TA Tomorrow's Affairs

Analysis of today
Assessment of tomorrow

By: Emre Alkin

Is there a danger of soap bubbles in the markets?

While the world is grappling with immense unrest, I observe stock and commodity markets soaring without basis on one hand, and on the other, I see experienced investors selling everything and converting to cash.

There is an important rule that investors know well: "If markets are very volatile, it means people are trading without much money at stake." Of course, trades are not only done manually. There are also computers with algorithms loaded with historical data making buy-sell decisions. If artificial intelligence or computers say, “It's time to sell,” there’s nothing that can stop this flood.

If I told you that the mysterious “fat finger” incident, which still remains unsolved, is actually linked to the existence of such algorithmic trading, would you believe it? Some say that in May 2010, this event was caused by an investor issuing orders in a "billion" instead of a "million." However, let's not forget the cascade decline caused by computers in 1987.

Lessons from soap bubble bursts

The purpose of writing these lines is to warn those who are too busy with buy-sell transactions to see the global tension, using historical facts. Below, I share some examples of soap bubble bursts in both stock and commodity markets:

Tulip Mania (1637)
Don’t dismiss it as nonsense—during the mid-17th century in the Netherlands, there was excessive demand and speculation on tulip bulbs, leading to huge price increases. Tulip prices skyrocketed and eventually collapsed, causing significant losses for many investors.

It can also be said that this was one of the crises that led to a major financial crisis for the Ottoman Empire.

South Sea Bubble (1720)
In England, shares of the South Sea Company rose rapidly due to speculative hype. People expected huge profits. When expectations weren’t met, the bubble burst, share prices plummeted, and many investors suffered heavy losses.

US Aviation Bubble (1920s)
In the 1920s, interest and investments in space and aviation companies increased in America. Many investors bought at high prices despite the companies having no real value. The speculative bubble burst, and many companies went bankrupt. Honestly, this was the last warning sign before the Great Depression.

Dot-com Bubble (2000)
Excessive investment and speculation in internet and tech companies, driven by those claiming, “I always win when I buy,” inflated company values excessively. The bubble burst in 2000, causing a major market crash—many tech companies went bankrupt or lost their value. I still remember it as if it were yesterday—everyone asking, “What happened?”

US Housing Bubble and 2008 Financial Crisis
This was a crisis that remains in our memory. Excessive demand for subprime mortgages and mortgage-backed securities caused housing prices to inflate. When the bubble burst, it triggered the 2008 financial crisis, severely impacting the global economy.

Now, let’s look at some apocalyptic moments in the commodities markets:

Tobacco Bubble (late 1800s - early 1900s)
The sudden rise in tobacco prices started with speculation and demand. Prices soared briefly, then demand saturated, and prices rapidly declined. This led to a speculative bubble burst in the tobacco industry.

Gold and Silver Bubble (late 1970s - early 1980s)
In the 1970s, inflation fears and economic uncertainty boosted demand for gold and silver. Prices rose sharply amid big speculative moves. However, with economic stabilization and rising interest rates, prices fell sharply. To

summarize the patience of those waiting for gold to surpass $600: they waited exactly 27 years.

Oil Bubble (2007-2008)
Past oil markets experienced bubbles, but I chose to mention this recent example. During that period, oil prices nearly doubled, reaching $147. The financial crisis caused oil prices to suddenly collapse, falling to around $40 in 2009. The decline accelerated with investor fears.

And are these all?

No, there are also smaller “apocalyptic” events in certain sectors or products, like “fires that burn where the fire is.” For example:

Cooking Oil Bubble (2010)
Also called “sweet oil,” the prices of cooking oil rose rapidly due to increased demand and speculative ventures. The bubble burst, and prices collapsed, causing significant losses for many investors and producers.

Lemon Bubble (2017)
Sudden increases and speculative buying in lemon prices caused excessive inflation. Then, with a sharp decline, prices fell rapidly.

Bubble risk emerging

That’s how it is. We, ordinary citizens, are naturally unaware of the small apocalyptic events occurring in certain sectors. Everyone remembers the interesting moment when crude oil futures traded negatively. Of course, these do not reflect directly on fuel prices at gas stations, so we remain unaware.

However, we are currently entering a serious danger. All experienced traders have passed through similar situations and are waiting for asset prices to fall.

Maintaining discipline and not taking your eyes off the screens, continuing to monitor closely—this is of utmost importance - Emre Alkin

Meanwhile, in order not to see declines in the stock markets, those engaged in prop trading—rapid buy-sell strategies—are profiting from quick upward movements.

Gold investments are at their peak, and silver is following closely behind. The world is talking about a recession possibility, yet commodity prices are not decreasing.

All these cannot be explained solely through mathematics, but through life experience and historical knowledge, we become aware of a “bubble” risk emerging.

Particularly this summer and through 2025, it seems most rational for investors to avoid using the word “cheap” for any asset and to quickly convert their gains into cash as soon as profit appears.

It is also crucial not to change predetermined buy and sell targets without significant developments and to stay true to their plans. Maintaining discipline and not taking your eyes off the screens, continuing to monitor closely—this is of utmost importance.