

Asgard's Bet Against Tesla Bonds

Stockholm (HedgeNordic) – Copenhagen-based **Asgard Credit Fund** has amassed credit-default swaps on Tesla's bonds, betting that the electric-car maker's bonds are too expensive. "Tesla could be upgraded to BB- during 2020, but even in that scenario the credit spread is still too tight," **Daniel Pedersen**, the chief investment officer of Danish asset manager Moma Advisors, told Bloomberg.

Tesla's share price closed at \$887 on Tuesday, increasing from Friday's close of \$650 and more than doubling since the beginning of the year. The share price fell to \$735 on Wednesday, with market participants assigning Tesla a market capitalization of \$132 billion. This valuation compares to \$50 billion for General Motors and \$33 billion for Ford, but General Motors sold around 20 times as many cars as Tesla last year and Ford sold nearly six times as many. Tesla is currently the most shorted stock in the United States, with many short-sellers such as Andrew Left of Citron Research arguing that fundamentals do not support Tesla's valuation.



Daniel Pedersen, CIO at Moma Advisors.

Whereas Tesla may be seen as a growth story by bullish equity investors, credit investors are looking at the electric-car maker through a different lens, according to Pedersen. The cost of insuring Tesla's debt against default for five years fell to a record low of 145 basis points on Monday, after Tesla released a better-than-expected fourth-quarter earnings report. Tesla's strong results, however, did not change Pedersen's overall scepticism towards the bonds.

"We are credit investors, not equity investors. We need to focus on credit spread levels relative to the underlying risks," Pedersen told Bloomberg. "But sometimes the market just falls in love with some credits. And everyone is a buyer." Whereas Pedersen likes Tesla's focus on electric cars, he sees "better risk-reward" opportunities in auto-part producers and other European car companies making a move into the market for electric vehicles. Asgard Credit Fund bought the default swaps on Tesla's bonds to hedge its long exposure to the automotive industry.

Asgard Credit Fund was last year's second-best performing fixed-income hedge fund in the Nordics with a return of 28.6 percent. The fund oversees €140 million in assets under management as of the

end of 2019 and delivered an annualized return of 7.8 percent since launching in October of 2016.

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