The most challenging and crucial aspect of trading is the psychological factor, which itself is a matter of experience. Maintaining composure under pressure is one of the most demanding responsibilities of a trader, as they constantly navigate a fine line between greed and loss. Even millisecond-level interventions can alter the course and outcome of an entire trade (Saito, Oda, Gemba, Kubota, 2025, pp. 24-28).

At the moment of opening a position, traders often experience psychological anxiety due to the possibility of an unfavorable outcome. This fear can lead to impulsive decisions, causing them to open a trade prematurely or delay execution, potentially missing valuable opportunities. Similarly, during the trade, a trader who lacks emotional discipline might close a position too early due to fear, failing to reach the predetermined profit target. Conversely, at the closing stage, traders sometimes hesitate to exit a trade in time, allowing losses to accumulate.

To mitigate these risks, traders employ psychological strategies, risk management techniques, and trading tools. Among the most fundamental tools are Take Profit (TP) and Stop Loss (SL) orders, which allow traders to define their acceptable levels of profit and loss before initiating a trade. This approach removes the emotional burden during the trade and ensures objective decision-making. Once these parameters are set, the trader has minimal further interaction with the broker, as the predefined limits automatically trigger trade execution. However, setting these levels incorrectly can lead to significant losses (Xie, Wu, Zhang, Li, 2020, pp. 34-49).

There are several risk management strategies, including structured approaches that set limits on trading volume. One common rule suggests that a trader should only risk 1% of their total deposit per trade, ensuring that even in the event of consecutive losses, the capital remains recoverable. Additionally, experiential strategies play a role, but psychological resilience remains the most critical factor. For beginner traders with limited experience, the best approach is to set Stop Loss and Take Profit levels in advance and step away from the trading platform, as stress often leads to impulsive decision-making. It is essential to remember that in a buy trade, a price decrease is considered a loss, while in a sell trade, a price increase results in a loss.

However, binary options do not offer these risk management mechanisms. Unlike other trading methods, binary options do not allow traders to set Stop Loss or Take Profit orders, meaning that risk control is entirely removed. Additionally, the profitability of binary options is inherently capped, as traders never receive a full 100% profit on successful trades. This structure fundamentally disadvantages traders employing risk management strategies, as it places them at a perpetual recovery deficit. In a standard scenario, traders must win at least six consecutive trades at a fixed amount to compensate for five prior losses, while in other trading methods, a single well-executed trade can recover previous losses (Omicini, Ossowski, 2004, pp. 1-7).

Ultimately, while risk management strategies help traders maintain financial stability in most trading environments, binary options impose structural limitations that prevent effective risk control. The absence of adjustable loss limits and the inherent profitability cap make binary options a suboptimal choice for traders who prioritize strategic risk management.

Conclusion

Trading can be somewhat compared to chess. When the right moves are made, it is possible to achieve profit. However, it is more accurate to compare it to a board game like backgammon. A person with the experience to place the pieces in the correct positions and create the conditions for

doing so may win if luck also favors them. This is the nature of trading, and when correct trading is combined with a bit of luck, successful outcomes can be achieved. However, when trading correctly, examples such as stocks or forex can be given. On the other hand, binary trading is manipulated by large individuals, companies, and countries within the digital economy, driven by manipulation. Other trading methods may inevitably fall prey to such manipulation, but in those cases, the control is still in the hands of the trader. In binary trading, however, control is lost, leading the trader towards loss, which makes trading resemble gambling.

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