

Business

Democrats pen letter asking SEC to investigate Trump, allies for alleged market manipulation

Move comes after stock markets surged following announcement to pause tariffs

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U.S. President Donald Trump is shown on a screen at the stock market in Frankfurt on April 2, the same day he announced hefty tariffs. Some Democratic lawmakers are calling for an investigation into whether Trump and his allies made money from a spike in the stock market this week. (Michael Probst/The Associated Press)

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A group of Democratic lawmakers is calling on the Securities and Exchange Commission (SEC) to investigate "potential violations" of federal securities laws by U.S. President Donald Trump or members of his inner circle.

In a letter released on Friday, they asked the independent government agency to investigate "whether President Trump, any members of his cabinet, or other donor, insiders, and Administration officials engaged in insider trading, market manipulation, or other securities laws violations on April 9, 2025."

Senators Elizabeth Warren, Chuck Schumer, Ruben Gallego, Mark Kelly, Adam Schiff and Ron Wyden signed the letter.

- Stock markets skyrocket after Trump announces 90-day pause on some tariffs, 125% rate for China

A days-long downward spiral on stock markets ended on Wednesday, when Trump suddenly announced a 90-day pause on some hefty global "reciprocal" tariffs first announced last week.

Stocks soared on the news, with the S&P 500 closing up 9.5 per cent by the end of trading that day, and the Nasdaq Composite closing up 12.2 per cent. The market, measured by the S&P 500, gained back about \$4 trillion, or 70 per cent, of the value it had lost over the previous four trading days following Trump's tariff announcement.

Only hours before the pause was announced, however, the president had told his followers on his Truth Social site to invest in the stock market.

"THIS IS A GREAT TIME TO BUY!!! DJT," Trump wrote at 9:37 a.m.

WATCH | Market chaos after Trump clarifies U.S. will impose 145% levy on China:



Stock markets closed sharply down Thursday after U.S. President Donald Trump clarified a combined tariff rate of 145 per cent against China. The constant chaos has infuriated Beijing and prompted more accusations of intentional market manipulation.

Trump's social media post raises questions

The timing of Trump's posts in relation to the tariff pause announcement is what's raising questions for the group of Democrats, according to the letter.

"At this critical moment, the SEC must do its part to restore Americans' faith in the rule of law and to preserve the integrity of the financial system," it reads in part.

When asked to comment, White House spokesperson Kush Desai wrote in an email to CBC News: "It is the responsibility of the President of the United States to reassure the markets and Americans about their economic security in the face of nonstop media fear mongering. Democrats railed against China's cheating for decades, and now they're playing partisan games instead of celebrating President Trump's decisive action yesterday to finally corner China."

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David Chase, who once worked as an enforcement attorney with the SEC, said in general, the stock market's extreme highs and lows over the past week don't mean anything illegal is going on behind the scenes.

"Market volatility does not necessarily mean ... that there is manipulation," Chase, who now represents SEC whistleblowers, told CBC News. "It very well may mean that the markets are working efficiently and absorbing news and reacting to it."

He added that "mere innuendo and speculation" based on how volatile the markets are will likely not be enough for the SEC to pursue a case.

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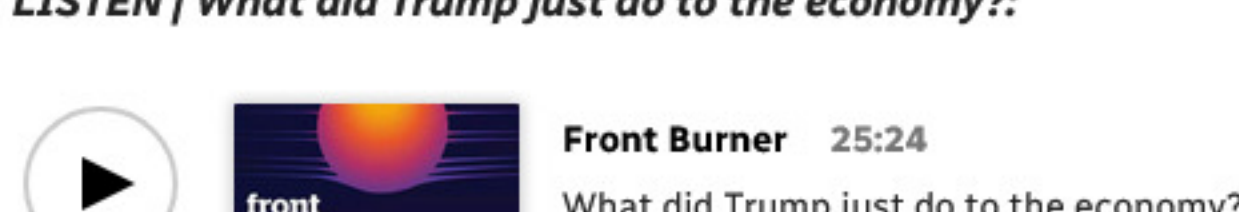
North American stock markets posted massive gains after the announcement of a 90-day pause on most U.S. tariffs, but experts warn of instability in the bond market with many still predicting a recession.

Richard Painter, a corporate law professor at the University of Minnesota and former White House chief ethics lawyer during the George W. Bush administration, agrees there's no evidence at this point that anyone used private information to help them make trades — which would amount to insider trading — or that anyone in the Trump administration is intending to influence stock prices.

But he said it's still extremely unusual for a president to make statements encouraging people to take action on the stock market — and that justifies an investigation.

"There's no clear signs that there is insider trading. But when the president of the United States himself ... can move markets to such an extraordinary degree, there is that risk and that potential," Painter said in an interview.

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'Where there's smoke, there's not always a fire'

Chase said accusations of insider trading and market manipulation are often very difficult to prove.

Insider trading occurs when someone gets private information about a company and uses that information to buy and sell stocks for their own personal gain. Physical proof of that often might not exist, he said.

"Most sophisticated individuals know better than to write an email saying, 'Hey, I just got a great tip. Here it is. Trade on it,'" Chase said. "Typically it's done verbally."

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Without that, he said, the SEC has to compile circumstantial evidence when prosecuting insider trading — like, for example, calendars lining up between the person with the information and the person who made the trade.

Cases of market manipulation are similar. Chase said the SEC has to prove the intent to impact the value of a stock — which is difficult for many of the same reasons. Without any incriminating emails or texts, these cases are also usually based on suspicious circumstantial evidence, he said.

"Where there's a smoke, there's not always a fire, but there could be. I mean, that's really the most that we can take away by way of ... a cheesy analogy," Chase said, noting that SEC investigations usually take years, and in many cases, the agency's investigations might amount to nothing.

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The Power Panel weighs in on how federal party leaders are responding to another day of market chaos as President Donald Trump sticks to his tariff plan.

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