

▲ cholild1 1 hour ago | parent | favorite | on: Tesla Faces U.S. Criminal Probe Over Musk Statemen...

The sad piece of karma in all of this is that Musk tweeted in an effort to destroy the shorts.

His tweet turned out to:

- give the shorts a big dip in his stock,

- an investigation by the SEC

- an investigation by the DOJ

- the backing off of a deep pocketed investor in the Saudis

- Him potentially being personally liable, which would mean having to step away from SpaceX and Tesla if he was found guilty of fraud.

- This could be the biggest thing to come out of all of this. Imagine Elon getting a 2 year ban on begin an executive in a company. Or SpaceX Not being able to bid on government contracts because their CEO is a felon.

There is going to be a lot of backroom dealing to do everything they can to prevent Elon from being charged.

- A lawsuit that is seeking class action status for anyone who was short at the time of his tweet.

- this is speculation, but it must have really strained his relationship with the board. I mean you can only fight so many battles at once, you'd think you'd want to have the board on your side

All to screw with the shorts, who really have no power what-so ever to hinder Telsa. If he had just not used twitter he and Tesla would be better off and the shorts would be worse off.

reply

▲ nostrademons 39 minutes ago [-]

Imagine a private company with ballistic missiles and submarines...

I was musing the other day that Elon Musk may be planning to run for president. Why? Well, if there's one thing that 2016 showed us, it's that the road to the White House runs through snubbing Wall Street, calling the press a bunch of boring liars, accusing your opponents of pedophilia, making bizarre incoherent tweet storms in the middle of the night, and bragging about the size of your rocket.

reply

▲ khamoud 34 minutes ago [-]

It'd be funny but since he was born in South Africa he's disqualified from running.

reply

▲ monocasa 26 minutes ago [-]

Ted Cruz was born in Canada. The naturalization requirement is a lot looser than you might think.

reply

▲ cortesoft 17 minutes ago [-]

He was born a US citizen though. The requirement isn't that you are born on US soil, but that you are born a US citizen. John McCain was born in Panama.

reply

▲ ghaff 2 minutes ago [-]

McCain is distinguishable from Cruz' case though. He was born on a Naval Air Base in a US territory (the Canal Zone) which is legally a lot closer to US soil than Canada is--and some of the old common law precedents specifically address cases like this.

reply

▲ dnautics 6 minutes ago [-]

technically it says you must be a 'natural born' us citizen. who the hell knows what that means. If we assume the framers were well-read and fans of shakespeare, this means that anyone born by caesarean section is disqualified from holding the highest office. They were wise enough to know that the dermal microbiome of c-section children is destabilizing creates individuals of temperament ill-suited for the role.

reply

▲ curts 9 minutes ago [-]

John McCain's citizenship was more complicated than most people realize. See https://en.wikipedia.org/wiki/Natural-born-citizen_clause#lo...

reply

▲ 24gttghh 16 minutes ago [-]

I defend facts, not Ted Cruz:

"The candidate is a natural born citizen by virtue of being born in Canada to his mother who was a U.S. citizen at the time of his birth."

reply

▲ frozen11b 11 minutes ago [-]

Requirements for the President are diffrent than that of a Senator.

Place of birth does not matter for the House or Senate. Only need to be a US citizen.

For the President it's a "higher standard" you must be a native born Citizen.

reply

▲ InitialLastName 0 minutes ago [-]

Ted Cruz has run for president in the past.

"No Person except a natural born Citizen ... shall be eligible to the Office of President"

Natural born means "citizen at birth", not "born in the US"> One can also be a citizen at birth (under certain circumstances) by having parent(s) who are U.S. citizens. Ted Cruz unequivocally meets this standard.

[0] https://en.wikipedia.org/wiki/Article_Two_of_the_United_Stat...

reply

▲ ghaff 5 minutes ago [-]

"Natural born" citizen.

Which isn't 100% defined and legal scholars can and do argue the edge cases based on lots of things including very old British common law antecedents. The consensus seems to equal citizen from birth although some disagree.

reply

▲ wool_gather 1 minute ago [-]

Ted Cruz was a candidate for U.S. President two years ago.

reply

▲ bduerst 19 minutes ago [-]

Ted's parents were US Citizens. Are Musk's?

reply

▲ kec 32 minutes ago [-]

Elon is not a natural born citizen of the US (He's South African), he is ineligible for the presidency.

reply

▲ bdamm 28 minutes ago [-]

Didn't stop Ted Cruz from running, did it?

reply

▲ ghaff 24 minutes ago [-]

