

# Short positions in the Big Four top \$8b

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There are more than eight billion reasons why offshore hedge funds want to talk to Australian traders about one thing only: the Big Four banks.

Short positions in the banks have skyrocketed over the past 12 months – and are now worth more than \$8 billion.

While that \$8 billion is still only about 3 per cent of the Big Four's combined market capitalisation, it is the highest short position since the corporate regulator started compiling data in 2010.

And, while there is no easy way to prove it, traders reckon it matches the sort of numbers seen in the financial crisis. And, anecdotally on prime broking desks, they reckon the phone calls from fast money hot spots such as Hong Kong aren't slowing.

Commonwealth Bank of Australia and ANZ Banking Group have been particularly hard hit this year – with both banks running at their highest levels of reported short interest. The position in CBA alone is worth \$3.33 billion, based on Bloomberg data.

There are numerous reasons for the short positions. Of course there is the much-talked-about short case distributed among hedge funds by Variant Perception, but the interest was building long before the report's release.

However, the positions are more built on Australia's macroeconomic headwinds and the fact that Australia's banks are expensive compared to institutions in other parts of the world.

It remains to be seen whether the short sellers are right or wrong. They

have been burnt previously shorting Australia's banks and may well be again. And Wednesday's increases in bank stocks had some thinking the covering may have started already.

Hedge funds are watching the borrow pools closely to make sure they do not get burnt too badly. As long as there is plenty of stock in the pools – and there is given the banks' size and liquidity – then they can pretty easily cover positions.

Finally, it is understood two institutions stepped up to cornerstone an equity raising for gold producer Kidman Resources. Kidman had PAC Partners in the market on Wednesday, seeking to place shares and secure underwriters for the company's equity issue. New shares were sold for 8.5¢ each.

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