

Coast Guard's busy week

On Tuesday 26 January (Australia Day) three Coast Guard vessels participated in the Blessing of the Fleet organised by The Capricornia Cruising Yacht Club in Rosslyn Bay Harbour. Later in the morning Yeppoon Rescue One and Marine Assist Rescue provided a display at Main Beach Yeppoon during the Beach Party. While this was in progress, around midday a call came in from a Keppel Sands Marine Assist member that his jet ski had broken down on the way back from Great Keppel Island. Yeppoon Rescue One (Skipper: Phil Schefe) was diverted to a position around 4nm east of Rosslyn Bay Harbour. The jetski was taken under tow and returned to the harbour at around 1.30 pm.

On Wednesday morning at 10.15 am a call was received from a 5m runabout with 1 POB broken down about 1nm NW of Rosslyn Bay Harbour. Skipper Rex Kirk and crew attended in Marine Assist Rescue and towed the boat back to Rosslyn Bay Harbour at 10.50 am. The owner gave a donation for the help given.

At 2.00 pm a Marine Assist member out from Putney Beach on Great Keppel Island as the motor of his 6m sports cruiser. could not be restarted. Skipper Kingsley Bartle and crew in Marine Assist Rescue were called out arriving on scene at around 3.25 pm. they took the vessel in tow and returned to Rosslyn Bay Harbour at 4.10 pm.

On Sunday a call came in at 9.20 am from the owner of a jet ski with 2 POB that wouldn't start at Putney Beach on Great Keppel Island. Marine Assist Rescue *Skipper: Merv Studt and



two crew) to head over in very rough conditions with 1.5 to 2 m swells rolling through. Marine Assist Rescue arrived on scene at 10.30 am and after picking up a swag roll and the two passengers off the beach at near high tide, the vessel was taken into tow and headed back for Rosslyn Bay Harbour. After a slow trip, Ma-

rine Assist Rescue arrived back in the harbour at 12.30 pm where a very grateful owner gave a good donation which included his sign up for Marine Assist membership.

On Saturday 6 February from 8.30 am to 11 am, Coast Guard Yeppoon will offer a free Safe Boating Course to new boat owners or boaties

new to the Capricorn Coast. It will include a flare demonstration. To register, call 4933 6600.

Thanks to a very generous donation of a shed full of treasures, Coast Guard Yeppoon will be holding a monster garage sale and Open Day at Rosslyn Bay on Saturday 13 February starting at 7am.

Reddit's Lord of the Flies: Game on for day traders

Born in late 1963, some 'authorities' count me as a baby boomer. However, my memories of the 1960s are pretty much limited to hearing Sadie the Cleaning Lady on the radio and a stray dog we briefly adopted. Later experiences include missing "by that much" FBT-free lunches, and all manner of tax reduction opportunities that were rampant for people born earlier. Not one to hold a grudge, I am thankful for the free university education that I completed the year before fees became mandatory. I also like the idea of the 1960s, or at least the version that included free love and massive outdoor concerts that no one can remember.

You might say then that I have one foot in each of the Baby Boomer and Gen X camps, and for that reason, I believe I am well qualified to explore the private investor pile-in which has driven the price of US stock GameStop up by 14 times its price of a month ago. The story has appeal, high minded individuals use social media platform Reddit to bring down dastardly and greedy hedge fund managers.

Let's start with some facts. GameStop is an American retailer of video game, consumer electronics, and gaming merchandise. In Australia it owns EB Games. Apparent in calendar 2019, customers have been increasingly moving to cloud-based gaming



and downloads. In Australia 20 or more EB games stores have closed or will close. There is no doubt that GameStop's business is under pressure.

The value of anything is the stream of benefits that the purchaser/owner/holder expects to receive, less the costs of generating those benefits. In finance, benefits are expressed as cash flow, and various techniques (DCF and IRR among them) are used to convert those expected cash flows into an estimate of value. Comparing this estimate to the prevailing share price helps in deciding whether to buy or sell. These types of calculations are bread and butter for those working in roles such as mine.

With cash flows from operations falling and the company facing what looks like secular headwinds, it would be fair to say that the value of GameStop is likely lower than higher. Hedge funds latched onto this observation and used a technique known as short selling

(shorting) to try to make a profit from that. Shorting involves selling stock you do not own with the expectation you will be able to buy it back later (so you can deliver the stock you sold) at a cheaper price.

I am not a fan of shorting. Price only approximates value if there are lots of buyers and sellers, all well informed. A rampant seller in the face of few willing buyers (people may already have bought what they want to hold) is essentially a one way bet. Further, hedge funds are notorious for first shorting the stock and subsequently publishing damning research to drive the price down. Sometimes that research is well founded (read up on Blue Sky), at other times it is pure fabrication. I'd say that 20% of the time hedge funds expose truths that the market needs to know, the other 80% they cause market instability and destroy perfectly good businesses. In any event, hedge funds shorted GameStop, and the price tanked.

Enter the Redditors. Trading via the Wall-StreetBets forum, they massed individual investors to force the price of GameStop up. As the price increased, hedge funds (which remember, had sold stock expecting to buy it back cheaper) began to lose money - as much as \$19 billion by some reports. Some hedge funds had to borrow from competitors to cover their losses.

Breathless media pieces abound, praising the newfound power of the little guys. Maybe they should think a bit deeper. If for example, GameStop really is a basket case, then each of these little investors is buying into something, the underlying value of which is not much at all. And for the price to go up, each successive purchaser must on average, pay more than the previous purchaser. With 'investors' clamouring over each other for stock, those that got in early sell out. Pity others that cannot sell their stock before the music stops. When will the music stop? As soon as it becomes clear that the GameStop no longer has a real business. And that's why hedge funds, more informed and with immensely more sustainable fire-power than retail investors, will again be selling.

Let's be honest, there is very little to like about hedge funds. Many of their underlying unitholders know nothing about their methods of financial alchemy, which incidentally places them at the heart of some of the most significant financial crashes. On the other hand, WallStreetBets has a lot more in common with William Golding's "Lord of the Flies" than anything to do with disciplined, value creating finance and investment. In this context, millennials who assert some sort of moral superiority over aging boomers are pedalling a misguided lie which will cost them dearly.

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