Natural born citizen is not unambiguously defined. However, the common interpretation is citizen from birth, which Cruz was by virtue of having a mother who was a US citizen.

reply

▲ rootusrootus 25 minutes ago [-]

He fits the legal definition of natural born citizen.

reply

▲ dnautics 5 minutes ago [-]

are TVF children disqualified? Legal citation on the natural born question, please.

reply

▲ bduerst 20 minutes ago [-]

Musk didn't have a major network invest in his name as part of their reality-TV branding. It's true that investing and tech circles are aware of him, but he's not a very well known brand to middle America, which would be key.

reply

▲ jokoon 23 minutes ago [-]

Aside from the fact that he's not born in the US, he doesn't seem like a good orator.

reply

▲ hyperbole 16 minutes ago [-]

"Isn't a good orator"... Given that Trump is in office that doesn't seem to be a deal breaker

reply

▲ jeffreyrogers 9 minutes ago [-]

Trump is a good orator. His messaging works for his target audience. Doesn't mean he is a good person.

reply

▲ alex_anglin 33 minutes ago [-]

Not being a natural-born citizen would still be a hurdle.

reply

▲ Asparagirl 1 hour ago [-]

Yes, I saw a tweet the other day that essentially said that the very worst thing you could do to Elon Musk would be to lock him in a comfortable conference room with plenty of food and water and excellent WiFi signal...and his phone.

I can think of a political figure for whom this would be true, too.

reply

▲ nickik 22 minutes ago [-]

The problem I have with statments like this is that is twitter is often awesome as well.

Getting great updates about technologies in SpaceX, Tesla or Boring. He also answers questions of podcasters and Journalists.

reply

▲ vkou 1 minute ago [-]

He also goes on personal crusades against members of the press, or just some random people that have said something mean to him.

reply

▲ hef18088 4 minutes ago [-]

One of the episodes on the Netflix documentary Dirty Money is about short sellers with regards to certain pharma stocks (the one click baiting with Skrell in the thumbnail but not in the story, otherwise it is a great watch). And one thing that struck about me about the short seller they interviewed was her analytical and systematic approach to it. What she was looking for was yet to be recognized flaws in a certain company that can only result in falling stocks in the long run. And then acting on them in concert with others.

A mean thing to do? Maybe. Or you could call it natiral selection in some cases.

Going back to Tesla and Musk, I think his behaviour in the last couple of weeka and all the information that surfaced since probably just confined every short seller out there that they are onto something.

reply

▲ Asparagirl 1 hour ago [-]

It's important to note that Elon screwed over the "longs" (people holding TSLA stock) too, not just the shorts. Many people and funds bought more TSLA stock in the \$350's range on the assumption that of course the company could/would go private at \$420/share. After all, hadn't the CEO just said so?

reply

▲ danso 1 hour ago [-]

I was reading r/TeslaMotors that day and a long made the astute observation that shorting the stock after Musk's announcement when it hit around \$380 was the most logical thing to do, because at most you'd be out 10% if Musk were telling the truth. If I had a trading account I think I might have gone for that.

reply

▲ whatok 1 hour ago [-]

Max loss being 10% is absolutely not accurate at all in that scenario. Taking the company private would still be up to a shareholder vote and shareholders could determine that the price offered was not sufficient. In that case, there are a lot of ways the stock could trade above the takeover price.

reply

▲ danso 58 minutes ago [-]

Isn't it possible to set the short order at a max limit to cut your losses? (this shows how little I know about having a trading account)

reply

▲ whatok 51 minutes ago [-]

This might help: [https://www.investopedia.com/articles/active-trading/091813/...](https://www.investopedia.com/articles/active-trading/091813/)

The problem with this is that you run the risk of the price gapping up or down and your stop getting filled at a much different price than expected.

reply

▲ howard941 18 minutes ago [-]

I'm an experienced trader in the sense that I've had only bad experiences trading. Thinking a stop loss order would help I (and the order) failed to account for one of those flash crashes that happen for no obvious reason other than to trigger execution of stopped orders.

reply

▲ defen 39 minutes ago [-]

Sell short and buy a corresponding (shares short / 100) number of call options at \$420 strike (which, in theory, if Musk were telling the truth, should essentially be worthless but in practice will come with some amount of premium). That way you have a guaranteed exit at \$420/share + option premium paid. You could reduce your option premium cost while slightly increasing your max loss if you went with \$430 calls or whatever.

reply

▲ MichaelApproved 33 minutes ago [-]

Why not just buy puts and simplify the trade?

reply

▲ MichaelApproved 48 minutes ago [-]

