

Short Selling

Gradual Lifting of Restrictions

FBMKLCI	1,681.41
Target	1,603.00 ↔

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Any negative market impact resulting from the lifting of the ban on restricted short selling (RSS) on 1 Jan 2021 will likely to be muted in our view. Only nine names out of a list of 46 stocks with Total Net Short Positions of 0.1% and above (of outstanding shares of the issuer) are FBMKLCI components, out of which, perhaps not surprisingly, three are glovemakers (TOPGLOV, SUPERMX and HARTA). The lifting comes with tighter new measures - capping the net short position at 4% and reducing the daily gross short position limit from 3% to 2% - that may lessen volatility of potential short selling transactions. With the FBMKLCI slightly overvalued at 1,681 points, up 6% YTD and over 38% from the March bottom, the lifting of the ban is probably timely and welcomed.

Regulated Short Selling to be lifted 1 Jan 2021: The SC and Bursa announced yesterday that the temporary suspension of Regulated Short Selling (RSS) scheduled to expire on 31 Dec 2020, will be uplifted on 1 Jan 2021. Meanwhile, the suspension on Intraday Short Selling (IDSS) and intraday short selling by Proprietary Day Traders (PDT) due to expire 31 Dec 2020 will be extended to 28 Feb 2021.

A measured lifting: The RSS will be re-introduced with the following enhanced control measures:

- i) The daily gross short position limit for Approved Securities will be reduced from 3% to 2%; and
- ii) A new cap of 4% on RSS aggregated net short position will be introduced.

Restrictions of IDSS and PDT if lifted end February may have bigger impact: As highlighted in Lum Joe Shen's note of 15 June 2020 titled "Should We Fear the Return of Short Sellers", one of the key points to note is that most short selling trade volumes are generated from IDSS and PDT. RSS and PSS (Permitted Short Selling) volumes are far less. Hence, the impact may be muted as IDSS and PDT (which typically generate higher short volumes compared to RSS and PSS) suspensions are still in place. Even with RSS allowed, the new control measures would lessen the volumes that are shortable as daily gross short position limit is reduced from 3% to 2% while the aggregate net short positions are capped at 4%. We believe these measures together will blunt the short selling impact.

Glovmakers among those with highest outstanding net short positions: We list overleaf, the latest RSS aggregated net short positions taken from Bursa's website as at the close of 15 Dec 2020. The top four names with the highest percentage total outstanding net short positions are, not surprisingly glovmakers namely TOPGLOV (1.27%), SUPERMX (1.23%), KOSSAN (1.15%) and HARTA (0.97%). Given the 4% limit imposed, the amount that remains shortable for each name are thus 2.73%, 2.77%, 2.85% and 3.03%, respectively. In terms of total shortable volumes/average daily trade volumes, these figures translate to 3.50x, 2.58x, 6.77x and 13.38x, respectively, which are among the lowest in the list of 46 names. Stocks exhibiting far higher multiples (thus deemed perhaps more vulnerable) are MAXIS (133x), POS (187.9x) and DIGI (91.7x). These trends hold generally true as well when viewed in terms of total shortable volumes/free float.

Latest measures are timely and welcome: Given the strong rally in the month-to-date (FBMKLCI up 7.6% resoundingly outperforming the rest of Asean), the reintroduction of the RSS is probably timely if only to temper the emerging animal spirits and make this recovery more sustainable. We remain positive on this market with an 2021 year-end target of 1,803 points.



