



# **Capital Markets & Investments**

## **Session 3: Securities and Valuations**

**Spring 2026**  
**Professor Simon Oh**

## Assignment 1: Due 2/9 9am (Next Monday) + Quiz 1 Due 2/4 9am (This Wednesday)

- Make sure to sign up as groups under “People”
  - You can work across sections (001, 002, and 003)
- Math Review
  - Asset properties:  $E[r] = 5\%$ ,  $vol(r) = \sigma(r) = 10\%$
  - If we invest \$20K in this asset, then:
$$E[\$20K \times r] = \$20K \times E[r] = \$20K \times 5\% = \$1K$$
$$vol(\$20K \times r) = \$20K \times vol(r) = \$20K \times 10\% = \$2K$$

# Hindenburg: A Modern Short Seller

1. Take short position
2. Publish a devastating investigative report
3. Profit when stock drops

**Key step:** convince the rest of the market that the company is a “fraud”

Business | Fireworks artists

## Hindenburg Research, attacker of the Adani empire

Meet the small short-selling firm that picked a fight with a giant

 Share



Anderson, the Adani-rattler IMAGE: EYEVINE

## Exhibit #1: Nikola

- Fake truck demonstrations
- False hydrogen technology claims
- Non-existent battery breakthrough
- Misrepresented proprietary technology
- Pattern of deception

### Nikola: How to Parlay An Ocean of Lies Into a Partnership With the Largest Auto OEM in America

Published on September 10, 2020

- Sept 8, 2020: GM Partnership Announced (+40%)
- Sept 10, 2020: Report released (-11%)
- Sept 11, 2020: Second day of selling (-14.5%)
- January 2023: -97% from peak
- February 2025: Chapter 11 bankruptcy

## Exhibit #1: Nikola



Trevor Milton  
@nikolatrevor

It makes sense. Tens of millions of shares shorted the last day or two to slam our stock and hit job by hindenburg. I guess everything is fair game in war, even a hit job. I know who funded it now. Give me a few hours to put together responses to their lies. This is all you got?

9:29 AM · 10 Sep 20 · Twitter for Android

## Exhibit #2: Adani Group

- Shell entities disguised as “public” shareholders
- Money laundering network
- Related-party fraud
- Other fraud (diamond trading, iron ore smuggling)
- Fundamental overvaluation
  
- Hindenburg had to use US-traded bonds + off-shore derivatives to express their “bet”

Adani Group: How The World’s 3rd Richest Man Is Pulling The Largest Con In Corporate History

Published on January 24, 2023



# How to be a good short seller

## 1. Learn how to sell good stories

- Hindenburg's success comes from their ability to take complex, often publicly available data and weak it into a compelling prose that investors would read

## 2. Learn how to construct bets

- Geographic limitations can hinder profiting from the trade (e.g. India)
- Hindenburg reportedly made \$4M, despite \$150B destruction in market cap

## 3. There are many ways to construct “short theses.”

- Easy route: Expose fraud
- More difficult: Argue for overvaluation (e.g. Hindenburg on Icahn Enterprises)