

**U/FREEDOM6**

**THE  
SHORT GAME  
EXPOSED**



# The Short Game Exposed: Exploring Leverage in 75 Highly Shorted Stocks from 2020 in a Bull Market (24 Stocks Price Spiked on 1/27/2021... Yeah, You're Gonna Need to Cover Those Too SHF's)

Due Diligence

\*Disclaimer: I am not a financial advisor and I am not offering you financial advice. I am also not telling you to purchase any of the securities listed below as there was some "real" short interest covering during the referenced times below.

**TL;dr** Hedgies never covered GME and we're going to see this by reviewing the below information on heavily shorted stocks from 2020.

A Disney movie taught me, you can't know where you're going without knowing where you've been, and I would 100% agree with that thesis.

I compared the statistics of 75 of the most heavily shorted stocks in 2020 and found some interesting information that leads me to believe it would be IMPOSSIBLE for shorts to have covered all of their exposed short interest as share prices trended upwards from March, 2020 - January 2021 due to increased retail trading. All of these stocks were listed with 24% short interest or more of shares outstanding at some point during 2020. This is probably not a complete list.

## Heavily Shorted Stocks

I found an article talking about heavily shorted stocks in 2020 so I decided to take a peek down the rabbit hole... I fell a long way. Now, it's your turn! In early 2018 the FED began the reversal of quantitative easing (QE) (QE is aimed to increase money supply in order to "stimulate" the economy) to quantitative tightening (QT) (QT is aimed to decrease the amount of liquidity within the economy). This plan lasted until early 2019 when the FED noticed the negative effects on the market, and pumped the brakes on QT, turning back to QE to keep our economy and markets from tanking. During QT, the economy looked to be on a decline so bears came out of hibernation and began shorting A LOT of different stocks at **heavy** rates. We often hear about the "losses" that shorters suffer, but we need to keep in mind those losses are "unrealized" until the short position is actually closed, and there is no time limit to close a short position... This note will be important later on. We can also notice some patterns forming with quite a few of these securities after their "squeeze", similar to that of GME. Remember, GME SI% was incredibly high compared to the other stocks on this list. I also have evidence of what I believe to be real price discovery on a few of these stocks after short interest was truly removed, though this is a small minority.

I did not realize how much of a cancer short interest, even a small amount, can be on a stock price until I started looking at the deep history of these stocks, their pricing, and their amount of short interest. It would almost seem as if, once SI is introduced, SI is responsible for price discovery as there is a complete inverse relation nearly all of the time, but that's a story for a different day.

Here's the list of the heavily shorted stocks:

Ticker	Company	High Share Price 1/2021 - 2/2021	High share price Date	9/30/2020 SI% -1
GME	Gamestop	\$347.51	1/27/2021	105.30%
LGND	Ligand Pharmaceuticals	\$191.59	2/9/2021	61.16%
BBBY	Bed Bath & Beyond	\$52.89	1/27/2021	53.78%
SKT	Tanger Factory Outlet Centers	\$17.86	1/27/2021	50.90%
CLVS	Clovis Oncology Inc	\$10.34	2/8/2021	44.35%
PLCE	Children's Place Inc	\$77.61	2/8/2021	42.44%
M	Macy's Inc	\$17.73	1/27/2021	40.06%
IRBT	iRobot Corp	\$161.16	1/27/2021	37.75%
TXMD	Therapeutics	\$2.55	2/9/2021	31.42%
PETS	Petmed Express Inc	\$51.80	1/27/2021	31.06%
DDS	Dillard's Inc	\$104.46	1/26/2021	29.23%
BGS	B&G Food Inc	\$41.05	1/27/2021	28.61%
RAD	Rite Aid Corp	\$28.15	1/27/2021	28.34%
AXDX	Accelerate Diagnostics Inc	\$15.00	1/27/2021	27.49%
TRHC	Tabula Rasa Healthcare Inc	\$62.72	1/27/2021	24.01%
LCI	Lannett Co Inc	\$9.64	1/27/2021	23.80%
SIG	Signet Jewelers Ltd	\$49.78	2/26/2021	23.70%
HIBB	Hibbett Sports Inc.	\$68.30	2/24/2021	23.63%
GOGO	Gogo Inc	\$15.56	2/16/2021	22.95%
RH	RH	\$515.57	1/14/2021	22.24%
PEI	Pennsylvania Real Estate Invest	\$2.65	1/28/2021	19.81%
AMC	AMC Entertainment Holdings	\$19.90	1/27/2021	19.56%
SCVL	Shoe Carnival Inc	\$26.39	2/24/2021	19.35%
X	United States Steel Corp	\$23.86	1/12/2021	19.21%
TDOD	Teladoc Health Inc	\$294.54	2/8/2021	19.07%
CLF	Cleveland-Cliffs Inc.	\$18.56	1/12/2021	18.99%
AERI	Aerie Pharmaceuticals Inc	\$18.25	1/26/2021	18.71%
BOOM	GDMC Global Inc	\$67.78	2/22/2021	18.61%
TRUP	Trupanion Inc	\$123.86	2/8/2021	17.62%
RRC	Range Resources Corp	\$11.74	2/17/2021	16.07%
ZIOP	ZIOPHARM Oncology Inc	\$5.60	2/8/2021	15.77%
TVTY	Tivity Health Inc	\$24.80	2/9/2021	15.12%
RLGY	Realogy Holdings Corp	\$18.25	2/19/2021	12.81%
BZUN	Baozun Inc	\$54.98	2/10/2021	12.45%
SWN	Southwestern Energy Co	\$4.60	2/17/2021	11.39%
IRTC	iRhythm Technologies Inc	\$268.46	1/20/2021	10.05%
MED	Medifast Inc	\$274.30	2/12/2021	8.12%
IIPR	Innovative Industrial Propertie	\$220.16	2/16/2021	8.08%
WLL	Whiting Petroleum Corp	\$35.15	2/24/2021	1.14%
CRC	California Resources Corp	\$25.55	1/14/2021	
WPG	Washington Prime Group, Inc.	\$14.90	1/27/2021	
MNKKQ	Mallinckrodt PLC	\$0.71	2/2/2021	
GTT	GTT Communications	\$5.65	1/27/2021	
VAL	Valaris PLC	Bankrupt		
AMAG	AMAG Pharmaceuticals, Inc.	Delisted		
MSGN	MSG Networks Inc	Delisted		
ERI	Eldorado Resorts Inc	Delisted		
FIT	Fitbit Inc	Delisted		
WDR	Waddell & Reed Financial Inc	Delisted		
HIQ	Health Insurance Innovations	Delisted		

Ticker	Company	High Share Price 1/2021 - 2/2021	High share price Date	10/30/2021 SI% SO
MAC	Macerich Co	\$22.38	1/27/2021	50.58%
CRBP	Corbus Pharmaceuticals	\$3.42	2/10/2021	45.57%
AMCX	AMC Networks Inc	\$65.59	2/26/2021	44.66%
SRG	Seritage Growth Properties	\$22.37	1/28/2021	38.12%
ESPR	Esperion Therapeutics Inc	\$36.89	2/8/2021	36.12%
INO	Inovio Pharmaceuticals Inc	\$16.96	2/1/2021	33.88%
DDD	3D Systems Corp	\$55.35	2/9/2021	31.77%
JWN	Nordstrom Inc	\$39.49	1/26/2021	31.40%
XERS	Xeris Pharmaceuticals Inc	\$7.45	2/9/2021	31.07%
SRNE	Sorrento Therapeutics Inc	\$16.51	2/8/2021	27.67%
INSG	Inseego Corp	\$20.68	1/25/2021	27.13%
CAKE	Cheesecake Factory Inc	\$55.52	2/24/2021	26.51%
DVAX	Dynavax Technologies Co	\$11.18	2/8/2021	26.11%
CPE	Callon Petroleum Co	\$26.20	2/24/2021	25.86%
EBIX	Ebic Inc	\$58.63	1/27/2021	25.84%
IVR	Invesco Mortgage Capital	\$4.23	1/27/2021	23.83%
AAL	American Airlines Group	\$21.82	2/24/2021	23.44%
CVM	CEL-SCI Corp	\$27.64	2/1/2021	23.10%
CODX	Co-Diagnostics Inc	\$19.21	2/9/2021	22.85%
CHRS	Coherus BioSciences Inc	\$21.39	1/27/2021	22.57%
RRGB	Red Robin Gourmet Burgers	\$30.69	2/26/2021	21.60%
ACB	Aurora Cannabis Inc	\$18.92	2/10/2021	14.93%
INTEQ	Intelsat SA	\$0.89	1/20/2021	
JCPNQ	JC Penny Co Inc	Delisted		
MIK	The Michaels Companies	\$17.47	1/8/2021	

75 Heavily Shorted Stocks from 2020

Below, are the articles that I originally found that started this journey. I crosschecked their SI% with the SI% on ycharts and used ycharts information. The February, 2020 article actually calls out naked shorting of GME like it's no big deal: "One explanation for how it's possible that the short interest can equal nearly all existing shares is that the stock held by institutions is loaned through a securities lending program. In this scenario, a corresponding buyer of those shorted shares subsequently lends the shares again, and those same shares are shorted multiple times." Just naked shorting, no big deal guys.

