

Title: The Bigger Short: VW Squeeze had more to do with the 2008 financial crisis than we were told.  
Guest starring: Berkshire Hathaway, and various US Hedge Funds including Steve Cohen and Lehman Bros.

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Some of you may have seen [my prior post]([https://old.reddit.com/r/Superstonk/comments/sc4u7i/did\\_the\\_vw\\_squeeze\\_cause\\_the\\_20072008\\_crash\\_were/](https://old.reddit.com/r/Superstonk/comments/sc4u7i/did_the_vw_squeeze_cause_the_20072008_crash_were/)) on the VW Squeeze. In that post, you may have seen [this chart](<https://www.tradingview.com/x/jCWsxLnI/>) showing that the 2008 SPY crash coincided exactly with the VW squeeze.

Well, since then I've found so much more and we need to sit down and take a look at the full story, because it is directly applicable to what we're seeing today with GME.

###\*\*Background\*\*###

Most apes know the basic story of the VW squeeze. Porsche bought up VW shares, then secretly bought calls, then announced on a weekend, and the next week VW exploded when shorts realized there was only 5% of the free float available for them to cover with. Unfortunately, this isn't the full story. The true story goes much deeper.

Porsche began accumulating VW shares around 2005, and gradually accumulated options (both long calls and short puts) between 2005-2008, with most of the options being bought through 2007. The options were purchased through the German branch of Maple Bank, a Canadian bank arm of Maple Financial Services (now defunct). To hedge the calls it sold to Porsche (and the puts Porsche bought), Maple Financial bought VW shares and \*sold\* VW derivatives (swaps/futures) to hedge funds who took short positions in VW.

###\*\*Who was short VW?\*\*###

The most complete list of short hedge funds I have found so far is this. I haven't dug deep into them, but here's some brief tidbits on each one:

- Greenlight Capital (David Einhorn)
- SAC Capital (Steve Cohen, you all know this guy, of Point 72 fame. Says VW was the worst trade of his life...so far).
- Glenview Capital (Larry Robbins, grew up in Chicago)
- Marshall Wace (London hedge fund, Marshall came from Mercury Asset Management; Wace came from Deutsche Bank).
- Tiger Asia (Tiger Cubs represent!)
- Perry Capital (closed in 2016, just like Maple financial. Richard Perry, founder, also raised in Chicago, hmmm. His mother was the sister of the CEO of Bear Stearns. He worked at Goldman. His hedge fund peaked in 2007 before the VW squeeze...)
- Highside Capital (can't find much, but they're located on MAPLE Ave in Dallas Tx...maybe a coincidence...)
- Lehman Brothers: famously went defunct in the 2008 financial crisis, ostensibly due to bad mortgages, but it seems they were the largest holder of toxic VW positions as well, on top of their toxic housing positions.
- Morgan Stanley (claimed they had "virtually no exposure to VW", but virtually none means they had some, and it was heavily rumored on Wall Street).
- Goldman Sachs. You know these guys.

###\*\*Let's Look at VW\*\*###

Back to the VW chart. We have some nuances to discuss. Take a look:

## **\*\*VW Pre-Squeeze - Porsche Buy-In Phase\*\***

[VW 2005-2008](<https://www.tradingview.com/x/YysldAhc/>). This is the period Porsche was buying in. You can see the price gradually go parabolic as they accumulate more and more shares. This period is roughly analogous to the Cohen buy in period in late 2020. The VW squeeze is off screen in late 2008. Note 10/31/07 is marked. This is the peak of this VW cycle, is just a few days after the peak of SPY before the 2008 crash, and will be important for other reasons later.

## **\*\*VW's version of 2021. Meme cycles\*\***

[VW Oct 2007-Feb 2008, aka GME cycle](<https://www.tradingview.com/x/thqOC5Cy/>). This chart shows VW between 10/2007 and 2/2008. It bears a remarkable similarity to the GME chart in 2021-2022, though peaks have less magnitude, the pattern is similar. I've labelled the roughly corresponding GME dates for each peak.

