

## Twitter Thread by Kostas on FIRE ■



**Kostas on FIRE** ■

[@itsKostasOnFIRE](#)



### The Mother of All Squeezes

How Volkswagen went from being on the brink of bankruptcy to the most valuable company in the world in two days

/THREAD/



1/ At the peak of the 2008 financial crisis, Volkswagen was considered a very likely candidate for bankruptcy.

Heavily indebted and already financially struggling before 2008, with car sales expected to plummet due to the ongoing global crisis.



2/ With GM and Chrysler filing for bankruptcy in 2009, shorting the VW stock would seem a safe bet.

If you are not familiar with stock shorts and short squeezes check my thread below.

<https://t.co/ABGshetm9x>

Shorts, Squeezes, and Betting Against Stocks

What is short selling, how is it used and why is it risky?

/THREAD/ [pic.twitter.com/PyDd208hFe](https://pic.twitter.com/PyDd208hFe)

— Kostas on FIRE \U0001f525 (@itsKostasOnFIRE) January 27, 2021

3/ On October 26, 2008, Porsche announced it had increased its stake at VW from 30% to 74%.

This was a surprise to many who were led to believe that Porsche wasn't planning a takeover of VW, based on the company's announcements.



4/ Before the announcement, the short interest was approximately 13% of the outstanding shares, a number considered relatively low.

Porsche had a 30% stake, the Lower Saxony government fund held 20% of the shares, and another 5% was held by index funds.





5/ Due to VW's high weighting in the German index (DAX), the VW stock comprised 17% of the total index at the time.

This left 45% of the available shares to cover for the 13% of short shares.

However, with Porsche acquiring an additional 44% the outstanding shares were only 1%.

6/ Porsche in their statement said that they “decided to make this announcement after it became clear that there are by far more short positions in the market than expected.”

7/ They added that “the disclosure should give so-called short-sellers, meaning financial institutions which have betted or are still betting on a falling share price in Volkswagen, the opportunity to settle their relevant positions without rush and without facing major risks.”.

8/ This triggered a panic among short-sellers trying to rush to the exits, after Porsche's announcement on a Sunday with markets closed.

Due to the short squeeze, VW's stock rose 66% on Monday and skyrocketed to more than \$1,000 on Tuesday.



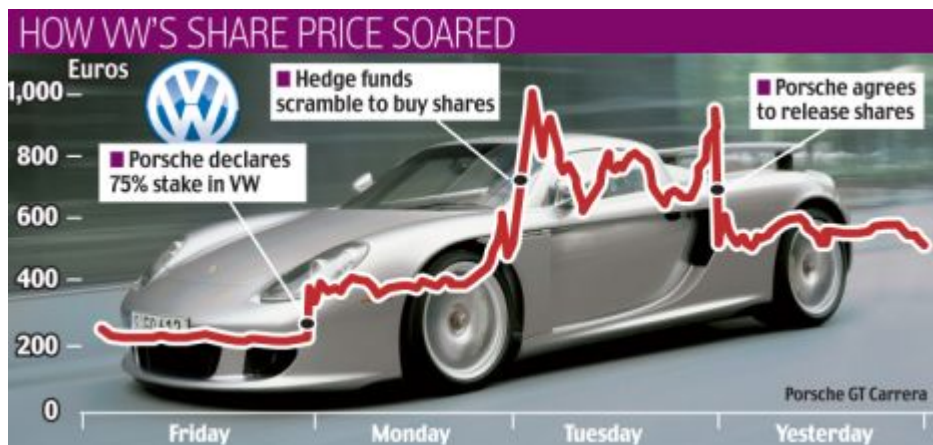
9/ At that moment, VW was valued at a market cap exceeding \$420 billion, surpassing Exxon Mobil and Microsoft.

In a single day, it became the most valuable company in the world.



10/ However, on Wednesday, Porsche provided 5% of its shares to the short-sellers, bringing the price down by 50%.

By December, it had returned to its normal levels, in the mid-200s.



11/ This trade shouldn't surprise anyone familiar with Porsche's activities.

The company was basically a hedge fund selling luxurious cars on the side.

In 2007, 3/4 of the company's profits were from trading derivatives and the rest from selling cars.

## Porsche: A 'Hedge Fund With a Carmaker Attached'

BY RICHARD S. CHANG JANUARY 23, 2009 2:50 PM



12/ From the 2008 VW squeeze, Porsche profited by more than \$8 billion, with its CEO, Wendelin Wiedeking, pocketing a \$100 million bonus.

The hedge funds that were involved in shorting the VW stock incurred collective losses exceeding \$30 billion.

/END/



If you liked this thread click below and retweet the first tweet, and follow to stay updated.

<https://t.co/rahchSIXcC>

The Mother of All Squeezes

How Volkswagen went from being on the brink of bankruptcy to the most valuable company in the world in two days

/THREAD/ [pic.twitter.com/h85Qhv78Wq](https://pic.twitter.com/h85Qhv78Wq)

— Kostas on FIRE \U0001f525 (@itsKostasOnFIRE) [January 27, 2021](#)

For more educational threads on financial independence and investing for beginners see below for a collection of threads



<https://t.co/eRwAf5k7oe>

List of Educational Threads on Financial Independence and Investing for Beginners [#FinancialIndependence](#)  
[#financialeducation](#) [#financialfreedom](#) [#investing](#)

1/ Financial Freedom <https://t.co/8j5KG5ioFK>

— Kostas on FIRE \U0001f525 (@itsKostasOnFIRE) [January 3, 2021](#)