The only reliable way to limit losses would be using options.

reply

▲ staplers 49 minutes ago [-]

Longs are not "people holding stock". A long is purchased on borrowed capital paid back with interest. It is a much riskier play.

reply

▲ riphay 40 minutes ago [-]

Long is short-hand for anyone benefitting from the price of the stock rising. This includes people who own the stock outright, have bought on credit, own call options, have sold put options, etc.

reply

▲ bduerst 22 minutes ago [-]

Yeah, long is slang for long term investor: <https://www.investopedia.com/terms/l/long.asp>

reply

▲ zodiac 12 minutes ago [-]

The link you posted doesn't support that etymology; there are some proposed etymologies here <https://english.stackexchange.com/questions/145376/what-is-t...>

reply

▲ ebiggs 42 minutes ago [-]

Nope, he never said so. He used the word "considering" - to interpret that to mean it's a done deal is stupid, and all the risk you take is your own.

reply

▲ Jefro118 33 minutes ago [-]

He also said, "funding secured at \$420 a share", which wasn't true.

reply

▲ thomaskcr 49 minutes ago [-]

I opened my first actual short position that day (instead of just buying puts). He literally set an upper limit on how much money you could lose and I just felt really confident he was full of crap.

Got out of the position at a bit under \$310 so left a lot on the table but was happy. He literally handed people considering opening a short position on the stock a gift.

reply

▲ Asparagirl 22 minutes ago [-]

...and those of us who bought puts, because we don't feel comfortable actually shorting a stock. :-)

(Congrats on your successful trade!)

reply

▲ danso 44 minutes ago [-]

The small upside of this is that maybe Musk will be convinced to settle the libel suit that was announced yesterday [0]. For the suit filed in the UK, the max loss would be ~\$400K (unless it goes to trial and he ends up paying Vern Unsworth's legal costs), and it would spare us the sad spectacle of Musk trying to prove that Unsworth is a pedo.

[0] <https://www.buzzfeednews.com/article/ryanmac/cave-rescuer-su...>

reply

▲ jimmaswell 3 minutes ago [-]

It would be a (possibly huge) blow to our future as a planet if he were banned from being an executive of a company for even just 2 years. I hope for humanity's sake that it doesn't come to that.

reply

▲ simias 1 hour ago [-]

I'm not super knowledgeable in the stock market, what would he have gained from destroying the shorts? I understand that shorts are effectively a bet that the stock will go down but do they actually damage the company in any way? At a glance it sounds like trying to break the thermometer because you think it's too cold out there, the stock wasn't at risk because of the shorts, instead there were shorts because some investors thought that the stock was at risk. What am I missing?

Also even if destroying the shorts was a positive outcome for Must and Tesla how does that excuse his behaviour? Isn't that textbook market manipulation?

reply

▲ propter_hoc 1 hour ago [-]

Tesla's stock price is very high right now, largely on the basis that many investors expect it to do well in the future. This high valuation makes it easier for Tesla to raise more money to fund its future ambitions. The short sellers are promoting a story that Tesla will not do well in the future, and is overvalued today. If they manage to convince other investors of this story, the stock price may decline and hinder both Musk's personal wealth and prestige, and Tesla's ability to fund its future operations.

So it's somewhat understandable that Musk doesn't look kindly on the short sellers - he would prefer that skeptics stay quiet and stop trying to ruin his company's valuation. You are correct, however, that acting in a deceiving manner to make the shorts lose money is not an acceptable retaliation.

reply

▲ whatok 1 hour ago [-]

In addition to what other replies have said, Elon also has pledged some of his stock in order to secure personal loans. He will have to fund margin calls or sell his stock if the stock falls below a certain price.

reply

▲ Asparagirl 9 minutes ago [-]

THIS. Elon is the largest Tesla stockholder, but he has taken out huge loans against that stock. If the stock price of Tesla falls below about \$230/share (there is some confusion about the exact price, but it's widely believed to be somewhere around there) his stock could all be sold to cover the loan, which would suddenly dump the stock price even further, or he could be forced to post more of his stock as collateral for the loan. Either way, it's not good for him OR for the company.

Elon has used those loans to finance a rather extravagant lifestyle. He own FIVE mansions in Bel Air, all right next to or near each other. He owns a \$70,000,000 private jet, a top-of-the-line Gulfstream G650 ER, and flies everywhere with it, burning immense amounts of fuel sometimes just commuting within Los Angeles (between Hawthorne and Van Nuys airports, for example). Because his unusual compensation arrangement at Tesla is contingent on the company's increasing market value or maybe someday turning a profit (which has never ever happened), these loans against his Tesla stock are his main bread-and-butter.

