

Markets

Data Center Owner Equinix's Biggest Gain Since 2008 Is Upending Short Bets

- Shares rise 12% Thursday as probe backs financial reporting
- Short sellers see paper losses of \$141 million, S3 says

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May 9, 2024 at 2:51 PM EDT

Updated on May 9, 2024 at 4:10 PM EDT

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Equinix Inc.'s biggest rally in more than four years is squeezing short-sellers who piled into bets against the stock.

Shares of the company – a real estate investment trust that owns data centers – rose 12% Thursday, the biggest jump since March 2020, after it said it has “substantially” wrapped up an internal investigation of its accounting, which found that its financial reporting has been accurate.

The company has been targeted by speculators. In March, Hindenburg Research said it was short the California-based company and accused it of both accounting manipulation and selling an “AI pipe dream.” Until Thursday, the stock had lost nearly a quarter of its value over the past two months.

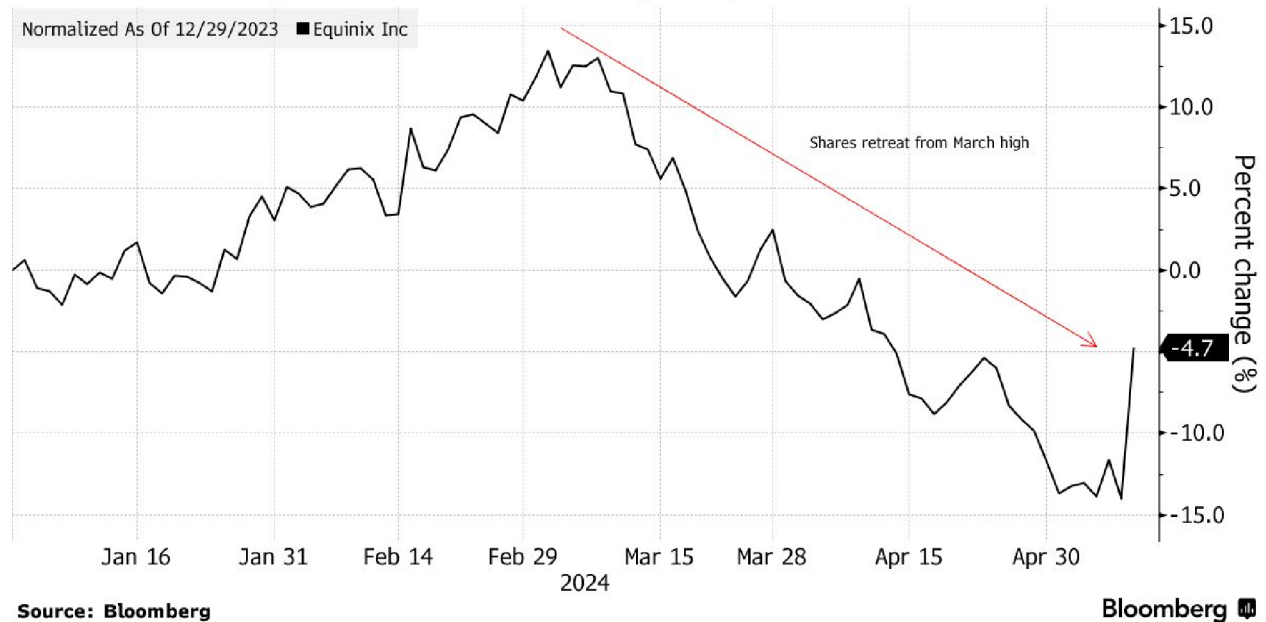
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The rebound, however, delivered paper losses of more than \$141 million to those with short positions in the stock, according to data from S3 Partners LLC. That's likely to spur contrarian traders to buy back the stock to close out what had been profitable wagers.

“We should be seeing short covering as some shorts exit their trades in order to realize what is left of their year-to-date mark-to-market gains,” said Ihor Dusaniwsky, managing director of predictive analytics at S3.

Equinix Shares Pullback From March High

Data center REIT posts losses amid investigation, macro headwinds



An email to Equinix's spokespeople seeking comment wasn't immediately returned.

Even after the recent slide, Wall Street analysts have been overwhelmingly bullish on the stock, with 21 calling it a buy, seven saying to hold and none recommending investors sell it. They expect 18% upside potential in the next 12 months, according to data compiled by Bloomberg.

Jefferies' Jonathan Petersen said he expects the threat of any regulatory action related to the accounting probe – which has hovered over the company – to lift, foreseeing “no impact” to the stock after the “clear win” caused by the closing of the internal investigation, according to a note. Citigroup Inc. analyst Michael Rollins expects shares to trade higher in the near term.

“We believe the market is likely to increasingly focus on the company's operating fundamentals and the opportunities to accelerate organic revenue growth back to within the annual target range of 8-10% later in 2024 and potentially into future years,” Rollins said.

(Updates stock moves at market close.)

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