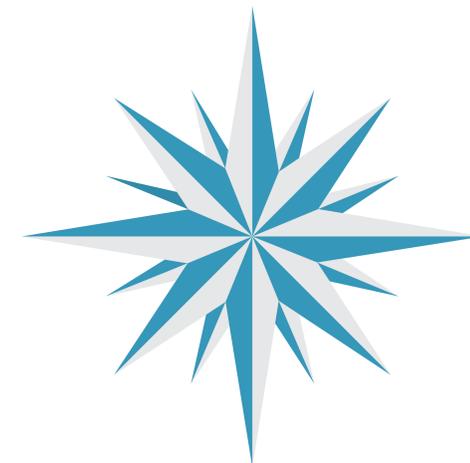


**KTS**  
CAPITAL  
MANAGEMENT



## **KTS weekly update Nr. 3-Silver special**

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The 29<sup>th</sup> of January 2021

# Short squeezes in multiple stocks

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- The new dimension of short squeezes happened fast and surprised most investors. Reading through media, we discovered that the hedge fund Melvin Capital, needed to be rescued from market participants, because of huge losses on GameStop short position; multiple hedge funds also hugely suffered from such squeeze (around USD 20 Bio in 24h). Citron Research announced to discontinue its short selling research! We were also surprised from the dynamic of such events. Back in October 2008, we experienced the short squeeze of the Volkswagen/Porsche stock, but that day, the stock touched the highs on closed at the lows, so it was clear, that shorties finally closed positions. The move at that time was spectacular, but nothing compared to the magnitude of GME's move. The first intra-day reverse was not the end of the upside move in this case.
- The short squeeze started as usual with the gamma squeeze (investors buying “out of the money” calls and “pushing” the price of the underlying), but this time many market participants were shorting on the way up, because history showed, after such event, the stock eventually is going to fall dramatically. In the case of GME US, it looks like, a lot of investors had the same idea and at the end of the day, there was 144% short interest in the company! Something never experienced in history.
- According to Goldman Sachs, hedge funds were forced to liquidate their favorite longs to cover the margin calls and losses on the shorts. This is also a reason of the market's correction.
- The saga of GME is probably just at the beginning, having platform like Robinhood and Interactive broker banning short on stocks like GME, BB and AMC, to limit their own issues with margin calls and now even being sued from investors!
- Nevertheless, KTS could also partially profit from such impressive short squeeze moves via some positions of our best in class value fund, Classic Global. Some stocks could neutralize the massive underperformance of last 3 years in just 2 days (Pitney Bowes Inc and Fossil to mention a few examples).

# Is the next squeeze in silver?

- It looks like that the Reddit blog wallstreetbets is preparing the next squeeze which is supposedly be silver.
- We welcome such move, being invested in silver for its strong fundamentals: silver is going to massively profit from the renewable energy trend and also as inflation hedge against the massive Governments's indebtedness and liquidity injection from central Banks. A breakout of the resistance 28 USD would be actually very bullish. Over 30 USD the sky is the limit.



**Silver technical triangle: a breakout of 28USD would be very bullish**

# Possible magnitude of a silver breakout

- Back in 2010 silver could breakout the 20 USD resistance and the price was catapulted to 50 USD.
- Actually this time fundamentals would support such move!



Silver's chart over 20 years

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