<https://Beekingalpha.com/article/4322003-heavily-shorter-stocks-february-2020> (replace the capital "B" with an "s")

<https://Beekingalpha.com/article/4379061-heavily-shorter-stocks-october-2020> (replace the capital "B" with an "s")

Another couple highlights from the Feb, 2020 article:

" 2019 was difficult for short-sellers considering what ended up being a historically strong year for the broader equity market with the S&P 500 (SPY) returning 31%. Indeed, any bearish thesis based on an expectation that the U.S. and or global economy would spiral into a recession simply did not pan out or at least has not yet. The combination of supportive monetary policy, better than expected corporate earnings, and otherwise resilient economic growth was able to push stocks over the proverbial 'wall of worry' compared to fears in the first part of last year."

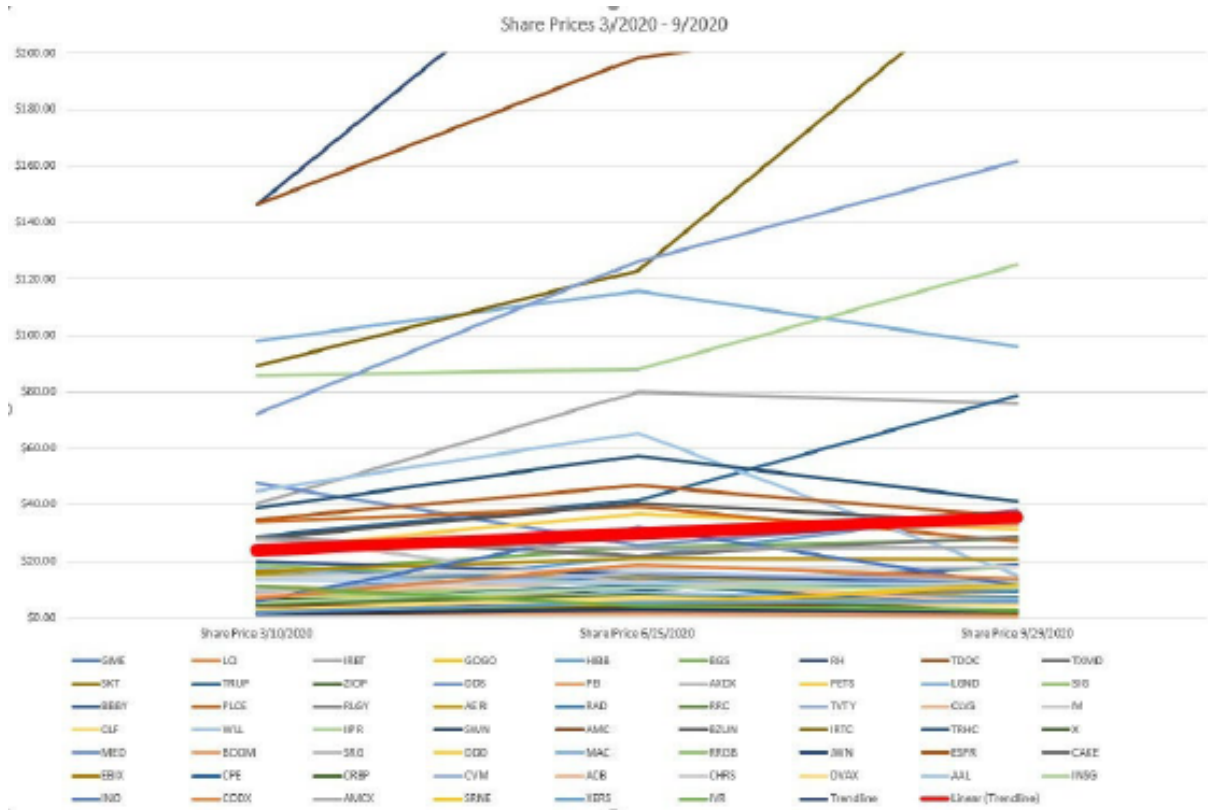
" In many cases, climbing short interest has been a multi-year trend for these companies with the stocks down by even larger amounts from their all-time high going back many years. It's fair to say that a poor stock price performance simply attracts more bearish sentiment."

Bears are getting hungry.

Let's break down a few highlights from the 75 heavily shorted stocks:

1. 24 of the 75 stocks had a sharp run-up occur from 1/25 - 1/29/2021 similar to that of GME's on 1/27, albeit smaller run-ups. Some have trended up and some down from these spikes.
2. Nearly all of the stocks had a similar price spike in the weeks preceding and the weeks after 1/27/2021.
3. 54 of these 75 stocks had their share price grow by more than 50% from bottoms in February and March of 2020 compared to their peak prices in January or February of 2021.
  - a. 40 of those stocks saw their share price increase by more than 100%.
4. A LOT of short interest was "covered" from 12/30/20 - 2/15/21 (when most of the stocks were entering their peaks).
5. It wasn't all losing for the SHF's as 14 of these companies were delisted (due to buyout), bankruptcy, or the stock trading under \$1 (which can remove it from NYSE/NASDAQ listing if it stays low).
6. It does appear that there was some real covering on some of these securities, probably those SHF's who could still make a profit, and some small losses, BUT short interest exposure far outweighs any profits.
7. Had all of this short interest actually been covered/closed we would have seen a major drop in FINRA's reported margin debt statistics. Instead, we've seen a GIANT margin debt ERECTION since March, 2020 (when these stock prices began trending upwards) which has continued to rise since everything was cOVerEd.

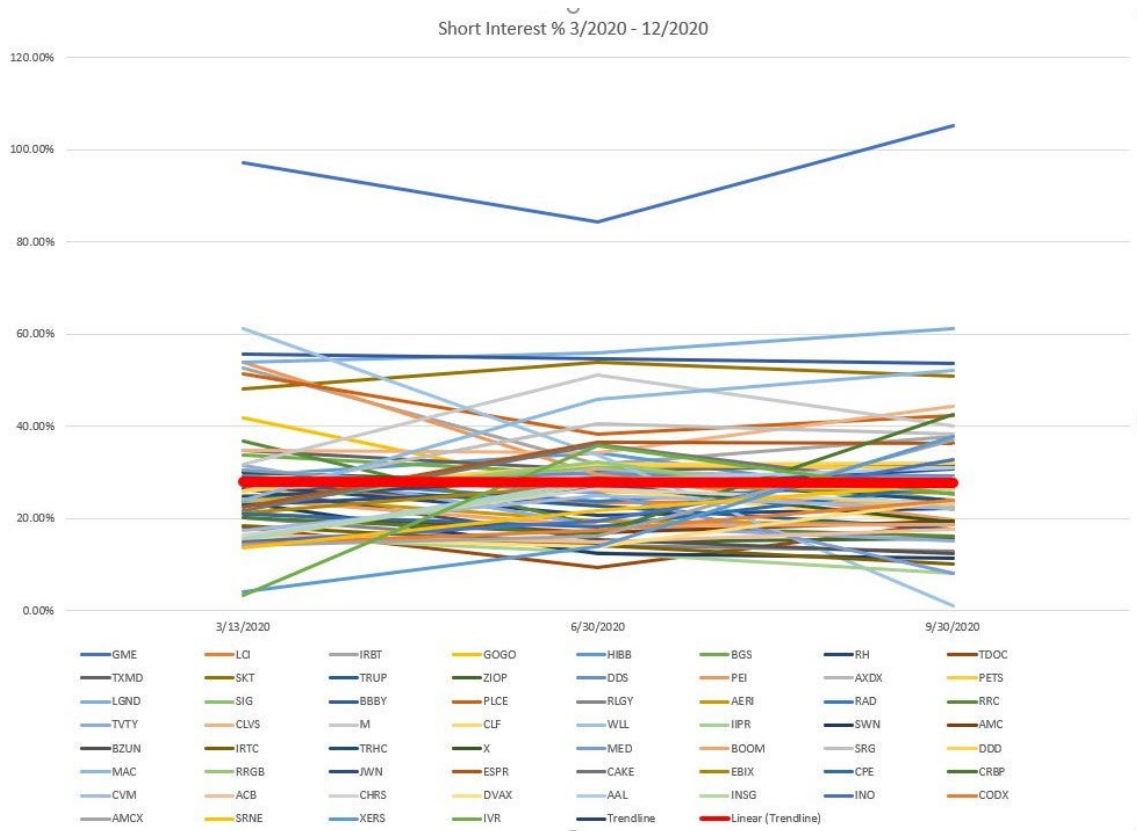
Here is average share price of these stocks from 3/2020 - 9/2020 (The bold red line is the trend line for all):



data from ycharts.com

Average share price is growing over time.

