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## Short sellers face the rage of an army of small traders

Hedge funds have been attacked despite helping to identify overvalued and struggling companies

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The majority of investors with diversified portfolios will look past this market noise. But, clearly, there are areas of the market that are trading well out of line with notions of fundamental value. This will provide opportunities for investors beyond a day-trading mindset.

Stocks such as GameStop are ripe for falling back to earth, rewarding short sellers at some point. Other shares knocked by forced sales from hedge funds that needed quick cash to cover their losses will provide a buying opportunity.



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However, the current market dynamic — a speculative surge from retail investors using borrowed money and derivatives — has in the past signalled a frothy market top. Similar peaks, notably in 2000 and to a lesser extent in 2007, were followed by big declines that registered broadly — not just among a few chastened hedge funds.