

July 20, 2020

Attention: Jay Clayton, Chairman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Letter #4 Re: GSX Techedu’s operational & financial frauds; market manipulation

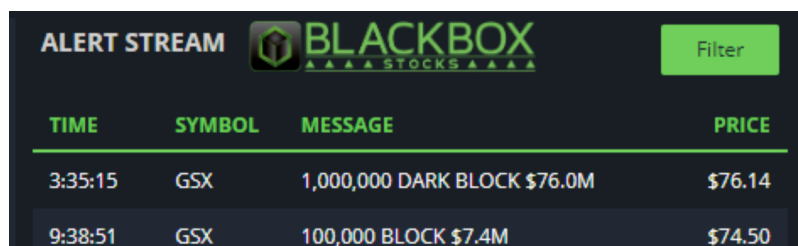
To Mr. Jay Clayton,

This is a 4th follow-up letter in regards to the unmistakable fraud and market manipulator, GSX Techedu (ticker: GSX), and the lack of action to date by the SEC. As of July 20, 2020, 146 days have elapsed since the SEC was presented with evidence of GSX’s fraudulent business practices.

This letter highlights dark pool orders and related share price performance.

Please note that two banks have dropped coverage of GSX before today’s trading session (Monday, July 20, 2020), yet the price climbed by +10.5% on no other news.

That is, the only other news was a dark pool order placed at the end of the trading day on Friday (July 17, 2020) for 1MM shares at \$76.14. Note the other, “small”, early morning 100k dark pool order, which was likely intended to prop the price just barely above \$75, in order to make the stock manipulators’ call and put options they’ve sold, expire worthless for holders. And that is just what happened, with GSX closing on 7/17 at a price widely predicted by traders in online forums (“slightly above \$75” was the expectation): \$76.14.



TIME	SYMBOL	MESSAGE	PRICE
3:35:15	GSX	1,000,000 DARK BLOCK \$76.0M	\$76.14
9:38:51	GSX	100,000 BLOCK \$7.4M	\$74.50

Figure 1: July 17, 2020, Pre- & after-market dark pool activity. 100k shares before trading to prop price to ideal trading range up until option expiration. 1MM shares on 2.1MM volume to pump stock price after option expiration.

Please refer to the following table of GSX’s stock price performance, starting one day before Muddy Water’s second fraud report, and just days before the substantial share manipulation began taking hold.

