

Tesla Inc

Short sellers make \$16bn profit from Tesla's share price plunge

Payday follows years of pain for hedge funds that bet against Elon Musk's electric-car maker



Tesla's value has plunged by more than \$700bn in the past three months, wiping about \$100bn from Elon Musk's net worth © Alex Wheeler/FT/AFP/Getty Images

George Steer in New York and **Costas Mourselas** in London

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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.

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 last week 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 \$238.01 on Monday.

Tesla's rise and fall

Share price, \$



Source: LSEG via markets.ft.com/data

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.

The number of Tesla shares being shorted has ticked up 16.3 per cent over the past month to 71.5mn or 2.6 per cent of the company’s total shares according to S3, amid a broader US stock market sell-off fuelled by fears over the potential economic damage caused by US President Donald Trump’s aggressive tariffs.

The recent plunge in Tesla’s share price has erased its post-election gains, when investors had piled in on hopes the stock would benefit from Musk’s proximity to Trump.

Tesla's fourth-quarter results in late January missed expectations, and the company last week warned in a letter to a US trade representative that Trump's trade war could leave it [exposed to retaliatory tariffs](#) that would raise the cost of making vehicles in the US.

For years the carmaker ranked among the US stock market's most popular shorts, with around 300mn shares shorted in spring 2020.

But a rally of more than 1,500 per cent in the two years to mid-2021 shattered those negative bets, even as some investors maintained the company's valuation was becoming increasingly detached from economic reality.

Musk has a history of taunting Tesla short sellers big and small. Last year he said anyone with a short position would be "obliterated" once the company "fully solves autonomy".

In 2020, in response to short seller David Einhorn's [criticism of Tesla's accounting methods](#), Musk said "mental illness is tragic & did you know that Einhorn means unicorn?"

Trump's second term is proving a wild ride for Tesla longs and shorts alike. Hedge fund Bridgewater Associates opened a new long position in Tesla in the fourth quarter of 2024, while ClearBridge, DE Shaw and Norges Bank all added to their existing stakes, according to 13F filings. Bridgewater declined to comment. ClearBridge, DE Shaw and Norges Bank did not respond to requests for comment.

"A lot of these momentum stocks [like Tesla] have become glorified memecoins," said Marc Cohodes, a California-based short seller who does not have a position in Tesla. "When they went up, everyone buying thought they were smart. Now they're falling, they're causing huge damage."

Additional reporting by Stephen Morris in San Francisco

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