## **\*\*VW Sneeze vs SPY Downturn\*\***

[SPY (orange) vs VW (yellow), Oct 2007](<https://www.tradingview.com/x/tMriFNW0/>). To the DAY, SPY will not be above this point until after the 2008 crash and subsequent recovery/bailout. Exact same day as VW's Sneeze.

From this point, things are relatively uneventful until the VW squeeze in Oct 2008. SPY continues to drop, VW consolidates sideways/up.

## **\*\*VW Squeeze = SPY Crash\*\***

[SPY vs VW Squeeze](<https://www.tradingview.com/x/RBp7jzoB/>). You can see the previous graphs' scale in comparison. Note the largest drop in SPY coincides with the real start of the VW squeeze around 10/2/08. Note the peak of the VW squeeze on 10/28/08. Note the SPY recovery occurring simultaneously with VW settling down post squeeze in Sept 2009.

These things alone were enough to make me suppose a connection between the VW squeeze and the 2008 crash. But wait, there's more!

## **###\*\*Banks Went Up during 2008?!?\*\*\*##**

That's right apes. Feast your eyes on this.

[Suntrust (now Truist) vs SPY 2008 Crash](<https://www.tradingview.com/x/3tmLkaTB/>).

What's happening with this medium-sized bank is Sept 2008? Why is a bank having a meme spike on 9/19/08, in the middle of the 2008 financial crisis when banks were in huge trouble? You will find this same "basket spike" across multiple smaller/regional banks (and regional bank ETFs), but the bigger the bank, the smaller the spike (mostly). It's even present in Wells Fargo, but NOT present for Goldman Sachs.

So why, did regional banks have a basket spike on 9/19/08? Well, guess what happened one day before, on Sept. 18th:

## **\*\*SEC Announces Ban on Bank Short Selling\*\***

[See the SEC press release here](<https://www.sec.gov/news/press/2008/2008-211.htm>)

You see, there were many rumors going around in 2008 that hedge funds were actively shorting US banks into the ground heading into the financial crisis. To stop this, the SEC banned short selling of bank stocks. The next day, we saw a meme spike of bank stocks, as well as some other usual sympathetic spikes like XRT, the retail ETF (which now contains GME).

## **###\*\*Bank Spike 9/19...What Day was the VW Squeeze Again???\*\*\*##**

[VW Squeeze vs Bank Spike](https://www.tradingview.com/x/3ahWExgU/)

The VW squeeze occurred T+27 or C+39 days after the the bank meme spike. This is remarkably close to our current FTD cycles. My friend and wrinkle ape @bobsmith808 says that Market Maker FTD's are T+2 and then C+35, and that ETF and Authorized Participant FTD's are T+4-5 and then C+35 after that. The VW squeeze splits the difference and occurs T+3 then C+35 after the bank meme spike.

**\*\*THE VW SQUEEZE OCCURS T+3 THEN C+35 AFTER THE BANK MEME SPIKE\*\***

Do you realize the implications of this yet? The VW squeeze was triggered by the blow up of the bank shorts.

But wait, I thought the VW squeeze was triggered by Porsche's announcement of their call options position the weekend before the squeeze?

**##\*\*Porsche and VW: The True Story\*\*##**

Well, it turns out, that it was pretty well known that Porsche held a ton of VW options before they made their weekend announcement. [This excellent paper](https://zero.sci-hub.se/4919/d7b5dbc2f70fa654775765be1976f4ff/godfrey2016.pdf) (see pg 5) discusses how Porsche reported profits of \$3.5b euros from VW options in it's 2006-07 annual report, how **\*\*The Economist\*\*** reported 2 months before the squeeze that Porsche holding VW options was public knowledge, and how another author named Bredoux reported in Agence France Presse (and reprinted in Asia One) that it was common knowledge that Porsche owned VW options and that expiration approached banks would need to make sure they owned VW shares.

Huh. But I thought all the shorts were surprised at the last minute by Porsche's announcement. Yet we have multiple financial press agencies around the globe, including the freaking Economist, reporting on it. It was in their freaking Annual Report filing for Pete's sake! You think the shorts didn't know? They could even gauge roughly how much Porsche held in calls by the amount of profit, going off the amount options may have appreciated in that time.

