

## Our View: Speculators Drive Prices for Truth Social Shares and Crude Oil

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Oil markets and Truth Social, Donald Trump's media company, share one aspect: they depend on speculators to drive up their prices. On Friday, March 22, shareholders of the shell company Digital World Acquisition approved a merger with Trump's firm. This could be a gigantic windfall for the former president, as *The Wall Street Journal* reported:

Truth Social, with few users and little revenue, is expected to start trading on the stock market next week at a staggering valuation around \$5 billion. The valuation is the result of frenzied buying by Trump supporters of shares of the shell company that is merging with the former president's social-media platform.<sup>1</sup>

The listed company merging with Truth Social reported a loss for 2023, as apparently did Truth Social. That may not stop speculators from pushing the share price up.

Oil markets are being driven by similar forces. WTI cash prices rose by \$5.91 per barrel between Tuesday, March 12, and Tuesday, March 19, a nearly eight percent increase. Platts marked the price rise this way: "Crude oil futures settled at fresh year-to-date highs on March 18 amid tighter global supply outlooks and better-than-expected data on Chinese industrial output."<sup>2</sup>

We expected the large price increase to finally break our model that links the change in crude prices in 2024 relative to the WTI price on January 10, 2023, to the change in the net position of money managers. This model has accurately tracked oil prices for the last two months. Its predicted price is based on the January 2023 WTI price and the change in money managers' speculative position between January 2023 and the forecast date.

We thought there must be more to the substantial price increase than just more speculative activity because such large jumps often involve a boost in buying by traders or refiners.

We were wrong.

The March 22 ICE and CFTC data on commitments of traders showed that the entire price increase was driven by hot money. Table 1 (page 2) shows the surprising results. The model's prediction error for March 19 was a mere \$0.25 per barrel. What pushed prices higher was a net purchase of over one hundred twelve thousand crude oil futures contracts by money managers.

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<sup>1</sup> Amrith Ramkumar, "Trump Makes a New Fortune with Public Listing of Truth Social," *The Wall Street Journal*, March 22, 2024 [<https://tinyurl.com/mpt4z9y6>].

<sup>2</sup> "Crude hits 4-month high on tighter OPEC supply, rising Chinese demand." *S&P Global Platts Price Report*, March 18, 2024.

Figure 1 tracks the model’s prediction. After following oil market developments for fifty-four years, we are speechless. Rarely, if ever, have we seen prices driven only by the movements of speculative money.

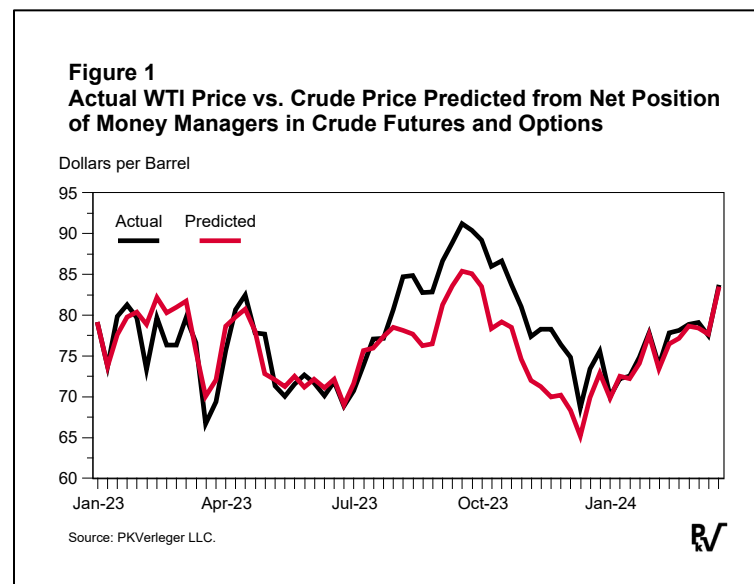
We add that the market can rise further, just as shares in Trump’s Truth Social stock can go higher. Figure 2 (page 3) shows that money managers held net long positions of 1.1 million contracts in January 2018. At that time, the WTI price was around \$70 per barrel.

Our model predicts that WTI prices would rise to \$115 if the net position of money managers returned to the 2018 level. If the investors’ willingness to pump money into the special acquisition company purchasing Trump Social is any indication, no one should be surprised if money manager activity pushes oil prices to such a high level.

**Table 1. Actual WTI Cash Price vs. Crude Price Predicted from the January 10, 2023 WTI Price and the Change in the Net Position of Money Managers (Dollars per Barrel)**

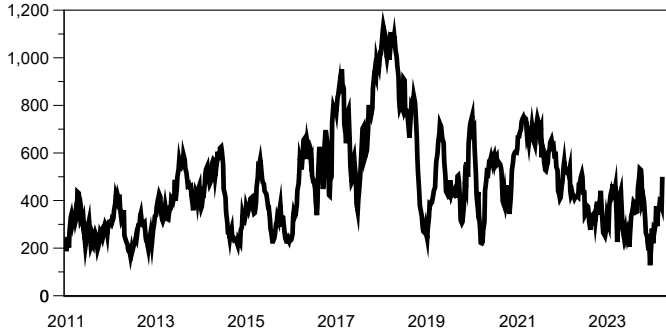
|         | Actual | Predicted | Difference |
|---------|--------|-----------|------------|
| 1/9/24  | 72.23  | 72.55     | -0.32      |
| 1/16/24 | 72.55  | 72.24     | 0.31       |
| 1/23/24 | 74.81  | 74.09     | 0.72       |
| 1/30/24 | 77.81  | 77.62     | 0.19       |
| 2/6/24  | 73.85  | 73.40     | 0.45       |
| 2/13/24 | 77.86  | 76.49     | 1.37       |
| 2/20/24 | 78.17  | 77.17     | 1.00       |
| 2/27/24 | 78.86  | 78.63     | 0.23       |
| 3/05/24 | 79.12  | 78.45     | 0.67       |
| 3/12/24 | 77.55  | 77.66     | -0.11      |
| 3/19/24 | 83.46  | 83.21     | 0.25       |

Source: PKVerleger LLC.



**Figure 2**  
**Net Long Contracts Held by Money Managers**  
**in Crude Futures, 2011 to 2024**

Thousand Contracts of 1,000 Barrels



Source: ICE; CME.