In other words, Tesla's fate as a company and its stock price are intimately tied to Elon's personal financial solvency. That's gotta create some conflicts of interest between his various jobs as CEO, head of the Board of Directors, and a person who doesn't want to be personally financially wiped out.

reply

▲ zwerdids 1 hour ago [-]

Shorts drive the price down, making it more expensive for the company to borrow from the market by selling stock. They have to sell more shares to receive a similar amount.

reply

▲ simias 1 hour ago [-]

I obviously lack a piece of the puzzle here, let me see if I get this right: a short means borrowing stock, selling it then rebuying it later (betting that the price would have fallen in order to turn a profit) before giving it back to its original owner.

I suppose if everybody shorts at the same time the huge amount of stock being sold could drive the price momentarily down, but then again the opposite happens when the stock is re-bought. So in the end it should be effectively zero-sum? Or is it just that a huge amount of people started shorting the stock at the same time which made it a sort of self-fulfilling prophecy?

reply

▲ r2d2-C3po 54 minutes ago [-]

They wouldn't have to buy it back immediately. Short sellers would borrow the stock from a long and pay a predetermined interest rate for however long they're borrowing it. They technically don't have to rebuy the stock unless they get margin called (if the collateral posted is no longer deemed sufficient for the counterparty to allow the borrowing position) or need to close out positions because of some risk tolerance threshold being met. Usually when this happens to a bunch of shorts at the same time they must all rebuy, driving prices higher, which is called a short squeeze, but it is usually determined by someone cutting losses on a short position or positive news coming out driving prices up.

reply

▲ cardiffspaceman 1 hour ago [-]

Hopefully, the sale to start the position and the purchase to close it do not move the market themselves. Careful do long positions without moving the market (affecting the price). Sorry if I explained anything to anyone who already knew it.

reply

▲ refurb 27 minutes ago [-]

Shorts drive the price down

Not on their own they don't. You can go and short Facebook right now and it won't move the price at all.

reply

▲ qaq 6 minutes ago [-]

Sure it does short 20% of FB float it will sure move

reply

▲ rootusrootus 19 minutes ago [-]

Not individually, but if enough people short it, then that becomes a signal to other investors that maybe there's something they don't know about, which will push the price down.

reply

▲ TAForObvReasons 11 minutes ago [-]

There are two possibilities in that case:

1) there are no currently non-public controversies to be worried about, and the stock will eventually bounce back even higher. Keep in mind that people who short a stock have to pay a borrow fee in order to borrow the stock from shareholders, and that fee is nontrivial for heavily-shorted stocks like \$TSLA

2) there is something they don't know about, and it will eventually come to light.

reply

▲ Latteland 45 minutes ago [-]

Also the shorts try to push the stock down via endless false rumors (there are real challenges to tesla of course) about bad cars, crashes, fires, etc, and those false rumors must prevent some people who just don't have time for so much drama from looking into them.

reply

▲ rootusrootus 18 minutes ago [-]

Nah, what really happens is that there are so many short positions that the stock is notable for just how many people are shorting it, and that itself becomes the negative news. You don't have to write a single 'fake news' story to get that effect.

reply

▲ wgerard 25 minutes ago [-]

That's a reallily simplistic and one-sided view of short sellers.

reply

▲ Latteland 13 minutes ago [-]

They aren't all trying to do that of course, a lot of people are just trying to make money and look at a stock and think it will go one way or another. But I don't like the people that push false narratives and convince people of things that aren't related to reality.

reply

▲ NickM 1 hour ago [-]

If you short a stock, you profit when that company does poorly; since Tesla is one of the most shorted stocks out there, we have many people trying to spread FUD via blog posts/tweets/etc in hopes that they can drive the stock price down. (Or in some cases even going to extremes like fraudulently submitting reports to the NHTSA claiming design flaws and problems with Tesla cars.) This has the side effect of damaging public perception of Tesla.

reply

▲ ProAm 51 minutes ago [-]

I think he's out at the CEO of Tesla soon anyways. Regardless of this mess.

reply

▲ risby50 1 hour ago [-]

Yes, it's called market manipulation.

reply

▲ pmcollins 41 minutes ago [-]

> Musk tweeted in an effort to destroy the shorts

Is there any evidence that this was his intent? How do you know that he didn't actually intend to take the company private?

reply

▲ bduerst 26 minutes ago [-]

>- the backing off of a deep pocketed investor in the Saudis

Musk is responsible for this because he actually rejected this deal, not because the Saudis were involved, but because it involved partnering with VW.

reply

▲ Timmah 10 minutes ago [-]

Such a great land we live in where a CEO is investigated within weeks by criminal justice agencies for making a few tweets, but during the 2008 crisis other kinds of fraud (approving loans without verifying income, robo signing of "contracts") that cost people jobs, homes, and even lives, got CEOs unprecedented bonuses and billions in interest free loans to keep their ships afloat. God bless the USA.

reply

▲ saudiodger 42 minutes ago [-]

I seriously hope that through this Elon Musk learns that he's not an expert at everything and sometimes he needs to shut up and listen, but I doubt it.

