

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No.200001022382 (524989-M))

The Malaysian Reserve – Wednesday February 3, 2021 (A)

Sustainability of BursaBets move on glovemakers in question

What transpires in the US market will not be replicated in Malaysia due to the differences in stocks and market

by ASILA JALIL

THE move by local retail investors to buy into Top Glove Corp Bhd in defiance of institutional investors who short sell the glovemaker last month despite its strong earnings prospects would not have as big impact as what has transpired in the US market.

BursaBets, the new subreddit in Malaysia inspired by WallStreetBets in the US, planned to buy shares of top glovemakers that institutional investors may look to short sell.

Glovmakers like Top Glove, Hartalega Holdings Bhd, Kossan Rubber Industries Bhd and Supermax Corp Bhd have become the group's target as their share prices have slipped significantly in the past few months despite the companies' strong profit amid the pandemic.

Malacca Securities Sdn Bhd head of research Loui Low told *The Malaysian Reserve (TMR)* the momentum for the short squeeze to take place in Malaysia may be lower than the US due to different regulations.

"The momentum might be



Nevertheless, MSWG CEO urges minority shareholders to exercise diligence and be aware of the risks involved from initiatives

Pic by Mhd Amin Noharui

slower compared to US stocks as those stocks are seeing more than 100% of their free floats being shorted, giving them the short squeeze.

"We also have regulated short selling that is capped at 4% of the shares outstanding. Given the

setup, the short squeeze might not be as big an impact.

"Furthermore, Top Glove's market capitalisation is more than RM50 billion. To give a limit for a few days, you need billions of ringgits to do it," he said.

Last Friday, Top Glove's share

price peaked to RM7.12 before ending the week at RM6.74, an increase of 53 sen or 8.53% from its previous close with 161.6 million shares traded. The counter rose a further 31 sen yesterday to RM7.05.

Hartalega closed higher at RM12.86, up by 66 sen or 5.41% on last Friday after hitting an intraday peak of RM13.42, while Supermax also ended the week 24 sen or 3.66% higher to close at RM6.80.

Hartalega closed 44 sen higher yesterday at RM13.30 while Supermax rose 28 sen to RM7.08.

Low noted that the price impact was still relatively minimal compared to the short squeeze of US-based video game retailer GameStop Corp which saw its stock price increase 1700% in two weeks.

Retail investors in the US have fuelled the GameStop rally, causing hedge funds like Melvin Capital Management LP to suffer billions of losses due to their short position.

Melvin Capital had reportedly lost 53% on its portfolio in January due to the squeeze it faced from the GameStop fiasco.

Areca Capital Sdn Bhd CEO Danny Wong said the underlying fundamentals of the stocks and market are different in both situations, preventing Malaysia from replicating the exact condition in the US.

Nevertheless, he urged authori-

ties to make Bursa a better platform for trading and investment.

"This is to be very transparent of any trading activities, including disclosing significant trades of short selling, just like disclosing significant shareholders with more than 5% stake in a company," he told *TMR*.

Minority Shareholders Watch Group (MSWG) CEO Devanesan Evanson advised minority shareholders to exercise diligence and be aware of the risks involved from initiatives such as BursaBets.

He stated that institutional investors tend to have "deeper pockets", which may lead to an issue of who has the stamina to sustain their initiatives.

"There may also be some unscrupulous retailers including 'stock market gurus' who may unload their shares after having encouraged other retailers to drive up the share prices.

"The Securities Commission of Malaysia, has constantly warned the public against dealing with unlicensed investment advisors as they could be defrauded or used as part of a market manipulation scheme," he said in a statement recently.

He said opposing actions by two parties will cause volatility in the share prices, which will pose a risk to short-term investors.