

Hedge funds short LSE

William Hutchings and Luke Jeffs

Hedge funds are betting on a fall in the London Stock Exchange's share price, borrowing 60% of the available stock to sell it short.

LSE stock on loan has risen steadily from 2% of shares in issue to 9%, according to data provider Index Explorer. LSE shares were trading at the end of last week at £13.65 a share, close to the record £14.28 a share they reached at the end of May.

Alexander Hofmann, head of sales at Index Explorer, said: "Short-sellers are positioning themselves to take advantage of a likely reduction in the LSE's fees from listings, given the current volatile environment. Hedge funds have already borrowed 60% of the available supply of LSE stock, way above the market average of 18%."

The LSE's share price has soared in the past two years as it has fought off five takeover attempts, including two from Nasdaq in the past year.

Analysts have speculated the US electronic exchange, which holds 30.6% of LSE stock, may be waiting to make a third bid for the exchange, perhaps after it completes its latest merger, with North European exchange group OMX.

But this is less likely after Nasdaq said last week it will vote in favour of the £1bn (€1.6bn) merger between the LSE and Borsa Italiana, a deal that will dilute the US exchange's LSE share to 22%.

LSE and Borsa Italiana shareholders are to meet separately on Wednesday August 8 to vote on the proposed deal.

The LSE already has assurances from shareholders holding over 50% of shares that they will back the merger.