Here is the average short interest % of outstanding shares during the same time period (The bold red line is the trend line for all):



data from ycharts.com

A lot of these securities experienced extreme drops in March, 2020 where short interest was piled on some of these. Average short interest for the group during these time periods are as follows:

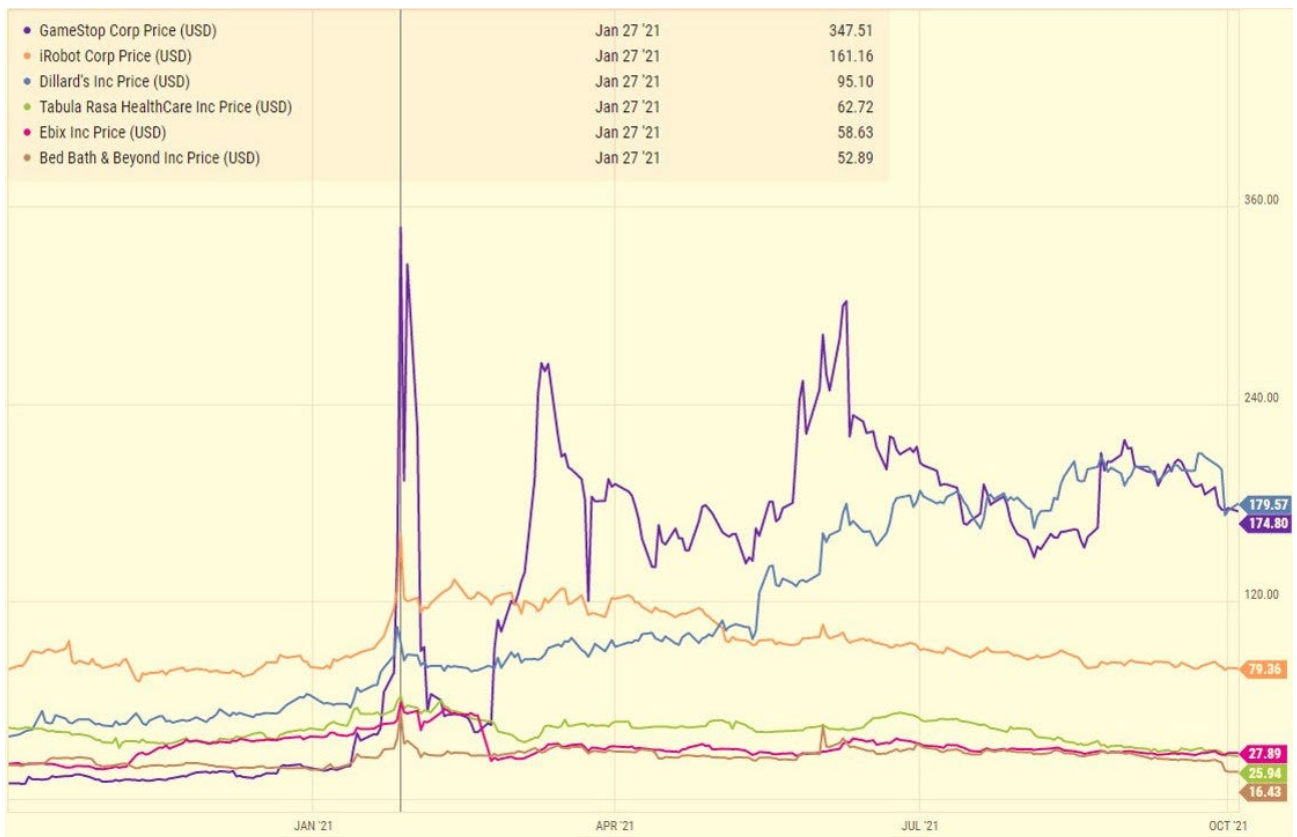
3/13/20: 27.95%

6/30/20: 27.80%

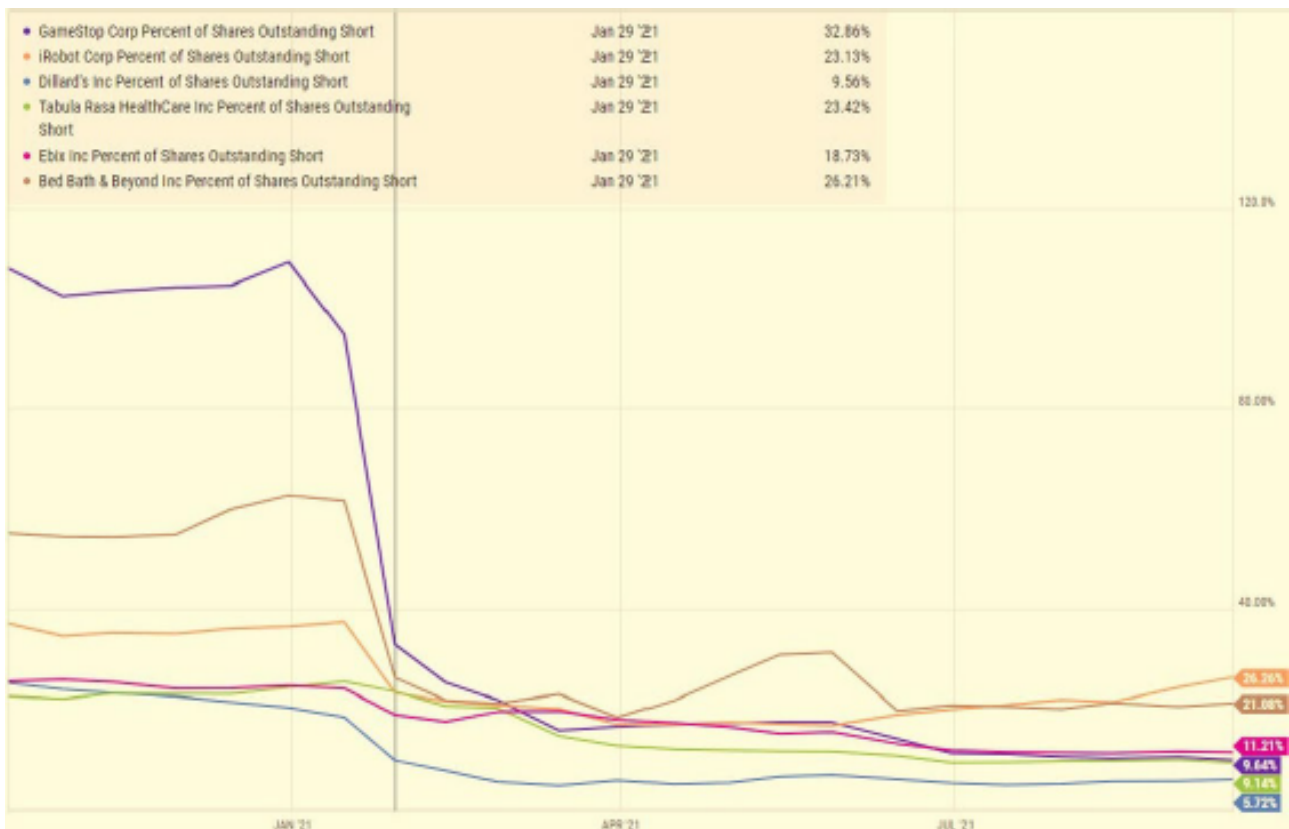
9/30/20: 27.95%

If share prices are going up wouldn't that be bad for the shorts? Correct. Quite a few of the securities on this list actually saw an increase in SI% while the stock price was trending up (GME being the prime example, increase from 84.25% on 6/30/20 to 105.30% on 9/30/20 while the share price trended up from \$4.80 - \$10.35).

Let's get to the fun stuff. Heavily shorted stocks share pricing and SI% of all shares outstanding near the run-up dates (all data from [ycharts.com](https://ycharts.com)):

