MINORITY SHAREHOLDERS WATCH GROUP
Badan Pengawas Pemegang Saham Minoriti Berhad (524989-M)

The Observer

(Following the announcement made by Prime Minister, YAB Tan Sri Muhyiddin Mohd Yassin on 25 March 2020, and in relation to the extension of Movement Control Order to 28 April 2020 to contain the COVID-19 outbreak, public listed companies have postponed their general meetings to a later date. Hence, there will be no Weekly Watch featured on newsletter).

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Beware of social media punting

With the movement control order (MCO) likely to be a daily norm until the number of COVID-19 infections or fatalities shows signs of tapering, social media can be a highly addictive source of information – or entertainment/pastime – for both the young and old.

This is where the investor fraternity has to pay heed to the notion that emotions in social media are contagious.

Amid the heightened state of uncertainties, be forewarned that dramatic news coverage of the COVID-19 pandemic can be an opportunity for scammers to pump inaccurate information into the marketplace in their quest to manipulate stock markets and investors.

The US Securities and Exchange Commission's (SEC) Office of Investor Education and Advocacy has recently exposed internet promotions – including on social media – claiming that the products or services of certain publicly traded companies can prevent, detect or cure COVID-19 so as to spur a price rally of certain companies.

These promotions are well-organised given they tend to take the form of so-called "research reports" with predictions of a specific "target price".

"Promotions of this type are the hallmark of a typical 'pump-and-dump' scheme in which investors are lured with aggressive and optimistic statements through press releases, social media, pop-up ads, e-mails and other promotions intended to create demand for a companies' stock (the pump)," warned the SEC.

"Once the share price and volume spike, the cons behind the scam sell off their shares at a profit, leaving investors with worthless or near-worthless stock (the dump)."

Not a reliable indicator

With truth and rumours-cum-fake news often getting 'jumbled up' in the cyberspace these days, investors who rely on social media inputs must take heed of personalities behind a social media posting.

They include:

- Stock gurus: This category tends to be made up of individuals who are capable of analysing the prospect of a stock. However, investors still have to rely on their own due diligence and extended research to ascertain the authenticity of the claim (some are merely 'bull-chargers' while others are 'doomsayers').

- Stock scammers/promoters: These individuals will offer seemingly hot inside tip while urging their readers to act swiftly. In so doing, they are trying to boost the price of stock which is already in their possession (like the aforementioned pump and dump scheme).

- Stock pundits: This category comprises mostly retail investors who are in to make quick money. Their market view is hugely based on gut feel or originated from unsolicited third party source.

- Stock disciples: This category is made up of newbie investors who humbly seeks advice or stock tips from their learned counterparts.

Unfortunately, there is no right or wrong social media strategy to pursue with regard to stock picking. Warren Buffett, one of the most successful investors of all time, has this to say on the right mind set for investing: "Success in investing doesn't correlate with IQ ... what you need is the temperament to control the urges that get other people into trouble in investing."

Although social media is poised to become more influential moving forward, , the very fact that it is subject to abuse by stock market manipulators simply means it cannot be the only source of information for us to invest successfully on the stock market.

For a start, data made available on social media are not always reliable and relevant. It contain myriad of unfounded rumours and lies which might momentarily disrupt shares prices following which a recovery will ensue when companies clarify their position on the matter.

Moreover, given the speed at which information on them is spread and interpreted, individual investors should refrain from relying on social media alone – even if they are well-informed – but rather by traders who reply upon highly speculative strategies to reap short- or very short-term returns.

The bottom line is that the world of social media is hugely unpredictable – it has contributed to both the efficient sharing of information as well as rapid sharing of misinformation.

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DISCLOSURE OF INTERESTS

•With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter.

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