Date	Open	High	Low	Close	Adj Close	Volume
5/27/20	\$ 31.76	\$ 31.86	\$ 29.00	\$ 29.77	\$ 29.77	5,996,900
5/28/20	\$ 29.23	\$ 31.13	\$ 29.22	\$ 29.85	\$ 29.85	5,765,900
5/29/20	\$ 30.08	\$ 31.95	\$ 30.06	\$ 31.36	\$ 31.36	13,623,900
6/1/20	\$ 31.49	\$ 32.95	\$ 30.60	\$ 32.61	\$ 32.61	4,471,300
6/2/20	\$ 34.41	\$ 36.98	\$ 34.03	\$ 36.97	\$ 36.97	9,020,000
6/3/20	\$ 39.00	\$ 40.50	\$ 38.46	\$ 39.50	\$ 39.50	6,847,300
6/4/20	\$ 37.96	\$ 42.40	\$ 37.90	\$ 41.40	\$ 41.40	8,311,400
6/5/20	\$ 42.12	\$ 43.69	\$ 39.93	\$ 40.52	\$ 40.52	6,050,900
6/8/20	\$ 41.10	\$ 41.50	\$ 38.68	\$ 40.10	\$ 40.10	3,414,000
6/9/20	\$ 39.18	\$ 40.25	\$ 38.25	\$ 39.60	\$ 39.60	3,381,800
6/10/20	\$ 39.42	\$ 41.20	\$ 39.09	\$ 40.97	\$ 40.97	4,026,400
6/11/20	\$ 39.20	\$ 39.57	\$ 37.83	\$ 39.50	\$ 39.50	5,833,200
6/12/20	\$ 40.32	\$ 43.19	\$ 39.29	\$ 43.04	\$ 43.04	3,771,300
6/15/20	\$ 43.01	\$ 55.88	\$ 42.82	\$ 52.00	\$ 52.00	27,394,100
6/16/20	\$ 56.33	\$ 56.80	\$ 49.24	\$ 51.78	\$ 51.78	9,249,300
6/17/20	\$ 51.88	\$ 57.00	\$ 51.73	\$ 56.16	\$ 56.16	11,728,000
6/18/20	\$ 54.60	\$ 57.33	\$ 54.47	\$ 56.05	\$ 56.05	3,711,300
6/19/20	\$ 57.00	\$ 59.50	\$ 56.89	\$ 57.81	\$ 57.81	4,753,000
6/22/20	\$ 58.12	\$ 59.38	\$ 54.34	\$ 56.11	\$ 56.11	2,961,800
6/23/20	\$ 56.43	\$ 58.80	\$ 56.20	\$ 58.50	\$ 58.50	2,248,000
6/24/20	\$ 57.57	\$ 58.08	\$ 54.22	\$ 56.70	\$ 56.70	4,311,100
6/25/20	\$ 55.56	\$ 57.90	\$ 55.24	\$ 57.80	\$ 57.80	2,278,300
6/26/20	\$ 57.76	\$ 57.99	\$ 55.85	\$ 57.65	\$ 57.65	5,569,000
6/29/20	\$ 57.40	\$ 58.40	\$ 56.32	\$ 58.33	\$ 58.33	7,520,500
6/30/20	\$ 58.80	\$ 62.75	\$ 58.57	\$ 59.99	\$ 59.99	6,317,800
7/1/20	\$ 57.49	\$ 58.24	\$ 54.29	\$ 57.25	\$ 57.25	4,525,500
7/2/20	\$ 58.42	\$ 65.79	\$ 58.32	\$ 63.09	\$ 63.09	6,356,000
7/6/20	\$ 67.94	\$ 69.00	\$ 63.30	\$ 65.71	\$ 65.71	5,263,600
7/7/20	\$ 64.66	\$ 69.73	\$ 64.51	\$ 69.11	\$ 69.11	5,074,700
7/8/20	\$ 70.00	\$ 83.13	\$ 69.84	\$ 78.21	\$ 78.21	15,981,900
7/9/20	\$ 80.10	\$ 88.30	\$ 76.15	\$ 87.86	\$ 87.86	9,031,800
7/10/20	\$ 84.04	\$ 89.00	\$ 84.04	\$ 87.63	\$ 87.63	9,247,800
7/13/20	\$ 90.00	\$ 92.00	\$ 81.23	\$ 82.05	\$ 82.05	5,783,100
7/14/20	\$ 78.10	\$ 80.77	\$ 74.11	\$ 79.62	\$ 79.62	4,690,100
7/15/20	\$ 79.09	\$ 79.50	\$ 73.04	\$ 76.63	\$ 76.63	5,225,800
7/16/20	\$ 73.40	\$ 77.00	\$ 72.85	\$ 75.01	\$ 75.01	3,612,400
7/17/20	\$ 75.68	\$ 78.12	\$ 73.70	\$ 76.14	\$ 76.14	3,791,700
7/20/20	\$ 78.23	\$ 82.78	\$ 76.65	\$ 82.19	\$ 82.19	2,086,713

Figure 2: GSX stock price performance and trading volume, May 27, 2020 – July 20, 2020.

The first item to take note of is that in the span of only 38 trading days, GSX’s share price has grown by 2.52x, to a market cap in excess of \$20B USD. This has occurred despite 13 fraud reports, analyst downgrades or dropped coverage, a high percentage of short interest, and no material news from or related to the company (other than newly posted help wanted ads the company posted for fraud specialists):

00:29 15%

Anti-fraud monitoring expert
 Beijing Baijia Internet Technology Co., Ltd.
 Haidian District
 13 hours ago · Be the top 25 applicants
 Check out the employees recruited by Beijing Baijia Internet Technology Co., Ltd.
 apply immediately

Must have a public inspection background (3-5 years or more) + business experience (2 years or more), age 34 or less, stable work experience, salary can be negotiated within 1 million

description of job:

1. Accept complaints and reports from inside and outside the company, investigate employee fraud and violations of regulations and disciplines, protect company interests, control and reduce company economic losses;
2. Complete the assigned investigation and evidence collection on time through professional investigation skills and legal investigation methods ;
3. In daily work, proactively analyze and discover business fraud risks, and investigate possible suspected fraud;
4. Based on the evidence and facts obtained during the investigation, objectively and fairly reflect the truth of the investigation, provide the management with a written investigation report, and propose treatment opinions and suggestions;

Figure 3: GSX recruiting advertisement for “Anti-fraud monitoring expert”, posted to LinkedIn, July 17, 2020.

Next, note the dates of dark pool orders (6/1, 6/11, 6/25, 6/29, 7/17), the number of shares in the transaction and the dark pool % of volume.

ANALYSIS OF GSX SHARE PRICE PERFORMANCE & DARK POOL ORDERS

Date	Adj Close	Volume	% Gain (Loss)	DARK POOL PRICE	DARK POOL SHARES	Dark pool % of volume	Timing	Gain (Loss) Since Last Dark Pool	Days since last Dark Pool	Gain (Loss) Since 6/1 Dark Pool	Notes
5/27/20	\$ 29.77	5,996,900	-6.3%								
5/28/20	\$ 29.85	5,765,900	0.3%								
5/29/20	\$ 31.36	13,623,900	5.1%								
6/1/20	\$ 32.61	4,471,300	4.0%	\$ 32.61	1,500,000	34%	After				Price never goes beneath this dark pool price of \$32.61
6/2/20	\$ 36.97	9,020,000	13.4%					13%		13%	
6/3/20	\$ 39.50	6,847,300	6.8%					21%		21%	
6/4/20	\$ 41.40	8,311,400	4.8%					27%		27%	
6/5/20	\$ 40.52	6,050,900	-2.1%					24%		24%	
6/8/20	\$ 40.10	3,414,000	-1.0%					23%		23%	
6/9/20	\$ 39.60	3,381,800	-1.2%					21%		21%	
6/10/20	\$ 40.97	4,026,400	3.5%					26%		26%	
6/11/20	\$ 39.50	5,833,200	-3.6%	\$ 39.50	2,150,000	37%	After		10	21%	Price never goes beneath this dark pool price of \$39.50
6/12/20	\$ 43.04	3,771,300	9.0%					9%		32%	
6/15/20	\$ 52.00	27,394,100	20.8%					32%		59%	
6/16/20	\$ 51.78	9,249,300	-0.4%					31%		59%	
6/17/20	\$ 56.16	11,728,000	8.5%					42%		72%	
6/18/20	\$ 56.05	3,711,300	-0.2%					42%		72%	
6/19/20	\$ 57.81	4,753,000	3.1%					46%		77%	
6/22/20	\$ 56.11	2,961,800	-2.9%					42%		72%	
6/23/20	\$ 58.50	2,248,000	4.3%					48%		79%	
6/24/20	\$ 56.70	4,311,100	-3.1%					44%		74%	
6/25/20	\$ 57.80	2,278,300	1.9%	\$ 57.80	1,505,239	66%	After		14	77%	Price only ever goes <1% below this dark pool price of \$57.80
6/26/20	\$ 57.65	5,569,000	-0.3%							77%	
6/29/20	\$ 58.33	7,520,500	1.2%	\$ 57.65	940,000	17%	Pre		4	79%	Price only ever goes <0.7% below this dark pool price of \$57.65
6/30/20	\$ 59.99	6,317,800	2.8%					4%		84%	
7/1/20	\$ 57.25	4,525,500	-4.6%					-1%		76%	
7/2/20	\$ 63.09	6,356,000	10.2%					9%		93%	
7/6/20	\$ 65.71	5,263,600	4.2%					14%		102%	
7/7/20	\$ 69.11	5,074,700	5.2%					20%		112%	
7/8/20	\$ 78.21	15,981,900	13.2%					35%		140%	
7/9/20	\$ 87.86	9,031,800	12.3%					52%		169%	
7/10/20	\$ 87.63	9,247,800	-0.3%							169%	
7/13/20	\$ 82.05	5,783,100	-6.4%							152%	*options expire 7/17 Dark pools & share manipulation relaxed until option expiry
7/14/20	\$ 79.62	4,690,100	-3.0%							144%	*options expire 7/17 Dark pools & share manipulation relaxed until option expiry
7/15/20	\$ 76.63	5,225,800	-3.8%							135%	*options expire 7/17 Dark pools & share manipulation relaxed until option expiry
7/16/20	\$ 75.01	3,612,400	-2.1%							130%	*options expire 7/17 Dark pools & share manipulation relaxed until option expiry
7/17/20	\$ 76.14	3,791,700	1.5%	\$ 76.14	1,000,000	48%	After		18	133%	Additional 100k dark pool pre-market at \$74.50
7/20/20	\$ 82.19	2,086,713	7.9%					8%		152%	
Average		6,558,621			1,419,048	40%					
Median		5,416,300			1,500,000	37%					

