A COUNTER TO THE FUD

OR

Support That SI and FTDs Are Still High

A DUE DILIGENCE

U/CATACLYSMIC98

A counter to the FUD (Fear, Uncertainty & Doubt) around the shorts having covered their short interest in GameStop GME. Here is the DD to support that Short Interest (SI) and Failures to Deliver (FTDs) are still high, and are just being hidden through manipulative derivative strategies. - Jan. 30, 2022

Possible DD

Part 1. It was consumer sentiment that started the 'sneeze squeeze' last January - *not* hedge funds covering.

Part 2: Short positions were *not closed*. Short interest (SI) was reduced, failures to deliver (FTDs) were hidden, and price suppression was achieved - through manipulative derivative strategies.

Part 3. MOASS - The 'Squeeze has not been Squoze'

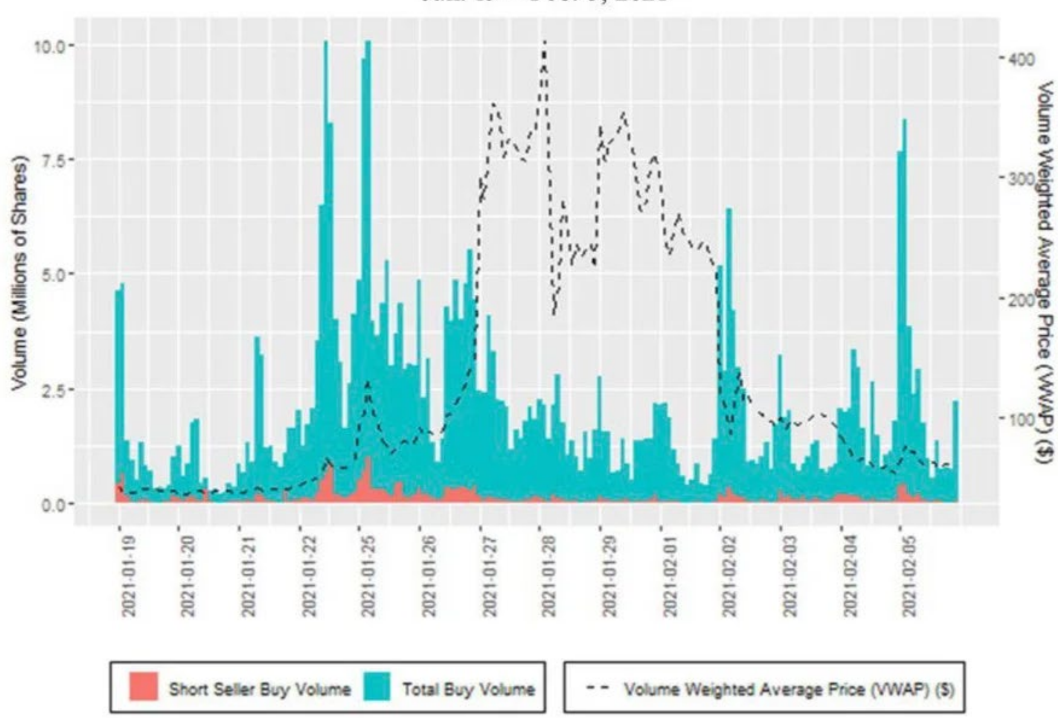
Part 1: It was consumer sentiment that started the 'Sneeze Squeeze' last January:

[Link to the SEC Report]

SEC GME REPORT: Shorts didn't cover: [Full credit to (u/WhatCanIMakeToday/ for the charts and comments for this section].

Figure 6

Buying Activity of Traders with Large Short Positions in GameStop, Jan. 19 – Feb. 5, 2021[78]



The Shorts tried to cover starting Jan 22. But then the price kept going up as they did. This early short covering led to several "Oh Shit" moments. Ultimately, investors realized what was going on and piled in (FOMO). Notice the SHORTS BASICALLY STOPPED COVERING on Jan 27! They tried a couple more times Feb 2 and Feb 5. Both of those resulted in the price going up so they stopped. Look at the overall buy volume during those times. The pink short seller buy volume is puny compared to the overall blue color for overall buy volume.

particularly during the earlier rise from January 22 to 27 the price of GME rose as the short interest decreased. Staff also observed discrete periods of sharp price increases during which accounts held by firms known to the staff to be covering short interest in GME were actively buying large volumes of GME shares, in some cases accounting for very significant portions of the net buying pressure during a period. Figure 6 shows that buy volume in GME, including buy volume from participants identified as having large short positions, increased significantly beginning around January 22 and remained high for several days, corresponding to the beginning of the most dramatic phase of the run-up in GME's price.

