2 Short-Sellers Who Lost Money Betting Against the Housing Market

Description

Canada's housing market is on overdrive in 2021 following a record-setting year. The Canada Mortgage and Housing Corp. (CMHC) predicted an 18% dive in home values only to be discredited by resilient housing markets across the country. Sal Guatieri, a senior economist at **Bank of Montreal**, said, "The housing market is on fire, and there doesn't seem to be anything to put out the fire.

Speculators or short-sellers intend to take advantage of the housing boom to earn quick bucks. Economists worry about speculative frenzy compounding the market risks. Now, Wall Street investors who made billions of dollars during the 2008 U.S. housing market collapse bets that real estate values in Vancouver and other Canadian cities will crash.

Short-sellers are losing

Since housing prices in Canada are reaching peak insanity, several factors could cause a collapse. An anonymous Canadian analyst believes big global macro funds involved in betting against the U.S. market from 2007 to 2009 have analyzed the Canadian housing market for a few years.

The person said, "I know a number of them are shorting Canadian housing. It looks like an accident waiting to happen." There is news that hedge fund manager Steve Eisman who became famous from the Hollywood movie "The Big Short," is among them.

Short-sellers target businesses connected to property and household debt, particularly Canadian banks. Marc Cohodes, a high-profile short-seller, had short bets on Home Capital before realizing that Canadian banks make for bad shorts. Because the Big Five banks are national entities, Cohodes say they're the last to go.

Jonathan Cooper from MacDonald Realty Vancouver is aware that short-sellers are betting against the city. However, he believes these speculators will lose. The head of **BlackRock**, the world's largest asset fund, Laurence Fink, said Vancouver properties are not only as good as gold but better.

Buy-and-hold asset

A 2019 research by financial analytics firm S3 Partners shows that the **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) is one of the prime targets. A spokesman for Canada's second-largest bank told CBC News that it had restricted short selling and options trading for some securities like several brokerages and trading platforms across North America. The precautionary measures stem from the GameStop saga in 2021.

The Toronto Dominion Bank remains a top-notch investment for income investors. The $120.51 billion bank was the only company that reported top and bottom lines growth during the 2008 global financial crisis. Its dividend track record is a stellar 164 years. Current TD investors are up 17.48% year-to-date and enjoying a 3.84% dividend. You can buy this bank stock today and hold it forever.

Housing crash not happening

Short-sellers have been waiting for the Canadian housing market to crash for years. They believe doom is inevitable. However, several factors, including stricter regulations and mortgage-default insurance, are holding off a housing disaster. Historic low mortgage rates likewise fuel a record surge in home prices.

The Toronto Dominion Bank is a prime target but the stock hasn't fallen as expected. The Canadian Real Estate Association (CREA) expect the trend to ease. It will start in the latter part of 2021 and into 2022 when pent-up exhausts. CREA also expects the current demand-supply imbalance to unwind.

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