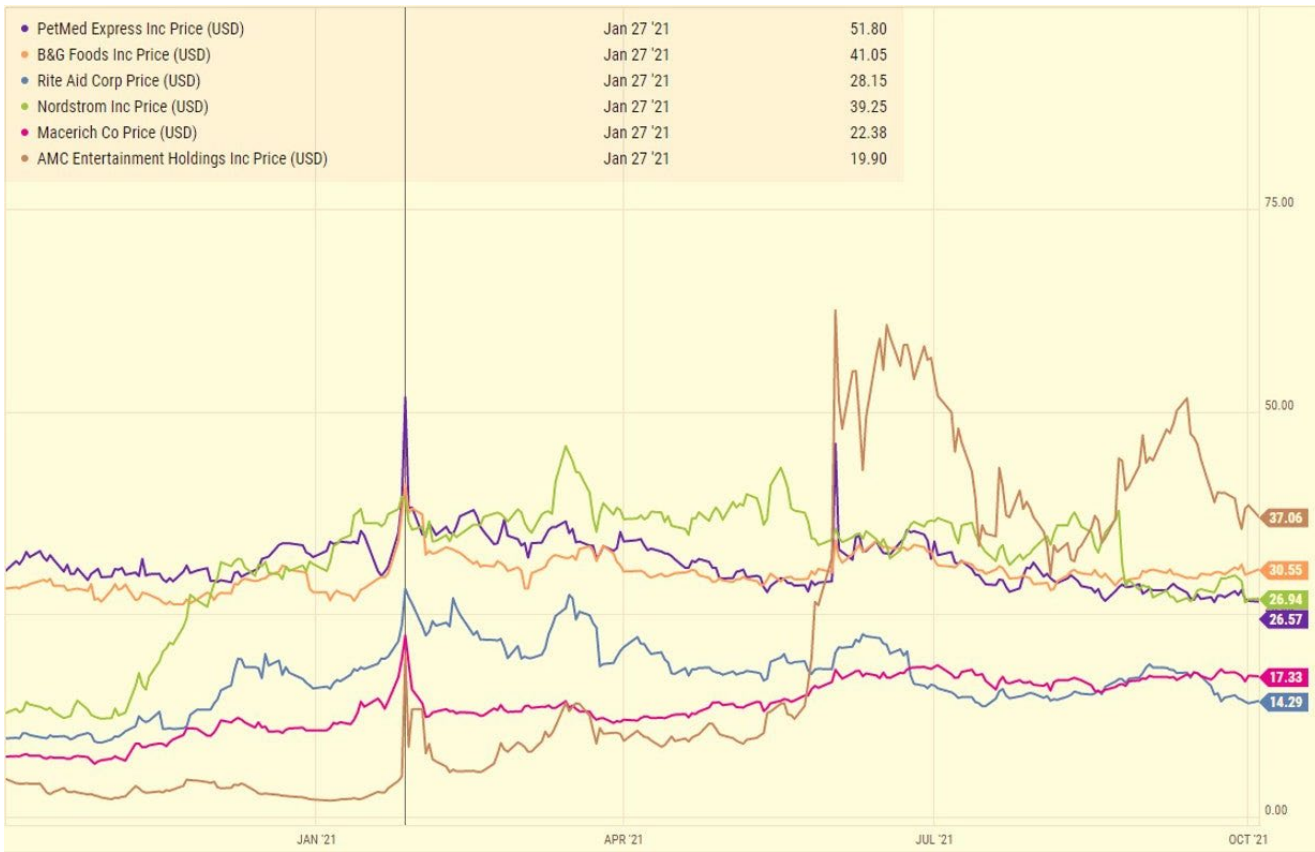


Group 1 of 1/27/21 Share Price Run-Ups

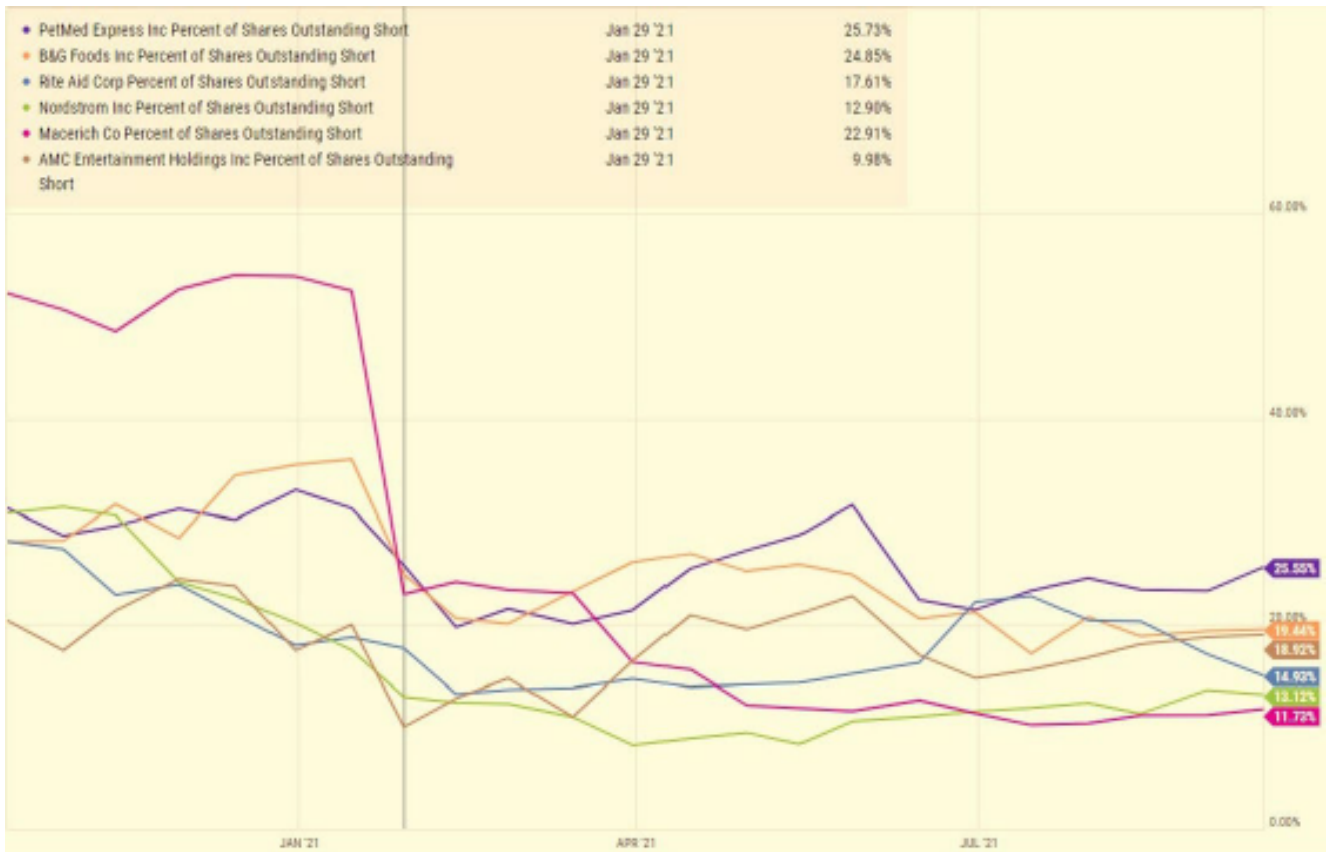


Reported Short Interest 1/29/21 (My closing out at the peaks must have been EXPENSIVE)

As can be seen, the share prices and SI% correlation seems to indicate a short squeeze took place on all these stocks... But wait, THERE'S MOOOORE.

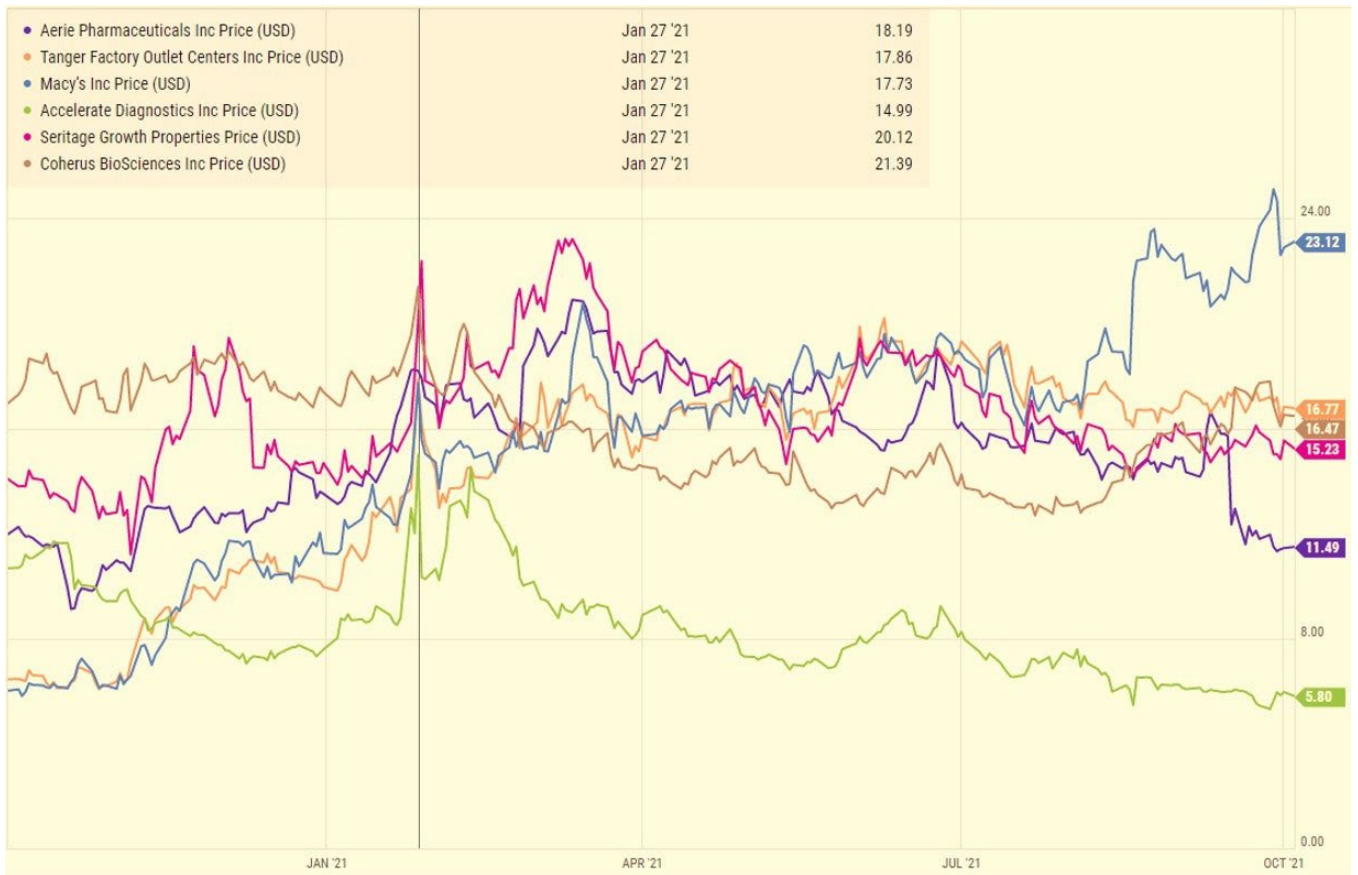


Group 2 of 1/27/21 Share Price Run-ups... Maybe you're already seeing some correlating prices post 1/27/21? But, I thought tHeY cOvErEd? (Look at 3/21 and 6/21)