Figure 6 shows that the run-up in GME stock price coincided with buying by those with short positions. However, it also shows that such buying was a small fraction of overall buy volume, and that GME share prices continued to be high after the direct effects of covering short positions would have waned. The underlying motivation of such buy volume cannot be determined; perhaps it was motivated by the desire to maintain a short squeeze. Whether driven by a desire to squeeze short sellers and thus to profit from the resultant rise in price, or by belief in the fundamentals of GameStop, it was the positive sentiment, not the buying-to-cover, that sustained the weeks-long price appreciation of GameStop stock.

This is why the SEC concluded that it was investors bullish on GME ("positive sentiment") that caused GME price to go up rather than "buying-to-cover".

Estimating short positions closed Jan 19th to Feb 5th:

A great post from u/dubaicurious estimating 29 million total shares covered during the period January 19th to February 5th. It is also important to note, and what many fail to remember, is that this number **needs to be offset against the new internalized short positions created** during this same time frame:

https://www.reddit.com/r/Superstonk/comments/qbgp98/i_counted_the_pixels_on_figure_6_on_the_sec/

Internalized short positions:

In a quote from this interview with Interactive Brokers' CEO Thomas Peterffy discussing the brokerages preventing buying but allowing selling of GME on January 28th (which exposed a systemic risk in our markets):

"If the call options (150 million) had been exercised ***the shorts would have had to deliver 270 million shares***, while only 50 million shares existed."

https://www.youtube.com/watch?v=Yq4jdShG_PU

See other DD related to internalizing of shares in the DD library: https://fliphtml5.com/bookcase/kosyg

Part 2: Short positions were not closed. Short interest (SI) was reduced, failures to deliver (FTDs) were hidden, and price suppression was achieved -through manipulative derivative strategies.

The options scam (derivative manipulation):

