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STOCKS

Tesla Shares Rally at Fastest Pace Since 2013

The advance is testing the resolve of short sellers who have made the electric-car maker one of the most bet-against companies in financial markets

By Akane Otani

Updated Feb. 3, 2020 4:07 pm ET

Tesla [TSLA 19.89% ▲](#) Inc. shares are rallying at their fastest pace in years, testing the resolve of short sellers who have made the electric-car maker one of the most bet-against companies in financial markets.

At the beginning of the year, Tesla shares behaved much like any other stock in the market: They headed higher.

But as a wave of selling spurred by worries about the global coronavirus outbreak wiped out the broader market's gains, Tesla shares did something unexpected: They continued rising, and at breakneck pace.

The ascent has been so rapid that Tesla shares, which jumped 20% to a closing record Monday, are now up 86% for the year—outperforming every single stock in the S&P 500, as well as bitcoin and gold. In fact, Tesla's rise over the past five trading days marked its best five-day stretch since a rally in May 2013, when the company posted its first-ever quarterly profit.

What has driven the company to this point? The rally got a boost last week when Tesla reported making record deliveries in the fourth quarter and said it planned to deliver more cars globally in 2020. A flurry of analysts also have helped fuel the stock's rise, with Argus Research bumping up its share-price target to \$808 from \$556 Monday.

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lower prices. S3 Partners estimates the number of Tesla shares that are shorted dropped by 1.4 million over the past 30 days. NOTIFY ME

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“The million dollar question is when will the next wave of serious short covering occur and whether it will be a continuous trickle or a tsunami?” said Ihor Dusaniwsky, managing director at S3 Partners, in emailed comments.

Tesla has had a particularly fraught history with short sellers. Chief Executive Elon Musk has sparred publicly with his critics, once writing to hedge-fund manager David Einhorn to tell him he would send him “a small gift of short shorts.” More recently, Mr. Musk applauded a move by Japan’s government pension fund to suspend lending shares for short selling, writing on Twitter, “Bravo, right thing to do! Short selling should be illegal.”

That hasn’t stopped skeptics from placing bets on Tesla’s fall.



Shares of electric-car-maker Tesla are up 86% for the year. PHOTO: DING TING/ZUMA PRESS

Despite some short-covering over the past few weeks, there is still some \$14 billion in short interest against Tesla, making it the most shorted U.S.-traded company, according to S3 Partners. Apple Inc. and Microsoft Corp. follow behind Tesla in second and third place.

And while a number of analysts have bumped up their price targets for the stock, Tesla is still trading well above where many think it should be. As of Monday, Tesla was roughly 64% above analysts’ average price target for the stock, according to Bespoke Investment Group.

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