If he can't weasel his way out of this, I imagine he'll continue to spiral and lash-out... all this because he just can't shut up.

reply

▲ thedaemon 1 hour ago [-]

Please define shorts. Google was unable to figure it out.

reply

▲ mcbits 1 hour ago [-]

Short sellers. People who sell something they don't own, speculating that they will be able to buy it later at a lower price.

If so, they make money. If not and the price goes up a bit, some shorts are forced to buy at the higher price to limit their losses. That pushes the price up further, forcing more shorts to buy, etc., causing a "short squeeze" where the price rapidly shoots up very high, "destroying" a lot of shorts.

reply

▲ kasey_junk 14 minutes ago [-]

Pedantically shorting doesn't have to be borrowing the underlying instrument. Put options are another way to trade on the idea that a stock will go down. I'd actually bet it's the more common way. It would still be colloquially referred to as being short.

reply

▲ proliqweh0a 51 minutes ago [-]

<https://www.investopedia.com/terms/s/shortselling.asp>

reply

▲ soohyung 49 minutes ago [-]

A short, or short position, is selling first and then buying later. The trader's expectation is that the price will drop; the price they sell at is higher than the price they buy it at later. The difference between the sale price and the buy price produces a profit or loss. [1]

[1] <https://www.investopedia.com/terms/s/short.asp>

reply

▲ ComputerGuru 1 hour ago [-]

People short selling the stock.

reply

▲ Invictus0 1 hour ago [-]

Short-sellers: people that bet that the price of Tesla stock would go down.

reply

▲ x0x0 43 minutes ago [-]

Not to mention the lawsuit for calling that diver in Thailand a pedo.

Right or wrong (the dude certainly seems not to be a pedo), Musk is the ceo of a currently near-failing company unable to produce and deliver cars as promised. And a defamation suit is what he's spending his time on? I'd be livid were I an employee.

reply

▲ ebiggs 36 minutes ago [-]

He's seeking just a mere \$75k in damages...there's no reason for Elon to not just pay that and move on, given lawyers would cost more. This frankly looks like Unsworth looking for a modest handout; betting that Musk wouldn't spend more money trying to prove he is in fact a pedo. On a totally unrelated note, how many kind prostitutes could you buy with \$75k? Just randomly curious.

reply

▲ camjohnson26 29 minutes ago [-]

That's not true, \$75,000 is the minimum amount to make this a federal case so the lawsuit is just saying it was at least that. He'll almost certainly have to pay a lot more.

The actual lawsuit is damning: <https://www.documentcloud.org/documents/4995828-2018-09-17-C...>

reply

▲ TAForObvReasons 1 hour ago [-]

> All to screw with the shorts, who really have no power whatso ever to hinder Tesla.

If Tesla wasn't burning through cash and didn't need an ever-inflating stock price in order to keep the house in order, the shorts would be powerless and in all honesty would back off. The only reason the shorts have power is that Tesla's future is currently heavily dependent on its stock price.

reply

▲ beaver 1 hour ago [-]

Can you explain how that works? I thought that once a company's stock was listed, third parties just trade it amongst themselves. How does that activity affect Tesla in terms of how they're able to execute?

reply

▲ askidjasikdjl 55 minutes ago [-]

There's a clause in Tesla's debt that if the share price is >\$360, they can pay their bond notes with stock shares. If it is <\$360, they have to pay their debt payments in cash. This obviously has a massive impact on Tesla's already precarious cash position.

reply

▲ whatok 1 hour ago [-]

Tesla has various options for raising cash including selling stock or bonds. In the case of stock, a secondary offering would come at a price relative to the current stock price. In the case of bonds, bonds are in almost all cases higher in the capital structure than equity. Having a large "equity cushion" makes bonds more attractive because there is someone else that will take losses before the bondholders.

reply

▲ romed 1 hour ago [-]

Public companies can raise money through "secondary" offerings of stock. That's why an IPO is called an "initial" offering.

reply

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