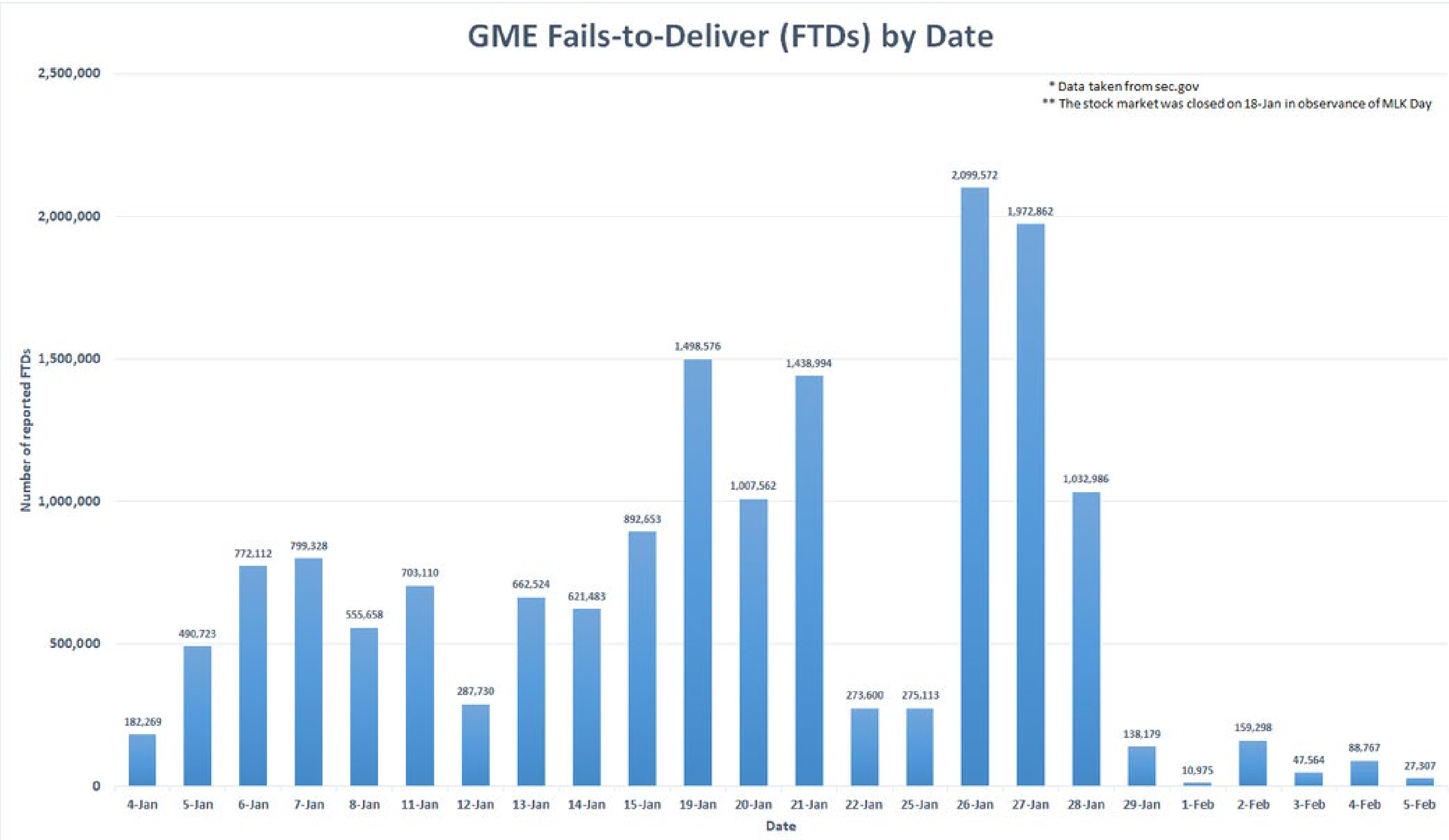
This is an excerpt from an article by Lucy Komisar, Investigative journalist and Winner of Gerald Loeb Award, the major US prize for financial journalism: How the GameStop Hustle Worked, June 22, 2021.

Read the full article here: https://prospect.org/power/how-the-gamestop-hustle-worked/

Excerpts addressing SI & FTDs:

Under SEC rules, shares of companies that fail to deliver in the previous five trading days are put on a "[threshold list](#)." GameStop's first date on this list was September 22, 2020.

Shares failed in massive numbers in the following months, leading to GameStop being put on the threshold list for 39 days between December 8 and February 3, with hundreds of millions of shares failing to deliver.



How could GME be on the list for so long? Regulators have the authority to find out which brokers failed to deliver, facilitating naked shorts. But the DTCC has historically beaten back attempts to reveal naked short selling culprits, or even to tag "borrowed" shares (called the *hard borrow*) so they can't be "located" more than once. I've written previously about how DTCC [pulled back](#) on backing a centralized database that would prevent the same shares from being used for multiple short sales.

