Title: 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.
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>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. The 'Squeeze has not been Squoze'

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

[Link to the SEC Report](https://www.sec.gov/files/staff-report-equity-options-market-struction-conditions-early-2021.pdf)

SEC GME REPORT: Shorts didn't cover: **\[Full credit to (** [**u/WhatCanIMakeToday/**](https://www.reddit.com/user/WhatCanIMakeToday/) **for the charts and comments for this section\].**

[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.](https://preview.redd.it/j9ljp5dfs3f81.png?width=960&format;=png&auto;=webp&s;=70a121970d8fa1ac4847c17c90058b91269b3146)

https://preview.redd.it/gi1d1gjis3f81.png?width=1740&format;=png&auto;=webp&s;=3b37f9313a34e3c04e9c0d1002c74d32ffbe682a

https://preview.redd.it/xg3wx8eks3f81.png?width=1770&format;=png&auto;=webp&s;=6445544f6d96d07397c0f854ca462595b1e7a786

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](https://www.reddit.com/user/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:

Post: 'I counted the pixels on figure 6 on the SEC report ■■ and found the number of shares that were bought by short sellers' (you can review further from their profile page)

Internalized short positions:

In a quote from this interview with Interactive Brokers' CEO Thomas Peterffy discussing the brokerages preventing buying but allowing selling (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 (tradeable float) 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](https://www.nyse.com/regulation/threshold-securities).” 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.

https://preview.redd.it/5cxntj3ms3f81.png?width=1050&format;=png&auto;=webp&s;=efa4e7ff3c8d7807c1cca4a064b482106ee77a7b

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](https://prospect.org/power/gamestop-mess-exposes-the-naked-short-selling-scam/) 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](https://www.reddit.com/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](https://www.reddit.com/u/broccaaa/). This massive spike suggests that short positions have been hidden using “phantom shares” and “strategic fail-to-delivers.”

https://preview.redd.it/9clkzi7os3f81.png?width=1050&format;=png&auto;=webp&s;=c2d4a25c30066ae4bee65c1ee085838456dcb6d1

As [u/broccaaa](https://www.reddit.com/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](https://www.sec.gov/about/offices/ocie/options-trading-risk-alert.pdf) known as “buy-write” in a 2013 paper. As [Investopedia explains](https://www.investopedia.com/terms/b/buy-write.asp), “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](https://www.reddit.com/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](https://www.reddit.com/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.***

'The Everything Fails To Deliver - DD Part 2 Let's Come to Our "Since's" as Jim Decosta says here. Seriously read his 142 page comment to the SEC outlined here' by [u/DigitalSoldier1776](https://www.reddit.com/user/DigitalSoldier1776/): This is a great Fail to Deliver (FTD) post to read or revisit: GME's trading volume since 2013 overall is roughly 10.5 Billion shares traded and that is about 110 million shares per month. https://www.sec.gov/comments/s7-08-08/s70808-428.pdf

' The Compendium Of Wrinkles: Correlating Different Theories, Part Deux **'** by [u/bobsmith808](https://www.reddit.com/user/bobsmith808/): Discusses Supplemental Liquidity Deposit (SLD) & Its Effects; Futures Theory; Variance Swaps; ETF Cycles.

TD;LR of the post: The best DD writers (in my humble opinion) as of late are all converging on patterns that pretty much line up with each other. Maybe it’s futures driving the price action, Maybe it’s variance swaps? Maybe it’s simply a liquidity squeeze, and observed when money is temporarily taken away during the SLD periods? Maybe it’s all of the above. You be the judge. Personally, IDGAF who’s theory is right, as this raggtag group of apes have uncovered so much fuckin fuckery in our financial system, particularly on GME, it’s amazing to behold. Even more amazing is the fact that these guys came from different angles and all arrived at the same conclusion.

Estimating Retail Share Ownership: Excludes Institutional, Insider or other types of ownership). Credit to [u/get-it-got](https://www.reddit.com/u/get-it-got/) and [u/derAres](https://www.reddit.com/u/derAres/): https://i.redd.it/zwtz4i3c65h71.png

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](https://www.reddit.com/u/DecentralizeCosmos/).Short Interest (SI) reporting:

https://preview.redd.it/jzou6mqqs3f81.png?width=640&format;=png&auto;=webp&s;=4d5bc89a4a14de156 24112d3b22edc0fddf79222

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,](https://www.investopedia.com/terms/l/long.asp)” “[short](https://www.investopedia.com/terms/s/short.asp),” 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.

https://preview.redd.it/3oue6t0ws3f81.png?width=750&format;=png&auto;=webp&s;=9787ed0b0206bc426 3590ce39099a2ddf38067bb

Part 3. 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](https://gmedd.com/transformation/gamestop-bags-chewy-vp-of-engineering/) 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. \[This is a [*current intrinsic value analysis*](https://www.linkedin.com/pulse/gamestop-ordinary-stock-nor-failing-brick-and-mortar-retail-michal). Note: There are several methods for valuing a company, and analyst values will vary.\] 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 a 'Mother Of All Short Squeeze'.

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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