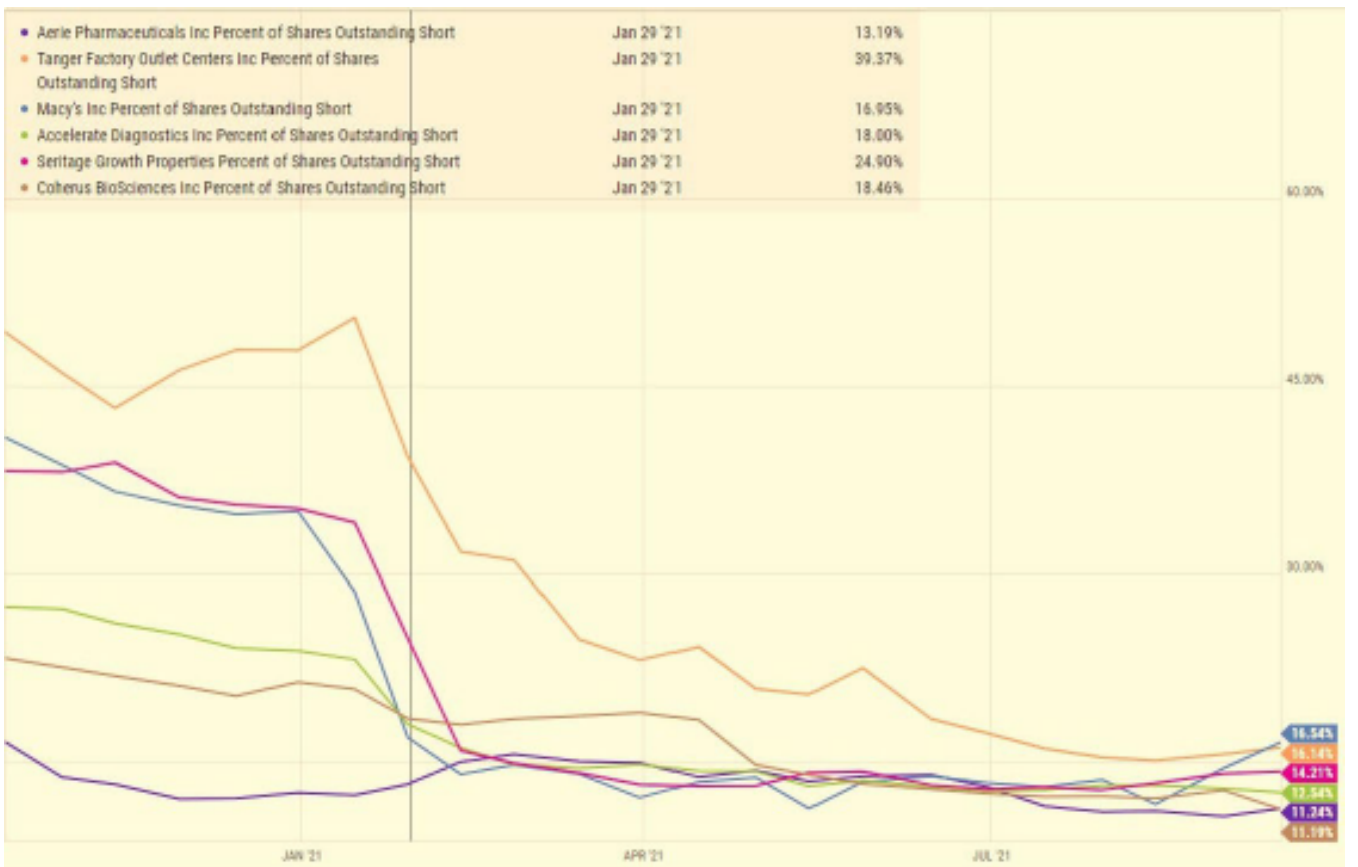


Reported Short Interest 1/29/21... Covering a buttload of shorts

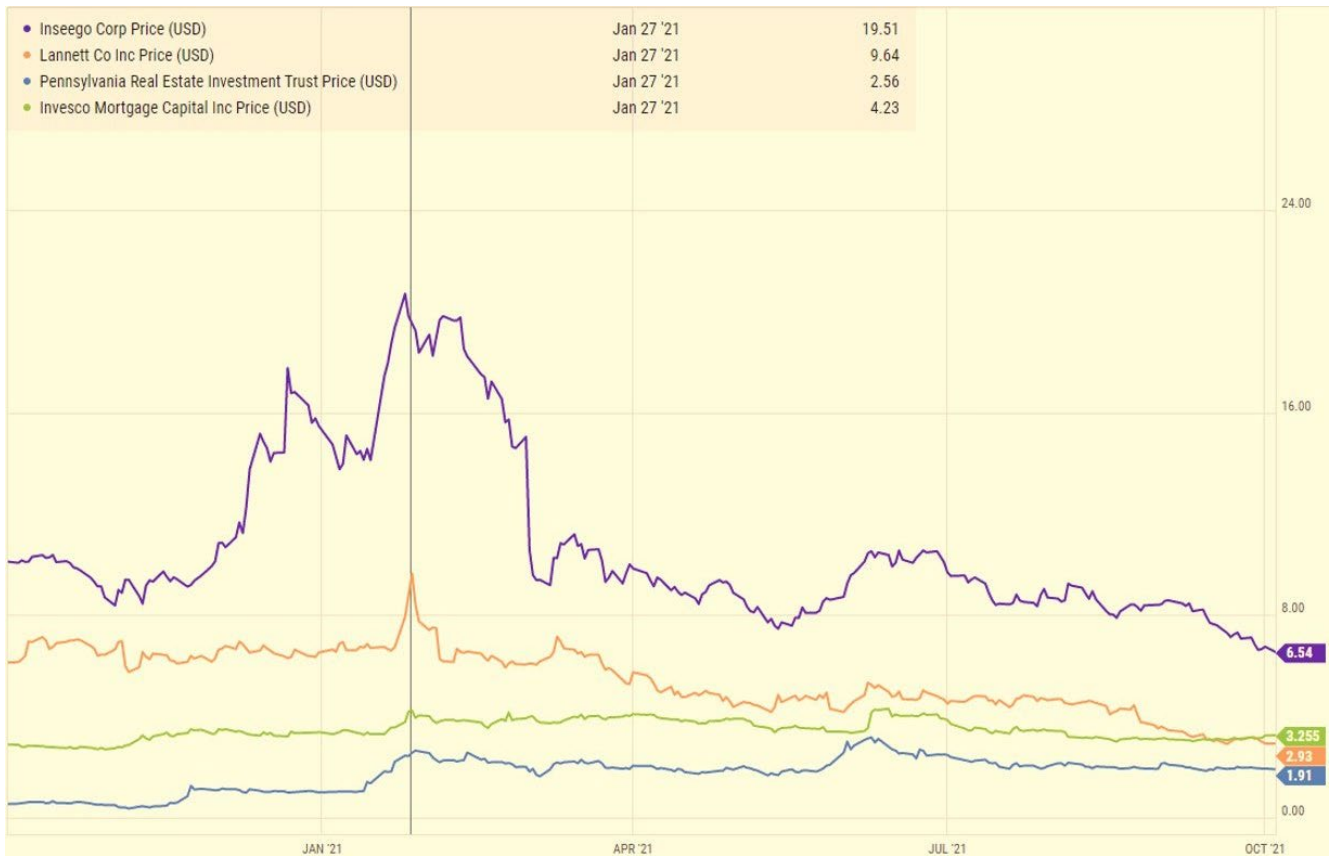




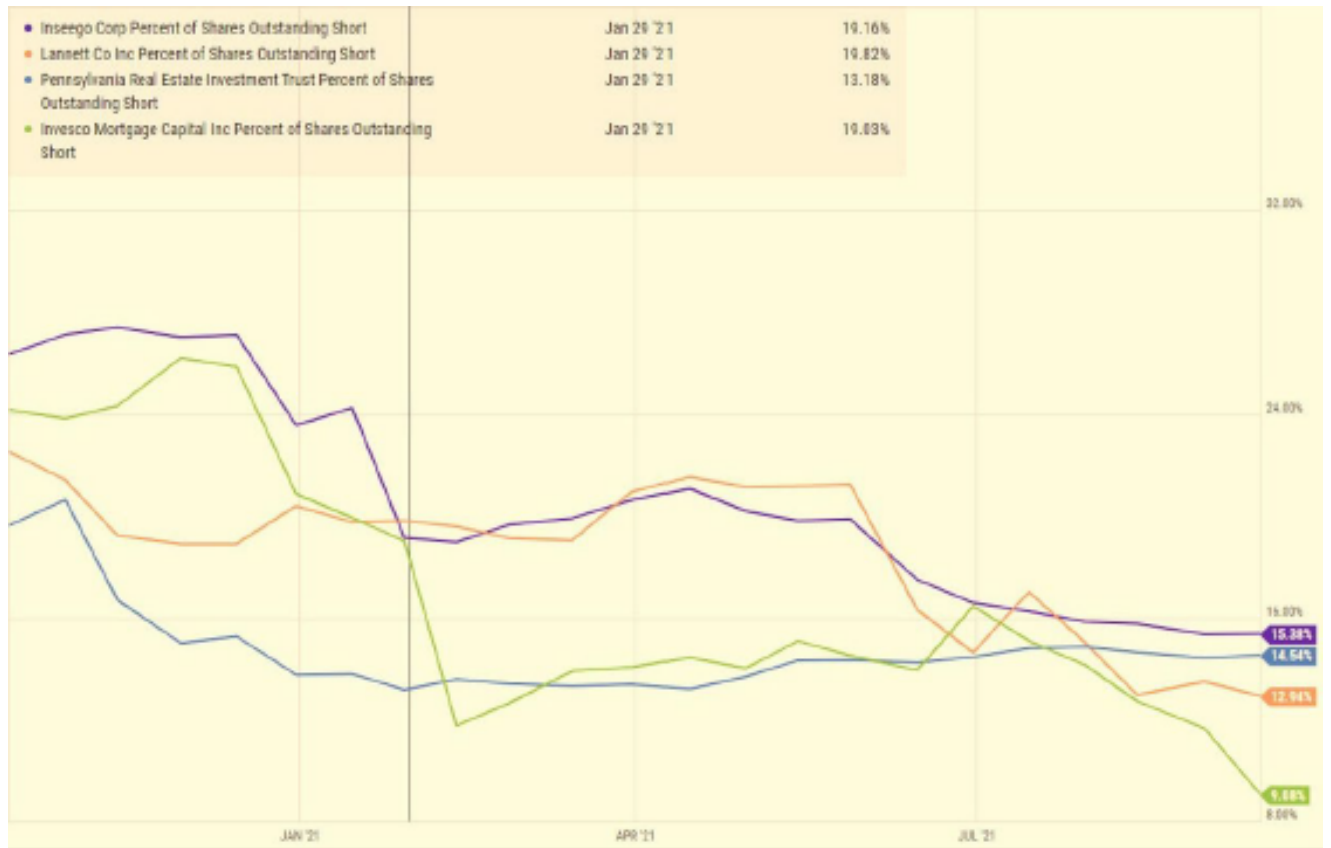
Group 3 of 1/27/21 Share Price Run-Ups. Boy, I'm still seeing some correlating patterns