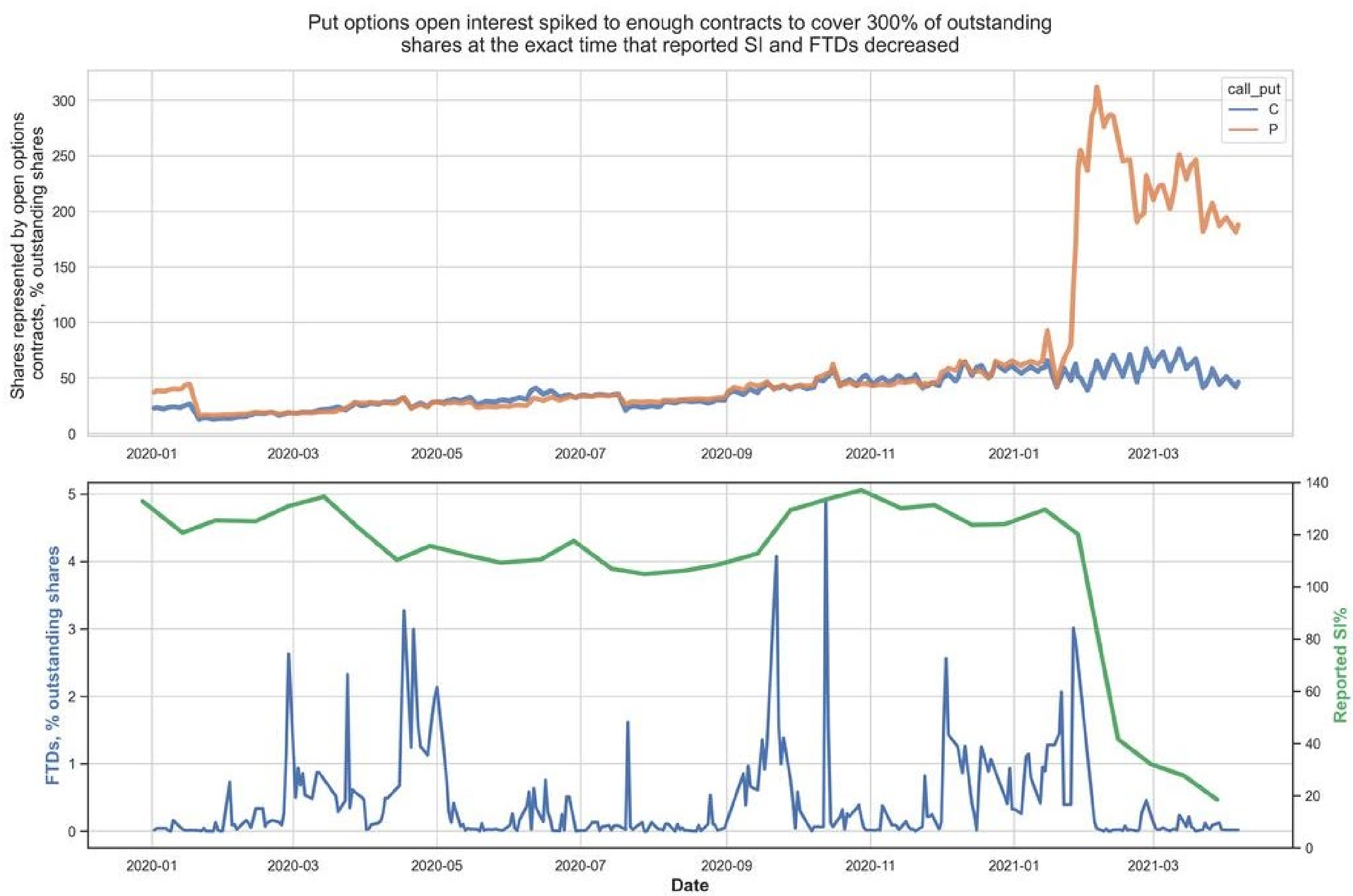
"There is no lawful way for a stock to be on the threshold list for months," said John Welborn, who teaches economics at Dartmouth. "The only explanation is regulatory apathy, or worse." Because compliant regulators choose not to track shorts, traders can engage in mischief.

An obvious sign of market manipulation is massive *short interest*, the number of shares that have been sold short but not yet covered.

[u/rainforest11](#) of Superstonk explained that FINRA reported short interest at 226 percent of total float at the height of the GME frenzy in January. This means that more than twice as many shares as exist in reality had been sold short at one point. As late as January 28, it was reported by S3, a market data company, to be 122 percent.

It's important to note that only the SEC and the DTCC can get the trading documents that would show proof of any fraudulent scheme. But the Superstonk users, through publicly available data, detected patterns that make a strong case at least to investigate the matter.

New put option contracts after the end of January represented more than 300 percent of shares outstanding, more than 200 million shares. "Melvin Capital, which lost 50 percent of its value, had 6 million shares in puts," said u/broccaaa. This massive spike suggests that short positions have been hidden using "phantom shares" and "strategic fail-to-delivers."