Figure 4: Table of dark pool orders and related price performance, by date.

You will notice that dark pool orders are quite significant, ranging from 17% up to 66% of the trading volume for GSX, with an average of 45%. That is, for a stock with a median volume of 5.4MM shares, placing buy orders for 940k to 2.15MM shares can potentially have a material impact on price.

And as the numbers show, material impact it has, as you can see in the column labeled “Gain (Loss) Since Last Dark Pool”. There you will see that the price grows significantly in the days after each dark pool transaction. For example, June 1’s dark pool order of 1.5MM shares (34% of volume) resulted in a 13% gain on the first trading day, 21% on the second, 27% on the third.

June 11’s dark pool transaction for 2.15MM shares had a 9% gain on the first trading day, 32% on the second and 42% by the fourth.

June 25’s and June 29’s combined dark pools resulted in 9% gain by day three, 20% by day five and 52% by day seven.

Most recently, July 17’s dark pool, which was timed perfectly for option expiration (as previously noted) has resulted in an 8% gain today, with the 1MM shares representing 48% of today’s trading volume (2.1MM shares).

The above chart also highlights the share price’s “Gain (Loss) Since 6/1 Dark Pool”. There you will see it has been a steady ascension, currently standing at 152% gain in under two months (2.52x). The only interruption has been a brief pause during option expirations, after which the activity and patterns resumed without hesitation.

Finally, please refer to the “Notes” column, where you will see that prices have *never* dipped by more than 0.9% below the price of each dark pool order (and this only happened on two trading days: 6/26 & 7/1). The dark pool orders are placed as a protection from market forces taking hold (which if you consider short volume, five analyst downgrades and dropped coverage, and degree and amount of fraud evidence, the pressure is certainly downward), and are used to pump the price up. Or, in the 7/17 option expiration trading day example, the first dark pool buy was used to gently prop the price within a desired range, before returning to aggressive price manipulation in the second buy.

There are certainly other companies on the market that have seen aggressive price rises in the past few months. Some of those price gains have been so aggressive that some claim they are due to manipulation. Tesla (TSLA) is the first that comes to mind. I have no knowledge as to whether or not manipulation is at play for TSLA, and will therefore not comment on such. However, there are key differences between TSLA & GSX that are nonetheless worth noting. Specifically:

- First and foremost, GSX has gained 50% more than TSLA has in the last 3 and 40% in the last 6 months.
- TSLA produces a real product, that people can touch, feel and productively use; they have a tremendous amount of valuable IP.
- GSX has a virtual product that, when people have attempted to use, they’ve found it to not function properly, not have human teachers or students in the class (despite live teachers and students being an essential requirement for the product), and is essentially “vaporware”.
- GSX has a Price to Book value of 83; TSLA’s is 33.
- GSX has clear evidence of fraud, in multiple forms, from multiple parties (13 reports to date); TSLA does not.
- GSX is a thinly traded stock. With the small float and volume, GSX is far easier to manipulate than TSLA.

Having such small volume, large buys and strongly correlated price movements makes GSX's price manipulation far easier to uncover and halt than other stocks.

