

Tesla stock drops closer to pre-Musk tweet level

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A Tesla emblem is seen on the back end of a Model S in the Tesla showroom in Santa Monica, Calif., on Wednesday, Aug. 8, 2018. Board members at Tesla are evaluating CEO and Chairman Elon Musk's \$72 billion proposal to take the electric car and solar panel maker private. Six of nine members said in a prepared statement Wednesday that Musk began talking with the board about the move last week. (AP Photo/Richard Vogel)

After two days of turmoil, Tesla shares have fallen back closer to the level they were trading at before CEO Elon Musk tweeted Tuesday that

he may take the company private.

Shares closed down 5 percent on Thursday.

That means they've now given back almost all the gains following Musk's Tuesday morning tweet that he had confirmed funding for taking the company private at \$420 a share.

Prior to the tweet, shares closed Monday at \$341.99. After two days of turmoil, they stood at \$352.45.

The retreat from earlier highs suggests the market now doubts the buyout will happen.

The Securities and Exchange Commission has opened an inquiry into the wording and method of Musk's disclosure about the potential deal, according to a Wednesday report in The Wall Street Journal, which cited unidentified people familiar with the matter.

Musk has long battled publicly with short sellers of the stock. The jump in the stock price, however brief, may have punished some of them by causing them to cover their positions at a loss. Short sellers bet that a stock price will fall, specifically by borrowing shares and selling them immediately. They profit if they repurchase the shares at a lower price, but can face astronomical losses if the price rises instead.

Mark Spiegel, a portfolio manager whose Stanphyl Capital Partners has bet millions of dollars on Tesla shares falling, says the market turmoil likely lost money for both short-sellers and people betting on Tesla's upside.

"If the tweet was false, the liability could be in the billions of dollars," he said Thursday.

Musk said he was serious about the offer in an email to employees, and Tesla directors said in a statement Wednesday that they're evaluating it.

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