



Liberty National Wealth Management Newsletter

In the News: “Short-Selling”

Provided by Liberty National Wealth Management

You may have heard the news about stocks for certain companies suddenly ballooning, quickly going from lunch money prices to several hundred dollars a share. In one case, the shares rose over 1700% since December 2020.¹

So, what gives?

Some speculative money managers make assumptions that certain downward-trending stocks will continue to move lower. They borrow shares, sell them, and if the price continues falling as anticipated, they then buy the shares back at the lower price. This is called “short-selling.”¹

Some believe the “hockey stick” spike we’re seeing this week originated on Internet discussion boards, where traders are coordinating their efforts to disrupt the short-selling process. Generally speaking, these traders make these moves for a variety of reasons. Some may be protesting against Wall Street. Others may simply be attempting to take economic advantage of the situation and make a “quick buck.”¹

While this all makes for an interesting story, the truth is that this is something of a sideshow and a far cry from the investment strategies most investors use to further their retirement goals.

Our suggestion? Enjoy the show, but remember: you’re playing for the long haul.



If you are interested in learning more about the services Liberty National Bank can provide please contact us for a free consultation at our wealth management locations in Downtown Sioux Falls or Dakota Dunes.



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PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS – INVESTMENTS NOT FDIC INSURED – MAY LOSE VALUE – NO BANK GUARANTEE

Citations.

1. NYTimes.com, January 27, 2021

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

In order to sell short, you are required to open a margin account. Selling a security short involves greater risk, including the risk of unlimited losses in a position. Selling short is not suitable for all investors. Margin trading entails greater risk, including, but not limited to, risk of loss and incurrence of margin interest debt. Please assess your financial circumstances and risk tolerance before trading on margin. Margin credit is extended by National Financial Services, Member NYSE, SIPC.

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