

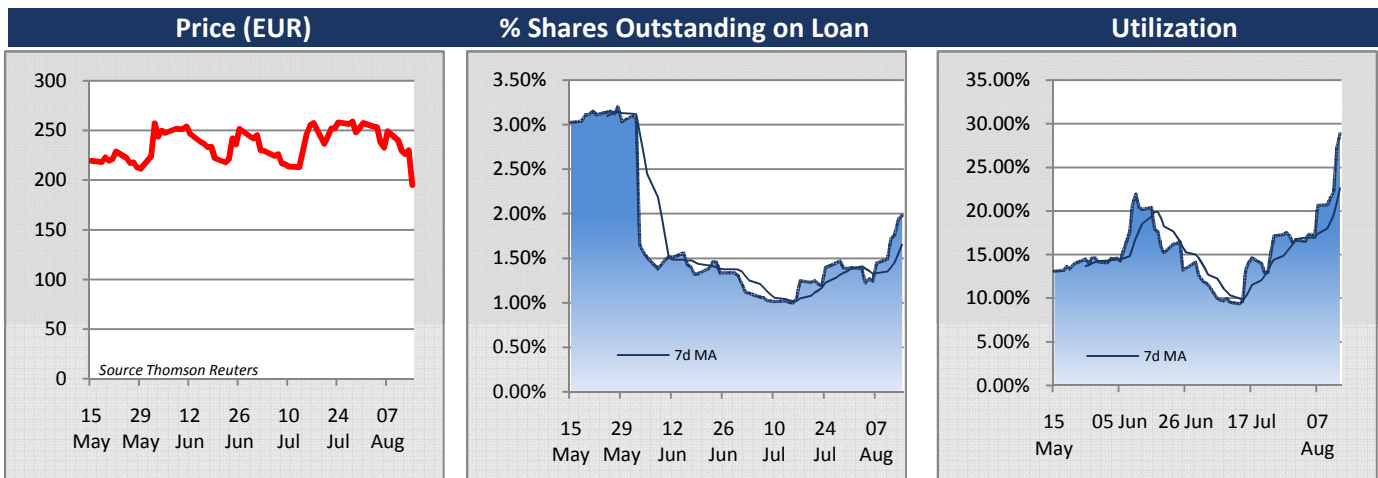
Volkswagen Ag

Aug 18, 2009

DX Short Score (Low 1 2 3 4 High)

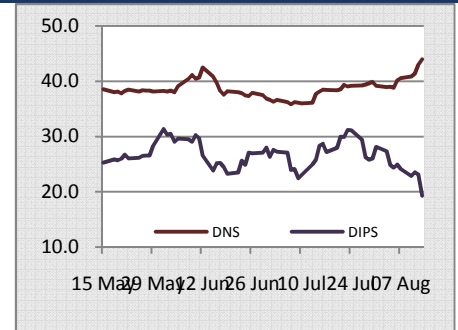
The long running Volkswagen (VOW) saga appears to be entering its final phase. Porsche's debt position is likely to be relieved with the help of the Qatar Holding Investment Company, paving the way for a merger within two years. There are still a number of possible bumps in the road, and judging by the rising short base, investors are becoming increasingly nervous about the chances of success.

The short base in the Ordinary shares now stands at 2%, having doubled over the past month. Utilization in the Ordinary shares is close to 30%. The loan position in the preference shares is smaller, at around 0.4% and has been dropping sharply.



DX Indicators

The negative sentiment Indicator (DNS) has been rising recently and is now in the top quartile. The squeeze indicator (DIPS) has recently dropped sharply, suggesting limited risk of short covering.



Related Securities

	% SOOL	Δ 1 % Mnth	Utilization	Δ 1 % Mnth
Porsche Automobil Hold Prf	3.05%	-6.47%	10.52%	13.67%
Volkswagen Prf	0.43%	-67.12%	2.72%	-0.16%
Volkswagen Adr	0.00%	42.89%	28.59%	126.67%

TERMS

% Shares Outstanding on Loan (%SOOL) - The percentage of the company that is out on loan based on shares outstanding. For example, if Company X has 1000 shares outstanding and 100 shares on loan the % Lent would be 10%. This is an approximation of short base and is not impacted by price or trade volume movements.

Utilization - is the percentage of stock that is on loan in relation to the total shares available to borrow. This is a unique measure of the liquidity and crowdedness of the short interest in a security.

Positive Sentiment (DPS) - shows the average loan quantity (shorts) relative to average inventory quantity (longs) for the security, with a higher score for stocks which have had little or no shorting activity over the previous 12 months. The scale for this indicator is normalized to a range between 0% to 100%. A high DPS generally reflects positive sentiment (relatively more longs than shorts) while a low number shows negative sentiment.

Negative Sentiment (DNS) - shows the normalized sum of the moving average of utilization and the change in utilization. The scale for this indicator is normalized to a range between 0% to 100%. A high DNS generally reflects negative sentiment (an increasing amount of shorts relative to longs) while a low number shows relatively less negative sentiment.

Increasing Price Squeeze (DIPS) - compares securities lending data (change in inventory quantity and loans) to cash market data (average trade volume and close price) in order to determine the risk of a rapid increase in price (i.e. price squeeze). It gives a higher score to stocks which have a very high level of utilization, high loan position relative to cash market volume, a high proportion of shares outstanding on loan, recent sharp declines in stock price and a falling inventory due to stock loan recalls. The indicator is based on a scale of 0% to 100% - a DIPS of greater than 30% is considered high.

Short Score (DSS) - converts the percent of the shares outstanding on loan of a company (a measure of short interest) to a score between 0 and 5. A high score means that a large amount of the company's share base is out on loan to cover shorts sales. Generally a score of 4 or 5 is considered very high.

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