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## Shorting Via Options (Facebook)

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# JMDinvestments

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## Shorting Via Options (Facebook)

Following Facebook's IPO, investors were looking to short the stock. However, there was little (to no) available supply of shares to borrow. So, are we unable to create this position? Well, investors can resort to options.

Recall the Put-call parity equation:

$$S + P = C + K/(1+r)^t$$

If we rearrange the formula, we can create a synthetic (or replicated) position. So, if we wanted the equivalent of a short position in a stock:

$$-S = -C - K/(1+r)^t + P$$

Thus, to create a synthetic short, we would sell a call, short a t-bill (or borrow present value of exercise price) and buy a put.

[For more on this, see the article here \(Seeking Alpha\).](#)

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