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HISTORY OF SHORT SQUEEZES

TL;DR: deals between major shareholders and shorting parties or market interventions by exchanges and market makers (illegal yet tolerated by the SEC) are the biggest factors that can reduce the maximum share price during a squeeze. Both scenarios are extremely unlikely during the upcoming \$GME Mother Of All Short Squeezes.

1901 Railroad short squeeze: **a deal between shareholders and a shorting party greatly reduces the maximum share price**

2008 Volkswagen short squeeze: **a deal between shareholders and a shorting party greatly reduces the maximum share price**

2021 GameStop short squeeze: individual retail shareholders hold more than the available float of shares. **A deal is not possible.** Little to no conflict of interest and concerns regarding other long positions in the case of a market crash are applicable.

All previous short squeezes have short interest rates that pale in comparison to \$GME. Share percentages of holding parties which are looking to capitalize on a squeeze are also much higher.

The Biggest Short Squeeze of the (Last) Century

January 28, 2021 by Jon

1901 Railroad short squeeze
<https://thefinancialinvestor.com/the-biggest-short-squeeze-of-the-last-century/>

An epic stock market battle took place in 1901. Two heavyweights fought for control of a railroad, cornered the market, and forced the biggest short squeeze of the last century.

The Union Pacific was a railroad nobody wanted to touch, not even J.P. Morgan, in 1898. It was mired in bankruptcy — receivership in the hands of the government. But Edward Henry Harriman saw an opportunity.

Through a syndicate of backers — the Vanderbilts, Rockefellers, Goulds, Ameses, and Kuhn, Loeb & Co. — Harriman took control of the road. In total, they paid \$175 million for 1,800 miles of railroad and got every penny back in profits within three years.

Harriman recognized that expansion through acquisition was the most efficient way to lower costs and ensure profitability for Union Pacific. He quickly bought up competing railroads until Union Pacific dominated the U.S. west of Omaha.

Realizing the worst, Morgan and Harriman called a truce and devised a plan. The major houses — J.P. Morgan, Kuhn, Loeb & Co., and others — announced they would not force delivery at the deadline. Northern Pacific sold off.

The short sellers in Northern Pacific got a lucky break. They were allowed to close their short positions at \$160 a share. They only suffered a devastating loss instead of total annihilation.

"In order to avoid further market distortions and the resulting consequences for those involved, Porsche SE intends... to settle hedging transactions in the amount of up to 5 percent of the Volkswagen ordinary shares," Porsche said in a statement.

The short sellers called his bluff. Almost none of them accepted his deal, and they were vindicated on March 22 when the New York Stock Exchange permanently barred Piggly Wiggly from being traded on the exchange. There was, it explained, "such a concentration of holdings" as to "make impossible a free market for the stock." The exchange also broke its own rules and extended the time for delivery of the short shares until the following week. This gave the short sellers the breathing room they needed. Some of them were even able to

2008 Volkswagen short squeeze
<https://www.ft.com/content/0e58b63a-4294-3e07-b790-c3a6b739a26>
<https://www.reuters.com/article/us-volkswagen-idUS1964943900081029>

Due to the dramatic distortions on the financial markets Porsche Automobil Holding SE, Stuttgart, has decided over the weekend to disclose its holdings in shares and holding positions related to the takeover of Volkswagen AG, Wolfsburg. At the end of last week Porsche SE held 43.4 per cent of the Volkswagen ordinary shares and in addition 20.2 per cent in so called cash settled options relating to Volkswagen ordinary shares to hedge against price risks, representing a total of 63.6 per cent.

Upon settlement of these options Porsche will receive in cash the difference between the then actual Volkswagen share price and the underlying strike price in cash. The Volkswagen shares will be bought in each case at market price.

Another way the maximum share price can be greatly reduced is the **illegal** breaking of the rules of the markets, done by stock exchanges, security commissions, clearing and settlement firms or market makers.

Examples include:

The 1923 Piggly Wiggly short squeeze
<https://slate.com/business/2021/02/piggly-wiggly-short-squeeze-gameshop-wall-street-nyse.html>

The infamous restrictions of buying \$GME and other shares on many neo brokers platforms during a gamma squeeze.
<https://www.wsl.com/articles/online-brokerages-restrict-trading-on-gameshop-amc-amd-frenetic-trading-11611849934>

This is highly illegal, yet tolerated by the SEC. However, with a movement as big as \$GME, there is too much attention on the stock. **Institutional interventions will create huge distrust and faith in the US markets will be destroyed.** The trust of the general public and foreign investors in the free market and the US exchanges will fall to new lows and may never recover. Thus, **intervention in the \$GME MOASS is extremely unlikely.**

\$GME GO BRR +∞%