As u/broccaaa says, "This spike coincides perfectly with the drop in reported short interest and FTDs." He sees it as "the most damning evidence of massive manipulation."

The options scam can also reset the clock on fails to deliver. Remember that short sellers have two days to locate a stock to prevent an FTD; market makers and other authorized participants may have up to six days. The SEC explained a trading strategy known as "buy-write" in a 2013 paper. As Investopedia explains, "A buy-write is an options trading strategy where an investor buys a security, usually a stock, with options available on it and simultaneously writes (sells) a call option on that security." This recycling of positions shows as a new transaction, so the short sale timer is reset. And the trader may never deliver the shares, because he can roll over the trades and do the deal over and over.

GME short positions could also be hidden in exchange-traded funds (ETFs), a basket of stocks similar to a mutual fund. u/broccaaa's research shows that fails to deliver migrated from GME to ETFs in January 2021. The total value of reported short interest (GME + ETFs) remained as high as ever, at over $27 billion owed.

Ongoing manipulation:

Subsequent to the above option manipulation having been identified by u/broccaaa, there is plenty of other DD posts that identify and support that ***a variety of derivative strategies - in conjunction with other illegal, unethical, unfair, deceptive, abusive, and anticompetitive business practices - continue to be used to manipulate $GME.***

https://www.reddit.com/r/Superstonk/comments/s3n4pw/the_compendium_of_wrinkles_correlating_different/

This is a great Fail to Deliver (FTD) post to read or revisit: https://www.reddit.com/r/Superstonk/comments/qdp9c6/the_everything_fails_to_deliver_dd_part_2_lets/

Estimating Retail Share Ownership: Excludes Institutional, Insider or other types of ownership).

- https://i.redd.it/zwtz4i3c65h71.png
- https://www.reddit.com/r/Superstonk/comments/oxjv1n/google_survey_update_gme_ownership_w_aapl_control/

Media manipulation: Ask yourself, why has the media been so intent on communicating the shorts have covered and that GameStop is a poor investment choice – for12 months straight!? Why are they so concerned to advertise and advise against this company? https://upsidechronicles.com/2021/09/05/how-wall-street-short-sellers-are-trying-to-control-the-gamestop-narrative/

Wall Street veteran Charles Gradante calls out naked shorting of GameStop and the subversive strategies used by hedge funds: (listen from 3 min 30 sec) https://www.youtube.com/watch?v=OChaTm0To1U

Reddit DD Library: https://fliphtml5.com/bookcase/kosyg

Short Interest (SI) reporting is now calculated differently:

Also important to note is that the way Short Interest (SI) is calculated has been changed. Today's reported SI can now no longer exceed 100%:

Traditional formula = Shorts / float

New S3 Formula = Shorts / (shorts+float)

The S3 methodology ***assumes no naked shorting***,. The implication in their calculation is that every short share has located a borrow. They believe that simply because it's illegal, naked shorting cannot be happening.

https://s3partners.com/notesonfloat.html

***Evidence of FINRA data now showing historical short interest as significantly higher now than was previously reported.* Chart credit to** u/DecentralizeCosmos**:**

Figure 1

Figure 2

Two different screenshots from many months ago. Figure 1 is the highly discussed 226% SI, where information states 226.42%, while the graph states 78.46%. This occured at the 29.Jan 2021. Figure 2 shows a screenshot from the 23.Feb, where short interest is reported to be 60.35%.

Figure 3

Figure 4

However, now Finra is reporting a 94.37% SI on the 29.Jan, and 72.10% SI on the 23.Feb.

Figure 5

The SI for the 28 of January, which was reported at 226% (I do not have citation or screeenshot, can somebody provide this in the comments? (It can still be estimated at right above 200 and below 250 from Figure 1), and probably the cause of the 'glitch' on the 29 of January, is now reported to be 272.32%.

Short Interest (SI) reporting:

Regulation SHO is a set of rules that governs short sale practices. Regulation SHO established "locate" and "close-out" requirements, which requires Broker-Dealers (BD) to mark all orders to sell stock as "long," "short," or "short-exempt."