For this reason and the others highlighted in my previous three letters and the 13 published fraud reports, it is requested that you act immediately against this Chinese parasite on US markets, GSX.

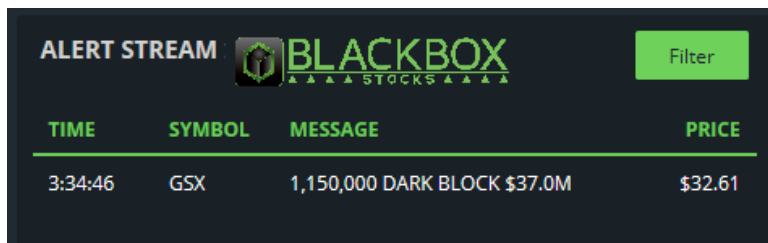
Sincerely,
Joseph White

Please refer to my previous letters:

July 5, 2020: <https://www.sec.gov/comments/emerging-markets/cll9-7382078-218897.pdf>

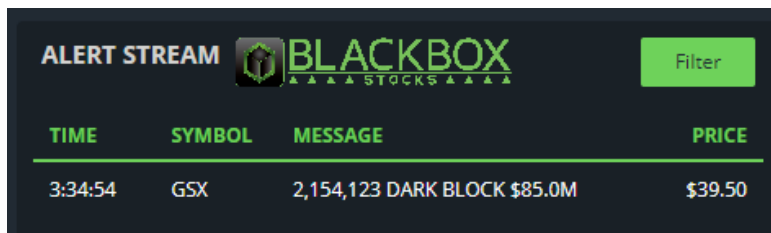
July 8, 2020: <https://www.sec.gov/comments/emerging-markets/cll9-7400201-219063.pdf>

July 15, 2020: <https://www.sec.gov/comments/emerging-markets/cll9-7432619-220145.pdf>



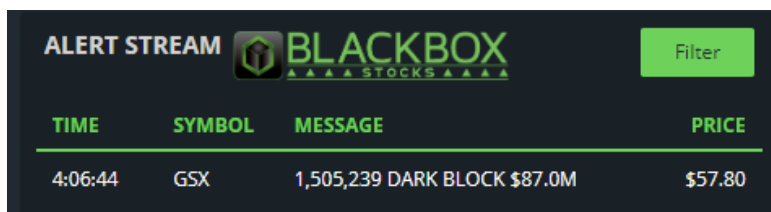
TIME	SYMBOL	MESSAGE	PRICE
3:34:46	GSX	1,150,000 DARK BLOCK \$37.0M	\$32.61

Figure 5: June 1, 2020 -- 1.50 million share darkpool print afterhours at \$32.61



TIME	SYMBOL	MESSAGE	PRICE
3:34:54	GSX	2,154,123 DARK BLOCK \$85.0M	\$39.50

Figure 6: June 11, 2020 -- 2.15 million share darkpool print after-hours at \$39.50. Average daily volume ~5.50 million



TIME	SYMBOL	MESSAGE	PRICE
4:06:44	GSX	1,505,239 DARK BLOCK \$87.0M	\$57.80

Figure 7: June 25, 2020 -- 1.50 million share darkpool print after-hours at \$57.80. 10-day average volume ~4.6 million

TIME	SYMBOL	MESSAGE	PRICE
7:05:00	AZN	162,000 DARK AVGPRC \$8.6M	\$53.17
7:00:00	IVV	150,000 DARK BLOCK \$45.0M	\$302.28
7:00:00	GSX	940,000 DARK AVGPRC \$54.0M	\$57.65

Figure 8: June 29, 2020: Pre-market dark pool activity, 940K shares. 10-day average volume ~4.6 million

TIME	SYMBOL	MESSAGE	PRICE
3:35:15	GSX	1,000,000 DARK BLOCK \$76.0M	\$76.14
9:38:51	GSX	100,000 BLOCK \$7.4M	\$74.50

Repeat of Figure 1: July 17, 2020: Pre- & after-market dark pool activity. 100k shares before trading to prop price to ideal trading range up until option expiration. IMM shares on 2.1MM volume to pump stock price after option expiration.