Reported Short Interest 1/29/21... More "covering"



Group 4 of 1/27/21 Run-ups

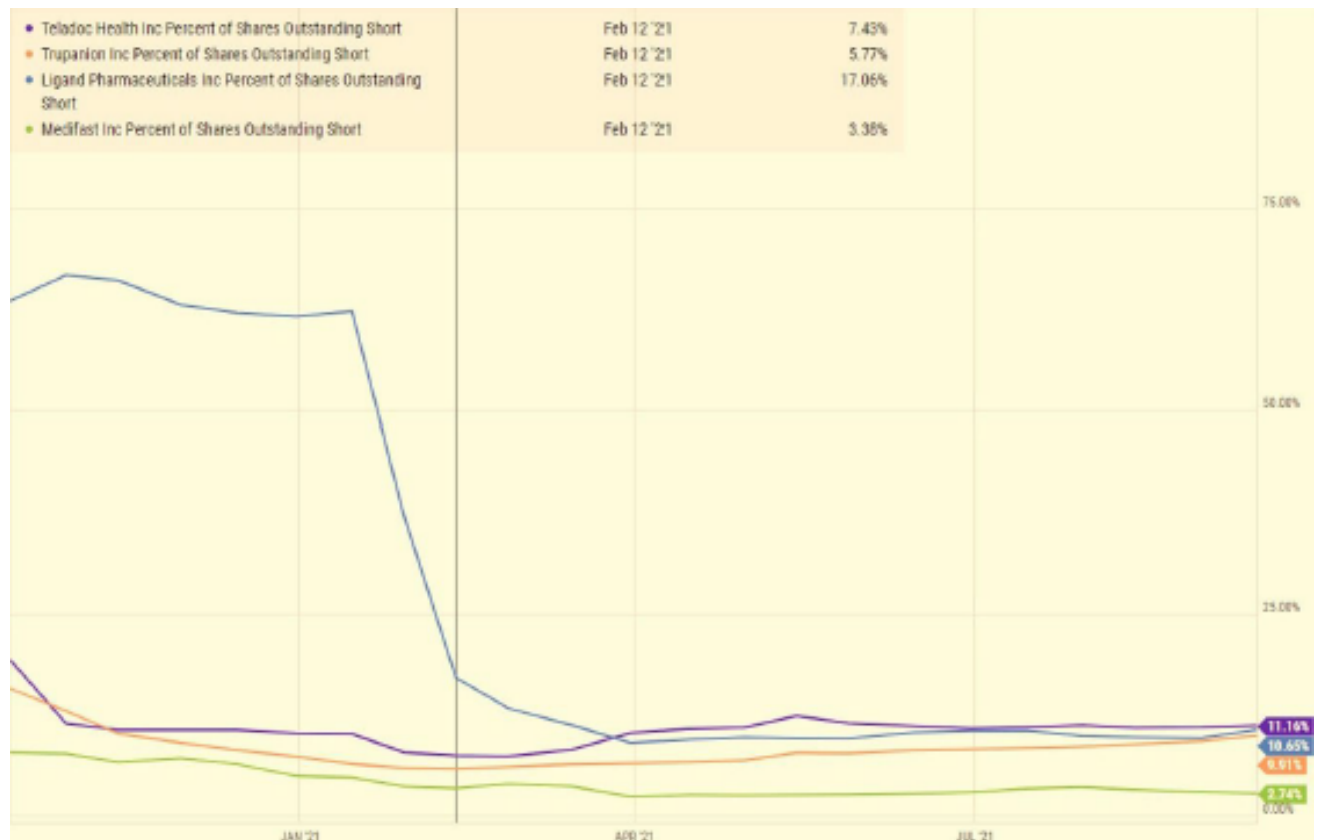


Reported Short Interest 1/29/21... I said, tHey cOVeREd

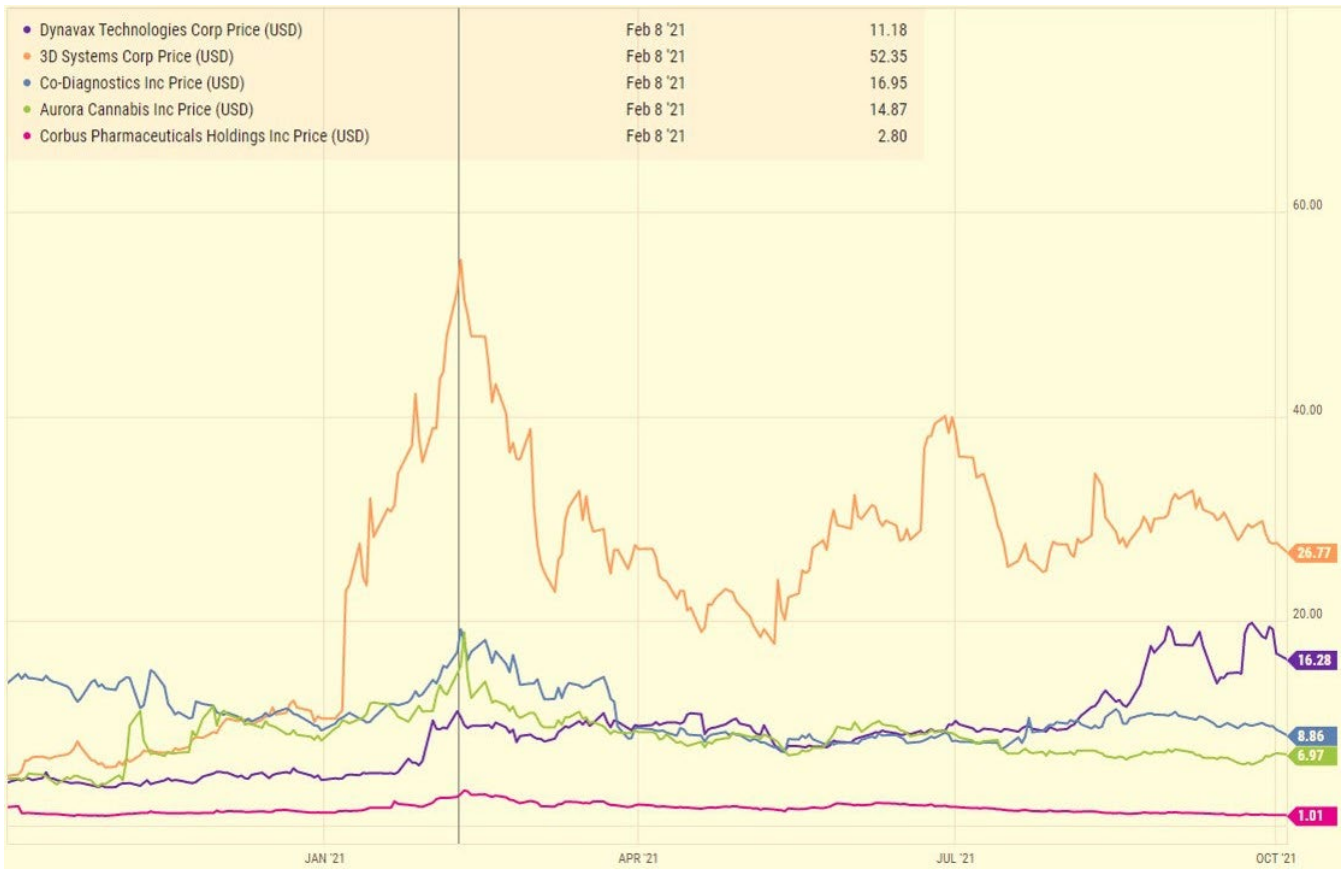
Let's take a look at a few more. Here are the 2/8 - 2/10/21 run-ups on heavily shorted stocks:



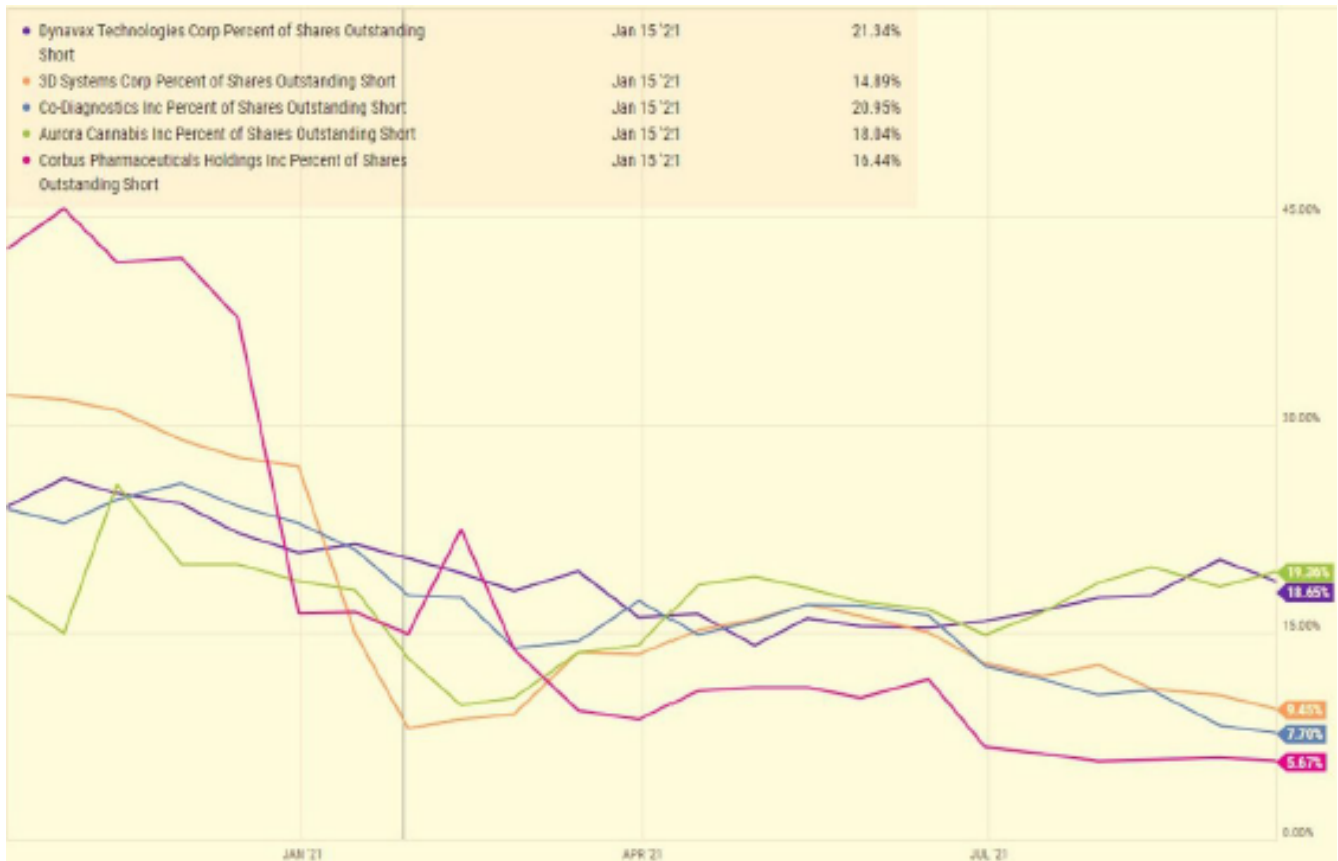
Group 1 of 2/8 - 2/10/21 Run-ups on heavily shorted stocks... Patterns, patterns everywhere



Reported Short Interest 2/12/21... And... It's gone. (1/29 short interest is one tick back)



Group 2 of 2/8 - 2/10/21 Run-ups on heavily shorted stocks...



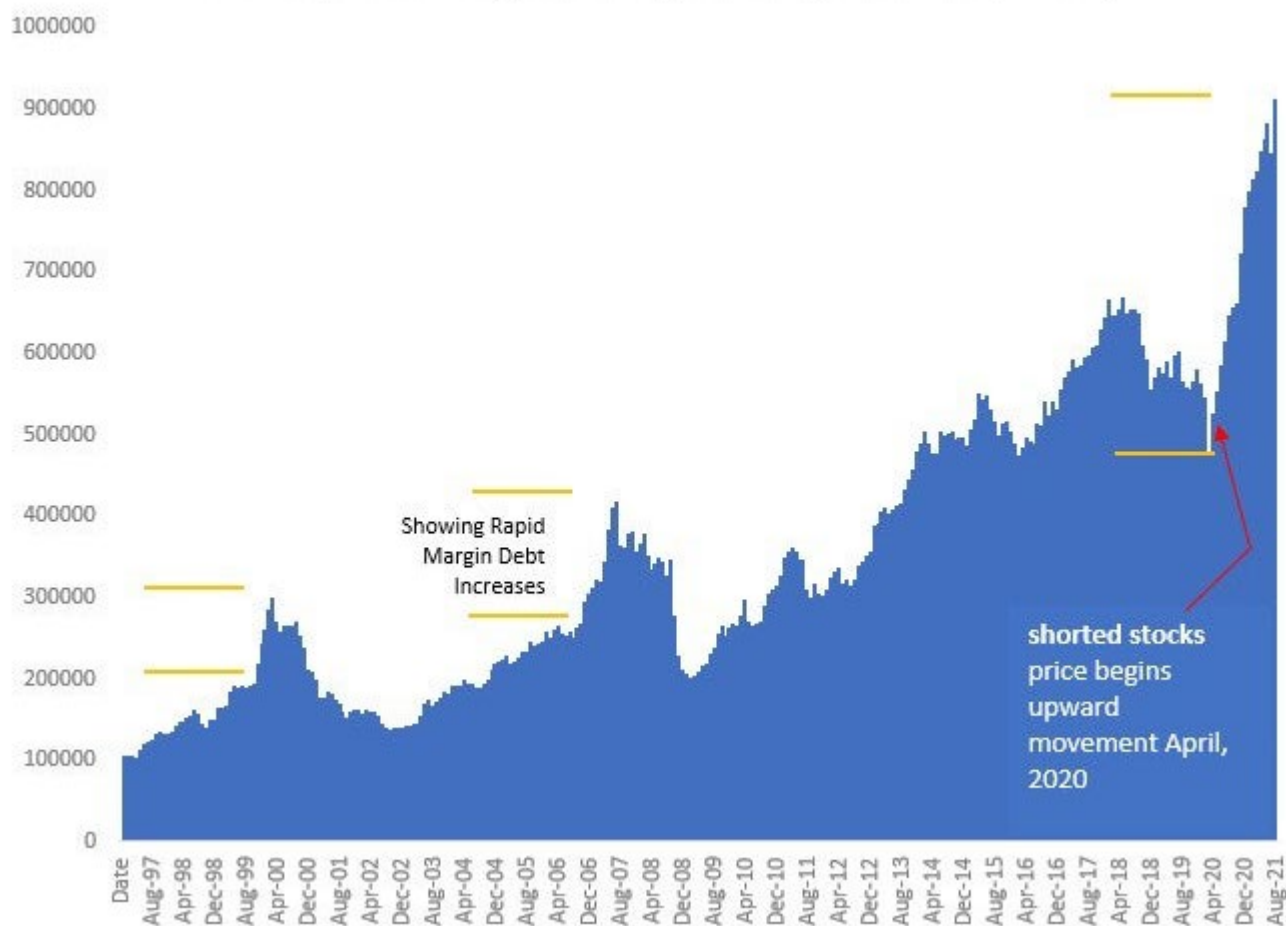
Reported Short Interest 1/29/21 (the chart says 1/15, but the line is over 1/29 data)

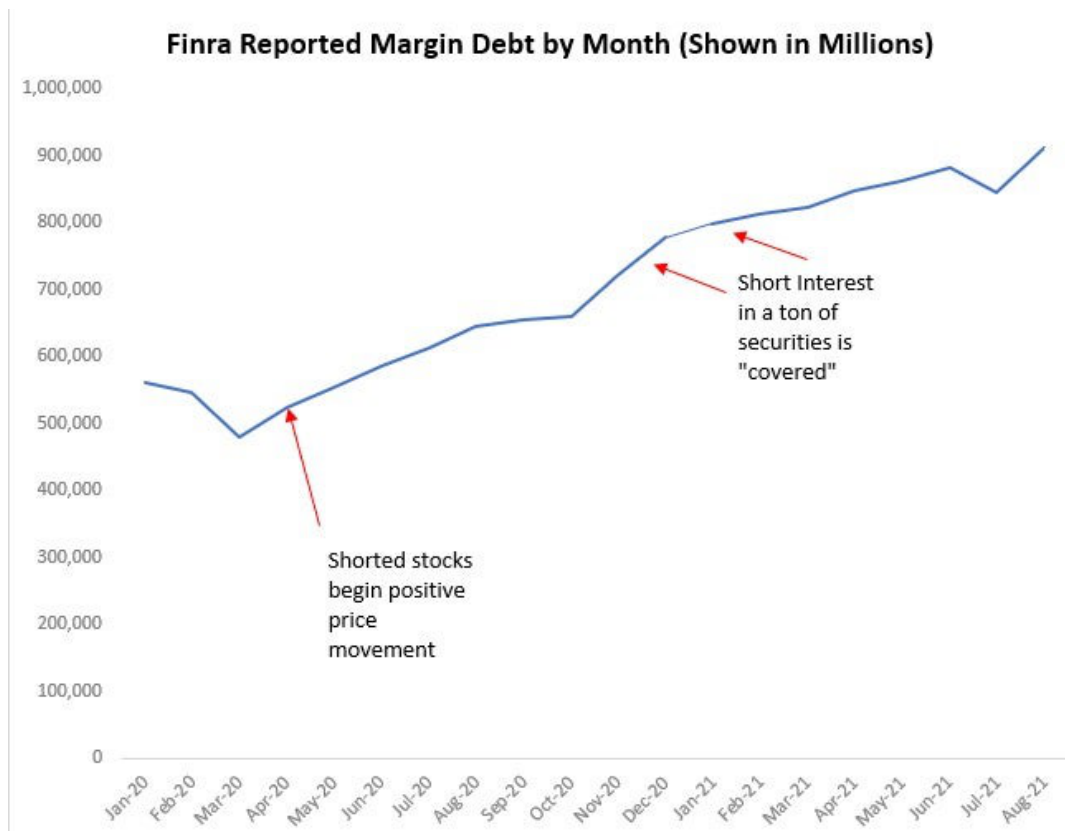
Here's some things to remember:

- Short sales are ALWAYS held in margin accounts because you're borrowing something that isn't yours that needs to be RETURNED.
- Initial and Maintenance Margin requirements are substantially higher for short shares versus long shares opened and held in margin accounts.
  - Long Margin Positions: Customer is required to put at least 50% cash down (in a margin account) and up to 50% may be borrowed. Customer equity must not sink below 25% the current market value of the securities in the account or a margin call will occur (maintenance margin).
  - Short Positions: Initial cash deposited into a margin account must be equal to 150% the value of the short position being opened (1 short share at a \$5.00 price would require \$7.50 in margin). Maintenance margin is 125% minimally compared to current share price of the security.

