

Unfreezing Russian investors

Plus, European meme stocks, Tesla's rise and fall, and Leigh Bowery at Tate Modern



Donald Trump's administration is continuing a rapprochement with Vladimir Putin © Carolina Vargas/FT/Getty

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Published MAR 24 2025

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In today's newsletter:

- Investors seek to profit from Russia

- Europe's answer to 'meme stock' mania
- Short sellers gain from Tesla's share price plunge

Investors seek to profit from Russia as Trump pursues rapprochement

Russian assets have been taboo for most investment managers for the last three years for good reasons beyond the ethical ones. Whatever wasn't sold before Russia's invasion of Ukraine has largely lain frozen in Moscow — with limited opportunities to offload now almost worthless bonds or stocks, given the sanctions and capital controls. Western owners of stock in Russian companies such as **Norilsk Nickel**, **VTB Bank** and **Rosneft** have largely marked their holdings as worthless.

But we are seeing signs of [a defrosting](#), writes *Joseph Cotterill*. **Donald Trump's** administration is continuing a rapprochement with **Vladimir Putin**. The rouble has surged against the dollar this year on ceasefire talks. And while actual trades are thin on the ground, some hedge funds and brokers are on the hunt for assets that might be first in line to rally if US sanctions relax and Russia becomes a tradable market again.

"There is definitely some excitement, predominantly in the hedge fund community," said **Roger Mark**, fixed-income analyst at investment firm **Ninety One**.

So far that has meant looking at forward bets on the rouble known as non-deliverable forwards that can be settled in cash rather than the currency, to avoid needing to have roubles on hand. Some investors are also asking holders of battered Russian bonds if they are keen to sell.

But it is very tentative. Institutional investors, as opposed to hedge funds or family offices, are at the very least a very difficult chat with compliance away from involvement in these trades. And it is beholden to huge political risk.

Citi analysts who recommended the non-deliverable forward trade, closed the call last week (though at a profit) "following President Putin setting out further key conditionalities for a formal continuation of peace talks."

A decree by Putin did allow some investment managers, including **Jane Street**, **GMO** and **Franklin Templeton**, [to sell](#) frozen Russian shares to a US hedge fund called **683 Capital Partners** that will then trade them to Russian funds.

But that is still a long way from investors seeing Russia under Putin as an investable market again over the long term — whatever Trump does next.

Retail investors in Europe take on hedge funds

Meme stocks [are back](#), and this time, they're European.

My colleagues *Mari Novik*, *Jamie John* and *George Steer* have been trawling social media forums and found that a recent surge in share price in a handful of the continent's companies has been amplified as so-called "**Reddit** bros" have piled in — quickly.

That has led to huge losses for hedge funds as they have been caught up in so-called "short squeezes", a campaign that echoes the "meme stock" craze that gripped Wall Street during the Covid-19 pandemic.

Companies such as French satellite maker **Eutelsat** and German defence contractors **Renk** and **Hensoldt** have all seen a sharp surge in interest from retail traders, who've zeroed in on the businesses after spotting that prominent hedge funds such as **Millennium Management** and **Marshall Wace** have held large short positions in them.

Everyday investors — co-ordinating their efforts on social media forums such as Reddit — have turbocharged share price gains by flocking to European versions of the infamous *r/WallStreetBets* on Reddit.

One poster on Boursorama — a French stock market forum — said Eutelsat had "an enemy" in **Darsana**, the US-based hedge fund that holds short positions in Eutelsat and its Luxembourg-based rival **SES**.

Another said: "If no one sells, the short sellers will have to buy more . . . Keep your shares and you will not lose."

Unlike the Gamestop squeeze, which forced hedge fund **Melvin Capital** to close after it suffered huge losses, Europe's meme stock mania has been driven by a surge in defence spending. And it has a patriotic tinge to it. "I don't care about the profit, I just want to pool some of my money to help, and move away from US assets and asset managers," wrote one poster on Reddit's *r/eupersonalfinance* forum.

Still, retail traders' efforts have been brutal for hedge funds. Eutelsat's near-300 per cent surge in the three weeks to March 14 cost short sellers roughly \$187mn in mark-to-market losses, while those betting against Hensoldt have lost \$110mn, according to **S3 Partners**.

Chart of the week

Tesla's rise and fall

Share price, \$



Source: LSEG via markets.ft.com/data

Hedge fund short sellers have [made \\$16.2bn](#) betting against **Tesla**'s shares as the value of **Elon Musk**'s electric car company has halved over the past three months, write *George Steer* and *Costas Mourselas*.

Traders positioned to make money from falls in the share price have accumulated the paper profits since the stock's closing high on December 17, according to data provider **S3 Partners**. Tesla's market value has plunged more than \$700bn over the same period, wiping more than \$100bn from Musk's net worth.

The Tesla chief executive's public interventions in European politics including support for far-right parties have contributed to falling car sales across Europe, while the swingeing cuts he is making to federal government spending as head of the so-called Department of Government Efficiency have also sparked a backlash.

"Tesla had a very strong brand value and Elon has managed to totally destroy it," said **Per Lekander**, managing partner of \$1.5bn hedge fund **Clean Energy Transition**, who first went short on Tesla several years ago. "[Musk] is on the wrong side of his buyership. It's not people with cowboy boots who buy Teslas."

JPMorgan this month lowered its end-of-year Tesla target price to \$120 from \$135, writing in a note: "We struggle to think of anything analogous in the history of the automotive industry, in which a brand has lost so much value so quickly." Shares closed at \$248.71 on Friday.

The recent profits for short sellers mark a partial reversal of what has been a highly painful trade for them in recent years, with many hedge funds forced to give up on their negative bets as losses mounted. Paper losses for short sellers total \$64.5bn since Tesla went public in 2010, even after accounting for the recent gains.

Five unmissable stories this week

The UK's **Financial Conduct Authority** [will ban](#) hedge fund manager **Crispin Odey** from the sector and fine him £1.8mn for a "lack of integrity" in his conduct after he faced allegations of sexual harassment and assault.

Rathbones has appointed former banker **Jonathan Sorrell** as its [next chief executive](#) as **Paul Stockton** prepares to step down from the role after 16 years at the UK wealth manager.

Inter Milan's [value collapsed](#) by 75 per cent before distressed debt investor **Oaktree Capital Management** seized control of the Italian football club from its Chinese owners **Suning** last year.

European investors in US equities have been dealt a [double blow](#) as a slide in the dollar compounds losses on stocks, ending a "virtuous cycle" of share price and currency gains during Wall Street's recent record run.

UK pension funds are “not taking anywhere near enough risk” and need to [invest billions](#) of pounds annually to help reach net zero carbon emissions by 2050, according **Ian Brown**, head of banking and investments at the **National Wealth Fund**.

And finally

Johnnie Shand Kydd and staff installing Lucian Freud's portrait of Leigh Bowery at The Fine Art Society, Bond Street, 1995 © Sue Tilley

Leigh Bowery defied the art world — now he's [its darling](#). The performer, designer and club promoter created brilliant art on a shoestring. He's celebrated with a major show at **Tate Modern**.

February 27-August 31, [tate.org.uk](https://www.tate.org.uk)

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