**##\*\*THESIS\*\*##**

**\*\*I submit that the evidence suggests that the VW squeeze was likely actually triggered by short sale FTD's from the 9/19 bank short spike caused by the SEC's short selling ban on 9/18, and that the fallout from this added to the already bad financial crisis, to the point that the crisis didn't end until the VW squeeze was over.\*\***

It certainly didn't help that Porsche had cornered all the shares, or that the US banks/hedge funds that had taken short positions in VW (helped along by Porsche's partner Maple Bank) were also fucked by their shitty housing market bets, but I think the VW short squeeze was a MUCH bigger problem for the 2008 global economy than we have been led to believe. This also explains why the bailout money had to go to Wall Street. If the problem was truly just underwater mortgages, they could've just bailed out the mortgages as Jon Stewart has repeatedly pointed out. But they couldn't because they needed the money to cover other underwater short positions too.

Otherwise, why did the crash start the same day as VW's initial pre-squeeze spike/sneeze? Why did the recovery begin the exact same day as VW's finished squeezing and settled down to baseline? Why did the VW squeeze coincide with largest drop in SPY?

**##\*\*STAAHHP MY BRAIN CAN'T TAKE ANY MORE!\*\*##**

But wait...there's more. Some of you may remember [this post of mine discussing BRK acting as a leading indicator of GME](https://old.reddit.com/r/Superstonk/comments/rw79so/berkshire\_hathaway\_is\_an\_indicator\_of\_gme\_spikes/)

The important part of this post is [this graph here](https://imgur.com/ntCwQ26)

Ever since around June 2021, GME and BRK have been oddly linked, with BRK seeming to mirror GME's movements on a wide time frame (not day to day or hour to hour). Looking closer, it's actually acting as a leading indicator, but see my other post for more on that.

I am embarrassed to admit that it took me entirely too long to go check VW vs BRK. It should have occurred to me from day one. I have now done this, and I submit for your viewing pleasure:

[BRK vs VW 2007-2008](https://www.tradingview.com/x/XmmArWkM/)

A few important notes:

- \* Starting roughly around 10/31/07, BRK started mirroring VW's movements, just as it does with GME.
- \* BRK.A volume goes up by an order of magnitude, from typical volume in the hundreds of shares per day, to thousands of shares per day. We are seeing the exact same volume behavior with BRK.A since the GME debacle started in Jan 2021.
- \* BRK.A also has a "meme spike" on 9/19/07, which might not be surprising as many financial institutions did. VW did also. I'd be willing to bet every "basket stock" at the time did (likely banks and car companies, which were both known to be targets of short sellers at the time).
- \* BRK.A drops as VW squeezes (off the chart because otherwise the scale makes it hard to see the mirroring in 2007-2008)
- \* BRK.A volume normalizes post-VW squeeze.

\*\*\*P.S.\*\*\*

Remember Maple Bank? The bank that backed Porsche's non-euro options purchases? They're defunct now. Guess who handled the bankruptcy of the German Maple Bank? The same guy who handled the Bankruptcy of the German branch of Lehman Brothers. What a coincidence. Wild.

References:

- \* [Detecting the Great Short Squeeze](https://zero.sci-hub.se/4919/d7b5dbc2f70fa654775765be1976f4ff/godfrey2016.pdf)
- \* [Market Efficiency and Limits to Arbitrage: Evidence from the VW Short Squeeze](https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=2977019)
- \* [Lehman Bankruptcy Trustee Handles Maple Bank](https://www-reuters-com.translate.goog/article/deutschland-maple-bank-idDEKCN0VL1KK?\_x\_tr\_sl=auto&\_x\_tr\_tl=en&\_x\_tr\_hl=en&\_x\_tr\_pto=wapp)
- \* [Some crazy german article](https://www-spiegel-de.translate.goog/wirtschaft/verfall-von-vw-optionen-porsche-droht-schwarzer-freitag-a-631120.html?\_x\_tr\_sl=auto&\_x\_tr\_tl=en&\_x\_tr\_hl=en&\_x\_tr\_pto=wapp)
- \* All sorts of other random press about the VW squeeze from NYT, WSJ and a million other places I can't even begin to parse, but most of this is from the above sources