It would seem that if a lot of short positions were open, and the prices started to go up, we would see a pretty heavy spike in FINRA's reported margin debt... What's that? We have seen a giant spike since March, 2020? Interesting... Well, certainly when they closed all those leveraged short positions from December, 2020 - February, 2021 we would have seen a dramatic drop in margin debt... Wait a second, it keeps going up! This cannot be possible with the sheer amount of leveraged short positions being "closed" UNLESS there's still exposure we're not seeing. Hasn't the S&P 500 been on a rocket climb since last year? If these were margin long positions wouldn't their margin requirements be dropping, causing a decrease in margin debt? Yes, it should. I see your shorts Ken.

**Finra Reported Margin Debt by Month (Shown in Millions)**





Ruh Roh Raggy, why you not drop like a rock?

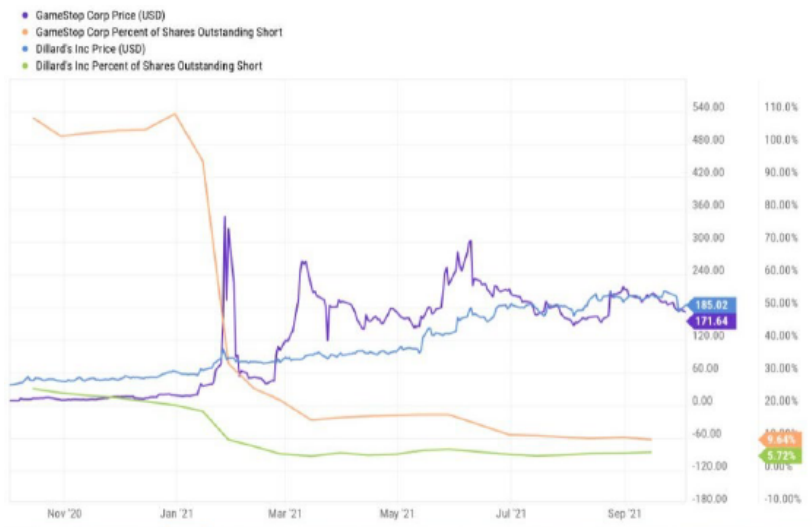
Okay, I've got 3 more pictures available to try and show you how I got here. First things first, as mentioned earlier, there is no time limit on how long a short position can remain open so we need to start thinking bigger picture, put on the wide view lenses to figure out price points that hedgies took out shorts to determine exposure/leverage. Here's a good example of a security I believe was allowed to unwind short interest after March, 2020:



10 year view RH Price (purple) v. RH Short Interest (Orange)

As can be seen by the graph, from 2013 - 2015 SI was ramped up from basically nothing to about 27% SI in the \$40 to \$100 range. It appears they unloaded some of these positions during 2016. Not sure why the price dropped though. Short interest was then reapplied from early 2016 to late 2017 around the \$25 - \$80 range, but the price continued to climb which most likely made the SHF's realize they were in a losing battle. After this, short interest was gradually reduced, tapering off hard in 2020 which allowed the stock price to climb, reaching roughly \$720 this year.

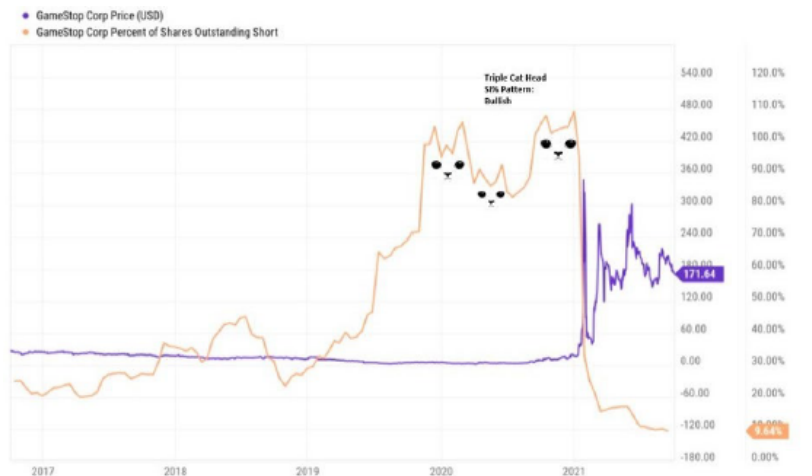
Here's another shorted security where it appears short interest is being pulled back, allowing some level of actual price discovery, in comparison to GME:



DDS Price (blue), short interest (green) & GME Price (purple), short interest (orange)

DDS went from a short interest of 20.19% on 12/31/2020 to 5.23% by 2/26/2021. DDS had an initial squeeze to \$104.46 and has trended up ever since. That's a short interest of less than 1/5 of what GME had reported on 12/31/2020 at 109.3%, and I've got to assume GME has had a bit more buying/holding pressure than DDS over the past 10 months. This chart is my clearest indication that GME short interest has not been covered, and that some other high short interest stocks are being unwound so real price discovery can happen.

Last image, GME short interest 5-year chart:



GME Price (purple) v, Short Interest (orange)

GME short interest rapidly grew in late 2018 - late 2019 with a price range of roughly \$16 when the shorting spree began, to a low share price of roughly \$6.15 before backing off and reapplying in later 2020 with a price range of roughly \$4.00 when the shorting began, to a share price of roughly \$11.88 at it's peak (shorting on the way up). Anybody still think the hedgies covered?

These seem like catastrophic losses across the board. Why aren't hedgies buildings catching fire? Why margin debt continue to skyrocket? Why other securities showing major price improvements as SI% drops?

## BECAUSE HEDGIES COULDN'T COVER GME WITHOUT GOING BANKRUPT.

### Retail Involvement is Cause of Rising Share Prices

Many of you are surely wondering why the prices steadily increased in 2020 while we were in the midst of you know what, and I'm not going to give you a long, complicated story because it is simple, and I've already written about it. The simple answer is it was [you](#). Summary: There was a 95% increase in the S&P 500 trading volume in June of 2020 compared to October of 2019, and there is evidence to support that this was primarily you, the retail investor, and that institutional liquidity hadn't really improved. ATS reported trading went through the roof (where retail orders are routed) during this time, and the average trade size reduced (instead of getting 10,000 share orders, they were getting smaller orders). This trend has continued and accelerated into 2021.

Supporting Evidence:

[NYSE Data Insights Article](#)

[Trading Volume is Up from 2020's Breakneck Pace as Retail Investors Jump In](#)

[Q2 2021 Retail Investing Already Outpacing 2020 Totals](#)

### Additional Notes on Heavily Shorted Securities

I'm all out of pictures, but here's some more information to finish this bad boy off.

**Companies with high short interest in 2020 where the hedgies appear to have won, or are winning:**

CRC: Filed bankruptcy October, 2020

WPG: Trading under \$1

MNK: Under \$1

GTT: Under \$1



GTT: Under \$1

VAL: Filed bankruptcy 5/2021

AMAG: Delisted, bought by Covis Group

MSGN: Delisted, bought by MSG Entertainment

ERI: Delisted, merger with Ceasars Entertainment

FIT: Delisted, bought by Google

WDR: Delisted, bought by Macquarie

HIIQ: Delisted, bought by Benefytt Tech

INTEQ: Delisted

JCPNQ: Delisted

MIK: delisted, going private, bought by Apollo Management Group

**Interesting Stock Price/SI% Charts to Review (remember, zoom out, sometimes to max view):**

LGND

SKT

CLVS

MAC

M

DVAX

CVM

CLF

There's plenty more out there to review. Again, I'm not telling you to buy any of these, GME is the way, but there appears to be exposed short interest everywhere and when the debt bubble pops it'll certainly be interesting (and frightening) to watch it unfold.

I don't care where you're hiding them Ken, whether it be in married puts/calls, swaps, FTD's, the mayo jar, etc. It's about time to pay up. You have been weighed, you have been measured, and you have been found wanting.

Remember, don't trust information blindly. Go look into these comparison's for yourself. You can open a 7 day free trial version of ycharts anytime... Buckle up. See you on the other side of the moon.

Tanks fo' reedin'

