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Pershing Square's Pandemic Trade (D)

Bill Ackman woke up on March 18, 2020 with a deep sense of worry about the path of the Covid-19 pandemic in the United States. Since worldwide testing for the novel coronavirus had begun a few weeks ago, the number of confirmed cases had surpassed 200,000 with over 8,000 deaths, doubling in only two weeks.¹ In the United States, the virus had already reached all 50 states, with over 6,000 cases and 100 deaths confirmed.² Several U.S. states had announced shelter-in-place orders and the closure of public-school systems for the remaining school year. Ackman had concluded that a national-level response was required to fully combat the spread of the virus. He decided to send a series of Tweets aimed directly at U.S. President Donald Trump, imploring him to shut down the country and put Americans "on an extended Spring Break at home with family." (See **Exhibit 1** for the full series of Tweets).

Later that day, Ackman appeared on Scott Wapner's CNBC show to discuss the tweets and his general outlook on markets. Despite his negative view on the path of the virus, Ackman told Wapner that he believed that financial markets had already over-discounted the potential economic fallout from the pandemic, and that it was now time to increase Pershing Square's long exposure to stocks, not to reduce it or to make bearish trades.

Indeed, Ackman and his team at Pershing Square had spent the past few days purchasing additional equity in their existing portfolio companies to take advantage of what he saw as "bargains of a lifetime." The capital for these purchases had largely come from \$1.3 billion of realized gains on the short CDS positions that the firm had entered in late February to hedge the portfolio against market losses. At the time of Wapner's show, Pershing Square had exited more than half of its initial CDS positions and would fully liquidate the remaining ones in coming days.

¹ Feuer, Will, "Worldwide coronavirus cases top 200,000, doubling in two weeks", CNBC, March 18, 2020, <https://www.cnbc.com/2020/03/18/worldwide-coronavirus-cases-top-200000-for-the-first-time.html>, accessed January 10, 2021.

² Smith-Schoenwalder, Cecilia, "Washington, New York Coronavirus Cases Top 1,000 as Global Cases Reach 200,000", US News, March 18, 2020, <https://www.usnews.com/news/health-news/articles/2020-03-18/washington-new-york-coronavirus-cases-top-1-000-as-global-cases-reach-200-000>, accessed January 10, 2021.

Professors Emil N. Siriwardane and Luis M. Viceira and Research Associate Dean Xu prepared this case. It was reviewed and approved before publication by a company designate. Funding for the development of this case was provided by Harvard Business School and not by the company. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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By March 23, Pershing Square had fully exited its short CDS positions related to the pandemic. In total, they paid about \$26 million in CDS premiums and realized gains of \$2.6 billion. The capital had been used to increase Pershing Square's long stock positions.

Exhibit 1a Tweets by Bill Ackman, March 18, 2020 (morning)

 **Bill Ackman** ✓
@BillAckman

Mr. President, the only answer is to shut down the country for the next 30 days and close the borders. Tell all Americans that you are putting us on an extended Spring Break at home with family. Keep only essential services open. The government pays wages until we reopen.

7:51 AM · Mar 18, 2020 · Twitter for iPhone

1.8K Retweets 462 Quote Tweets 6.9K Likes

 **Bill Ackman** ✓ @BillAckman · Mar 18, 2020
Replying to @BillAckman

No one defaults, no one forecloses. A 30-day rent, interest and tax holiday for all. The shutdown is inevitable as it is already happening, but not in a controlled fashion which is extending the economic pain and amplifying the spread of the virus.

54 257 1.1K

 **Bill Ackman** ✓ @BillAckman · Mar 18, 2020

With exponential compounding, every day we postpone the shutdown costs thousands, and soon hundreds of thousands, and then millions of lives, and destroys the economy.

52 318 1.3K

 **Bill Ackman** ✓ @BillAckman · Mar 18, 2020

Please send everyone home now. With your leadership, we can end this now. The rest of the world will follow your lead. A global Spring Break will save us all.

106 291 1.3K

 **Bill Ackman** ✓
@BillAckman

Mr. President, the moment you send everyone home for Spring Break and close the borders, the infection rate will plummet, the stock market will soar, and the clouds will lift. We need your leadership now!

8:00 AM · Mar 18, 2020 · Twitter for iPhone

926 Retweets 219 Quote Tweets 4.2K Likes

Source: Twitter posts by Bill Ackman, twitter.com/BillAckman, March 18, 2020, accessed January 10, 2021.

Exhibit 1b Tweets by Bill Ackman, March 18, 2020 (afternoon)

Source: Twitter posts by Bill Ackman, twitter.com/BillAckman, March 18, 2020, accessed January 10, 2021.