Essay on gaining by betting against flimsy chinese firms

Business, Company

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The article “ Gaining by betting against flimsy Chinese firms” by Steven Mufson talks about Sahm Adrangi, a Yale graduate, who has gained his fortune by betting on the fall of the stock prices of the Chinese companies, listed on the U. S. markets, which he considers flimsy. Many of these companies got into the U. S. market listing through a reverse merger technique by exchanging stocks with U. S.-listed companies. However, Adrangi and his experts often find that the performance of these companies is far below the one described in the reports provided for the investors and the Securities and Exchange Commission. Although Andragai’s activity shattered many Chinese companies, he feels little pity for the investors, who lose money, suggesting that if investors “ end up holding the bag, that’s just the way capital markets work.”

The article strongly relates to the Managing In A Global Economy class, since it outlines one of the problems a global manager may face today. Cross border activity and internationalization of business make it hard to evaluate the position of a particular company, which operates in another country. Lack of transparency may boost investors’ expectations and then lead to a major collapse in the stock market, once the real situation is exposed. The activity of Sahm Adrangi’s company gives us a valuable lesson, showing that managers and investors should be more cautious, when making decisions. Unfortunately, not only people may lie, but also fraudulent financial statements and reports. Therefore, a global manager today should be aware of the potential “ scams” in the market and take measures in order not to become a victim and not to fall into one of the financial “ traps”.