A sale order can be marked "long" only if two conditions are met. First, a seller must be deemed to own the security, which occurs only to the extent that it has a net long position in the security. Second, the BD must either (a) have possession or control of the security to be delivered, or (b) reasonably expect that the security will be in its physical possession or control no later than the settlement date of the transaction.

Unfortunately, some BD continue to ignore or mismark their short trades so they are not captured as FTDs. *This is a common occurrence that can be verified by reviewing the FINRA fines administered over the last several years.*

Market Makers (MM) like Citadel have to accept all buys and sells, and get a pass on many naked short selling rules. However, they have also been cited for misreporting short positions. For example, on November 13, 2020, FINRA, the traders' self-regulator, fined Citadel Securities $180,000 for failing to mark 6.5 million equity trades as short sales between September 14, 2015, and July 21, 2016.

It is important to note that the FINRA fines are generally extremely nominal relative to the profit made by these 'reporting oversights'; and many refer to these nominal fines as just 'The Cost of Doing Business'. Retail investors are advocating for change to the fines to make them more of a deterrence and would like to see the fines administered equal to, at a minimum, the profit made from these behaviours. Additional fines and the threat of jail time or revocation of the ability to legally short sell would provide an even greater deterrent.

Part 3. MOASS - The 'Squeeze has not been Squoze'

GameStop has approximately 76 million shares issued, yet had approximately 220% of it's tradeable float outstanding in January 2021 (FINRA short interest as declared in Robinhood court documents). The rule of thumb is that short interest as a percentage of float above 10% is pretty high and above 20% is extremely high. High short interest like this affirms that counterfeit shares have been created and exist illegally. DD supports that the short interest has has been manipulated and hidden through derivative strategies such as options, swaps, and futures; and that the true short interest could now realistically be sitting higher than 300%.

Since the ‘Sneeze Squeeze’, Gamestop has attracted [hundreds of talented executives]() from thriving tech companies like Chewie and Amazon, they now have a balance sheet of around $1.4 billion in cash with virtually no debt, and a new technology focused board of directors. GameStop has undergone a radical strategic transformation, expanding their business model to compete and thrive in an era of mobile gaming and digital downloads, and have been busy reinventing themselves as a major ecommerce player. They already have the footprint of 4,816 stores in 14 countries, and over 55 million PowerUp reward members. As GameStop moves forward with its ecommerce and NFT marketplace, the longer-term potential for this company could rival market giants like Amazon, Apple, and Meta (Facebook, Instagram etc).

GameStop’s business’ fundamentals have improved dramatically and the current price of $GME is demonstrably manipulated and significantly undervalued. [This is a *current intrinsic value analysis*. Note: There are several methods for valuing a company, and analyst values will vary.] Simply put - the price of $GME is wrong - and will continue to be wrong until the manipulation of the stock is eradicated and the short positions are *closed* - not just *covered*. As short positions are forced to buy and close out their positions at the market 'ask' price, and in the event that retail owns the float and investors hold out on the sale of their shares we could have not just a ‘Short Squeeze' - but the 'Mother of all Short Squeezes' (MOASS).

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Opinions and illustrations only. Not advice. Always conduct your own DD and make an informed decision
that is right for you.
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Edit: Removed intro. Note: This post was brought about by the following post. I believed the answer deserved its own post with graphic support: https://www.reddit.com/r/Superstonk/comments/sgah3v/can_anyone_counter_the_counterdd/]https://www.reddit.com/r/Superstonk/comments/sgah3v/can_anyone_counter_the_counterdd/]

Edit 2: Added Estimating retail share link plus Short Interest (SI) is self reported section.

Edit 3: Jan 31st Amended Short Interest (SI) reported title, added internalized short positions, media manipulation, and Charles Gradante content on gme and hedge fund manipulation along with some other minor updates. Reposted this in it's entirety for those who missed this original post and for exposure to the updates.

Edit 4: Extra content: **Estimating Retail Share Ownership:** (Excludes Institutional, Insider or other types of ownership):

- https://i.redd.it/zwtz4i3c65h71.png
- https://www.reddit.com/r/Superstonk/comments/t78n39/fresh_google_consumer_surveying_suggests_830mm/