Title: Zombie stocks being used as collateral?
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Created 2021-09-06 13:09:47 UTC
Permalink: /r/DDintoGME/comments/piz4pn/zombie_stocks_being_used_as_collateral/
Url: https://www.reddit.com/r/DDintoGME/comments/piz4pn/zombie_stocks_being_used_as_collateral/

There’s a theory going around that the peaking in zombie stocks is the wheels of margin call turning. I’m not so sure.

I am pretty sure that SHF’s are using the infinite tax-avoidance glitch on short-to-bankrupt stock (borrow a share, sell it & take the cash, short it to $0.01, never close the short position, never pay tax on the cash). I think we’ve all assumed they wouldn’t cover these positions, but what if they bought to cover without closing? (Remember I’m talking about penny stocks here, not GME).

Presumably every share of every stock in the $0.01 range has traded hands at least once around $0.01 so that the seller can realize a loss. But what’s in that trade for the buyer, who would buy that?

Well, an excellent buyer at $0.01 would be the short who shorted it in the first place. Now they have both a short position and the shares to cover that short if the stock was to have an accidental recovery. They can close their position any time, for free.

I’ll continue on the theory that they didn’t close and they have both the short obligation and the inventory of shares on hand. So what do they do with that inventory?

They can’t really pump & dump. Sure, pumping is cheap, but if they start to sell then there’s little price support and it probably tanks back to $0.01.

What if they do a cheap pump (like $0.01 to $0.41) and then use that garbage as collateral in another transaction or to avoid the margin call? “Look, it’s worth 41 cents a share!” (… as long as nobody tries to sell it…)