

**MINORITY SHAREHOLDERS WATCH GROUP**

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

The Star, Starbizweek- Saturday, 15 August 2020 (A)

# Glove stocks expected to see volatility in near term

## Pressure to maintain their super profit run likely reason

### STOCK MARKET

By EUGENE MAHALINGAM  
eugenicz@thestar.com.my

**PETALING JAYA:** Trading in glove stocks over the near-term is expected to remain volatile, as these companies will be under constant pressure to maintain the super profits they enjoyed last year.

"Instead, when it comes to glove stocks, investors will be more concerned over whether these companies will be able to continue earning the super high profits they enjoyed in 2020, especially with the vaccine rollout," said an analyst who tracks the sector.

Over the long-term, however, he said trading in glove stocks will be steady, as demand for medical and personal protective equipment is expected to remain high in light of the Covid-19 pandemic.

"Even though the vaccine will be out, it will still take a long time for countries around the world to achieve herd immunity. Health and safety will continue to remain a priority, even after the pandemic is over," he said.

The analyst said the volatility in trading is unlikely to be influenced by the recent GameStop trading frenzy in the US, which

had been fuelled by social media chatrooms against short-sellers.

This "phenomenon" is now being emulated by local investors here in Malaysia, who have been trying to push up Malaysian rubber glove companies.

The analyst pointed out that the situation in the US and Malaysia is incomparable.

"Over here, the short-selling is only between 3% and 4% and the stocks are profitable.

Former investment banker Ian Yoong said the forum is likely to spur trading in glove stocks over the near-term.

"Valuations are attractive and I don't expect earnings to go over the cliff any time soon. Furthermore, average selling prices are maintaining, so I do see a significant number of people going in," he said.

In a statement last week, the Minority Shareholders Watch Group (MSWG) highlighted that shares of US gaming company GameStop Corp had surged 1,700% in just two weeks as the Main Street piled in and forced hedge funds like Melvyn Capital Management to lose billions on their short positions.

"These small investors discussed stocks on the "wallstreetsbets" forum on Reddit anonymously and have fuelled the GameStop rally. Bursa Malaysia and the Securities Commission lifted the temporary suspension on regulated short selling (RSS) activities

from Jan 1, with the enhanced control measures to ensure stability and maintain investor confidence.

The daily gross short position limit for approved securities will be temporarily reduced from 3% to 2%, and a new cap of 4% on RSS aggregated net short position will be introduced. Last Thursday, "Bursabets," a new subreddit on social news aggregator site Reddit, was created.

Dubbed the "Malaysian version" of Reddit's WallStreetBets forum, the discussions on Bursabets have centered on Malaysian glove makers. The forum boasted over 11,800 members at the time of writing.

"Locally, shares of glove makers such as Top Glove Corp Bhd jumped 14.33% to an intraday high of RM7.10 on the morning of Jan 29, as compared to the closing price of RM6.21 on Jan 27, 2021. At the same time, share price of Hartalega Holdings Bhd rose 10% to an intraday high of RM13.42, as compared to the closing price of RM12.20 on Jan 27, 2021."

Supertmax jumped more than 8% over the two-day period. Since the jump last Friday, however, shares of Top Glove, Hartalega and Supertmax have all fallen more than 4%. At 5pm yesterday, shares of Top Glove closed 53 sen up to RM6.74. Hartalega was up 66 sen to RM12.86 and Supertmax rose 24 sen to RM6.80.