

Shorts take a shine to ‘TeslaCity’

Tesla’s related party bid for SolarCity has seen declines in its shares price eclipse that of the entire value bid for SolarCity, with short sellers feverishly playing both sides of the proposed all-stock transaction.

- Short positions in Tesla have surged by a fifth since SolarCity offer announced
- Demand to short SolarCity shares has spiked as uncertainty on proposed merger lingers
- Solar short positions have increased in TAN ETF constituents by 40%

Prior to the **incestuous** SolarCity offer being **announced**, Tesla short sellers were in retreat but have since hastily increased their bets on both firms.

Tesla **announced** on June 21st 2016 its offer to acquire SolarCity, using Tesla shares. Tesla stock initially dropped 12% in the days post the announcement but has since recovered, and is down by 4% currently. Short interest in Tesla has increased by a fifth in the same time, rising to 24.2%. Short interest in Tesla had previously reached record highs of above 27% only in **March 2016**

Tesla Motors Inc



To capture any arbitrage opportunities in typical M&A transactions, the ‘traditional’ method is to go long the target and short the acquirer. However there have been some nuanced moves in short interest data,

highlighting the uncertainty in the market of the deal going through.

SolarCity Corp



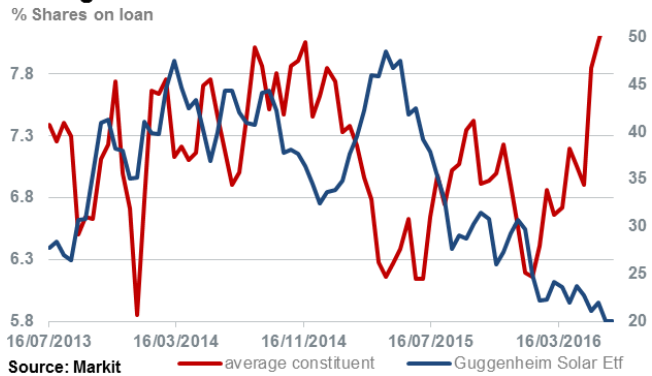
Since the announcement, SolarCity Shares have rallied almost 15%, leaving ~9% of premium ‘on the table’ should the deal get the go ahead (at stock prices respective June 29th 2016). Short interest in SolarCity has fallen 8% but still remains at high levels with close to a fifth of shares currently sold short.

Further capturing split opinions on whether the deal will go through (the high short interest levels) is the increased demand to short SolarCity shares, which has seen the cost to borrow SolarCity shares surge 100% in recent weeks. These costs are also limited by supply, with 95% of lendable inventory currently utilised.

Short interest across solar constituents in the Guggenheim Solar ETF (TAN) has **increased**

so far in 2016, rising to reach a current three year high on average.

Average Short interest: TAN



Average short interest has increased to 8.6%, rising over 40% in 2016.

SolarCity, despite being offered Tesla shares (still at a premium) to the current value of the SolarCity shares, is the most short sold Constituent of TAN.

Top 10 Most Shorted TAN ETF (29 June 16)

Name	Ticker	Short Interest	Change over Month	Quantity on loan (m)
Solarcity Corp	SCTY	19.1	-5%	19
Sunpower Corp	SPWR	16.9	3%	23
Sunrun Inc	RUN	13.1	23%	13
Solaredge Technologies Inc	SEDG	12.5	-4%	5
Trina Solar ADR Reptg 50 Ord	TSL	12.2	31%	11
Jinkosolar Hldg ADR Rep 4 Ord	JKS	12.0	9%	4
China Singyes Solar Technologies Holdings Ltd	750	11.8	7%	98
Rec Silicon Asa	REC	11.7	0%	298
Canadian Solar Inc	CSIQ	11.6	7%	7
Meyer Burger Technology Ag	MBTN	10.6	-17%	10

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