Who trades equities, and why most of it is not stock-picking

> **FLOW WITHOUT A VIEW**
>
> Equity volume that expresses no opinion about the stock it trades: index funds replicating membership lists, pensions rebalancing to policy weights, companies buying back their own shares on published programmes, market makers flattening inventory. In most large names it is the majority of volume - and the single most useful fact about who is on the other side of a retail trade.

Every track has asked this question and every track has returned the same answer wearing different clothes. Equities wears it most convincingly, because stock-picking is the activity everyone imagines - and the minority of what actually trades.

The cast, by motive

Indexers: the largest holders of most major names, buying and selling because a membership list changed or money flowed into a fund - never because of anything about the company. The indices track's obligated flow, arriving here as the actual buying of actual shares.Institutions with mandates: pensions and insurers rebalancing to policy weights on schedule - selling what rose and buying what fell, mechanically.The companies themselves: buyback programmes make many large firms steady, price-insensitive buyers of their own shares for months at a stretch - a flow with a published schedule and no view.Market makers: quoting both sides, hedging instantly, holding nothing - volume without any opinion at all.Stock-pickers, professional and retail: the minority share of volume, and the only participants whose trades mean what a beginner assumes all trades mean.

What this does to prices - and to you

A price move on heavy volume reads like conviction. In equities it is routinely a reconstitution, a rebalance or a buyback tranche - flows that say nothing about the business and reverse nothing when wrong, because they were never right or wrong to begin with. Module 5 builds the discipline of asking which layer moved the price before reading meaning into it. For now, the day-one version: in the most-watched market on earth, most of what trades has no view - and the trader who assumes otherwise is taking signals from a crowd that is not speaking.

Check your understanding

1. Why is 'heavy volume confirms the move' least reliable in large-cap equities?

a. Volume data is delayed for retail users

b. Most large-cap volume is index, rebalance, buyback and market-making flow - mechanical trades that carry no view to confirm

c. Large caps are too liquid for volume to matter

Answer: b. The flows are obligated or scheduled, not opinionated. A surge of them moves price without meaning anything about the company - the three-track lesson, at its strongest in equities.

2. A company runs a published buyback programme. What kind of participant is it?

a. An informed stock-picker signalling undervaluation

b. A steady, price-insensitive buyer on a schedule - flow, not view, whatever the announcement implied

c. A market maker in its own shares

Answer: b. Once running, the programme buys mechanically within its rules. The initial decision may carry information; the months of daily flow that follow do not - and it is the flow that trades against you.