17 December 2020

Stock Name	Total Net Short Position (Volume)	% of Total Net Short Position	% of Total Net Shortable Position	Total Balance of Shortable Position (Volume)	Shortable Positions as multiple of average daily volume (x or days)	Shortable Positions as % of free float	3-mth Average Daily Volume	Equity Float (m)	Equity Free Float (%)
Top Glove	103,659,565	1.27	2.73	222,827,254	3.50	5.60	63,574,730	3,977	49.6
Supermax	33,419,637	1.23	2.77	75,262,109	2.58	7.96	29,187,230	946	36.0
Kossan	29,276,827	1.15	2.85	72,555,615	6.77	7.26	10,712,250	1,000	39.1
Hartalega	33,131,996	0.97	3.03	103,494,792	13.38	8.23	7,736,947	1,257	36.7
Maxis	74,089,376	0.95	3.05	237,865,891	133.04	25.01	1,787,880	951	12.2
Econpile	7,034,002	0.53	3.47	46,052,806	4.89	9.32	9,423,843	494	37.0
KNM Group	14,547,800	0.50	3.50	101,834,600	1.10	4.26	92,639,940	2,389	80.7
Maybank	44,502,801	0.40	3.60	400,525,209	40.02	15.94	10,007,790	2,513	22.4
Telekom	14,028,600	0.38	3.62	133,640,874	19.2	10.17	6,961,247	1,314	34.8
AEON	4,645,000	0.34	3.66	50,002,059	5.73	14.29	8,728,477	350	24.9
Inari	9,644,516	0.30	3.70	118,949,031	8.28	6.31	14,362,460	1,885	57.1
Bauto	3,389,700	0.30	3.70	41,806,300	14.83	7.41	2,818,360	564	48.5
Mflour	2,835,951	0.29	3.71	36,280,615	7.29	6.62	4,974,664	548	54.3
Digi	20,756,249	0.27	3.73	286,743,736	91.71	17.89	3,126,470	1,603	20.6
Armada	15,543,444	0.27	3.73	214,729,800	2.08	9.12	103,430,500	2,354	40.0
Jaks	4,411,171	0.26	3.74	63,452,998	1.70	4.49	37,405,210	1,412	80.4
POS	1,938,500	0.25	3.75	29,077,500	187.9	59.08	154,753	49	21.6
Sapura Energy	38,757,445	0.25	3.75	581,361,675	3.38	8.06	172,253,300	7,216	45.2
Eastern & Orient	3,389,003	0.24	3.76	53,094,380	43.62	10.74	1,217,257	495	34.6
D&O	2,630,000	0.23	3.77	43,109,130	6.10	5.82	7,072,807	741	64.2
CIMB	21,178,943	0.22	3.78	363,892,748	13.32	9.59	27,326,650	3,793	38.2
MRCB	8,997,659	0.21	3.79	162,386,322	17.91	9.87	9,066,013	1,646	37.3
CMSB	1,935,630	0.19	3.81	38,814,475	5.53	8.94	7,016,120	434	40.8
Uchi	807,000	0.18	3.82	17,126,333	18.57	6.39	922,463	268	59.6
MYEG	6,440,636	0.18	3.82	136,684,608	5.69	8.83	24,017,980	1,549	44.4
Btoto	2,363,604	0.18	3.82	50,160,929	45.28	7.28	1,107,893	689	51.3
Sime Property	11,834,112	0.18	3.82	251,146,155	43.48	14.66	5,776,534	1,713	25.2
Aeon Credit	421,421	0.17	3.83	9,494,367	40.91	12.39	232,087	77	30.0
LBS	2,549,981	0.17	3.83	57,449,572	17.79	9.74	3,228,470	590	37.8
Hai-O Enterprise	484,500	0.17	3.83	10,915,500	39.65	6.67	275,317	164	56.4
Mega First	764,000	0.16	3.84	18,336,000	24.67	6.74	743,190	272	57.5
Hibiscus	2,298,103	0.14	3.86	63,361,983	1.63	4.16	38,792,100	1,521	89.8
Velesto	10,931,383	0.14	3.86	301,393,846	6.34	9.43	47,565,190	3,195	38.9
AirAsia	4,289,380	0.13	3.87	127,691,543	2.27	6.41	56,165,030	1,991	59.6
Alliance Bank	1,916,300	0.13	3.87	57,046,777	20.5	9.14	2,782,817	624	40.3
Jaya Tiasa	1,182,000	0.13	3.87	35,187,231	2.97	8.50	11,848,430	414	42.8
Paramount	740,000	0.13	3.87	22,029,231	18.99	7.76	1,160,187	284	46.2
Ekovest	3,240,965	0.13	3.87	96,481,035	3.96	6.85	24,345,040	1,408	52.2
Ta Ann	527,000	0.12	3.88	17,039,667	21.59	14.94	789,210	114	25.9
Petron	300,000	0.12	3.88	9,700,000	7.51	15.53	1,292,400	62	23.1
SP Setia	4,284,617	0.11	3.89	151,519,638	20.57	20.37	7,366,654	744	18.3
KSL	1,077,000	0.11	3.89	38,086,636	11.81	18.03	3,223,667	211	20.8
FGV	3,725,300	0.11	3.89	131,740,155	7.31	11.87	18,021,250	1,110	30.4
Padini	670,100	0.11	3.89	23,697,173	24.48	13.01	967,917	182	27.7
Genting M	6,015,339	0.11	3.89	212,724,261	8.99	7.84	23,660,280	2,712	48.0
Eco World Dev	2,965,106	0.11	3.89	104,856,930	10.61	16.48	9,883,407	636	21.6

Source: Bursa Malaysia, Bloomberg, Kenanga Research

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Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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