

A portrait of Michael Burry, a man with dark hair, wearing a dark pinstripe suit jacket over a blue and white striped shirt. He is looking directly at the camera with a serious expression. The background is dark and textured.

# Michael Burry

# Beyond the Big Short

# THE BIG SHORT

Source: DataDrivenInvestor.com

When Michael Burry bets against the crowd, markets pay attention. The man who called the subprime mortgage crisis and made over \$800 million while the financial system collapsed is now warning that artificial intelligence stocks are the next bubble ready to burst. And he is making this call just as he steps away from the spotlight: on November 10, his hedge fund's registration was terminated, per SEC records, ending his requirement to file regulatory disclosures.

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## Introduction

Michael Burry is one of the most unconventional investors of his generation. Born in 1971 and raised in San Jose, California, his story begins with adversity. At just two years old, he lost his left eye to retinoblastoma, a rare and aggressive form of cancer. The prosthetic eye he wore ever since became an early marker of his difference. Despite this early challenge, he excelled academically. He studied economics at the University of California, Los Angeles while also pursuing a medical track. He later completed his residency in neurology. During his hospital shifts, he used the few quiet hours between medical rounds to post stock analyses on internet forums. It was this work that caught the attention of major investors, including Joel Greenblatt, who ultimately backed him to launch Scion Capital in 2000.

From the beginning, Burry's investing style was instantly recognisable. He operated with an extreme sense of independence, often ignoring consensus views. His "weapon of choice," as he once put it, is research. Burry approached markets with an obsessive research habit, digging relentlessly into filings, balance sheets, and footnotes. His philosophy leaned heavily toward value investing, building on the principles laid out in *Security Analysis* by Benjamin Graham and David Dodd. He believed that mispriced assets eventually revert toward their intrinsic value. Over the years, he refined these ideas into his own method. If a company was trading at what he viewed as an "outrageous" discount to its fundamentals, that alone was enough for him to take a position and wait for the market to adjust.

This approach worked. Between its inception on 1 November 2000 and June 2008, Scion Capital returned nearly 489.34%, net of fees and expenses, when the S&P 500 gained less than 3% over the same period. The gross profit of the funds was 726%.

## The Big Short

By 2004, Michael Burry had built a reputation for identifying opportunities others overlooked, which earned him the nickname "Cassandra" from Warren Buffett, a nod to the Greek prophetess cursed to speak truths no one would believe. That year, he turned his attention to mortgage-backed securities, a segment of the financial system few portfolio managers bothered to pay attention to. Burry approached it the same way he approached stocks. He read the prospectuses for individual bond deals, examined loan pools line by line, and traced the structure of each securitisation.

As he worked through the data, he found a pattern of structural weakness. Teaser-rate mortgages were loans structured with temporarily low introductory rates before resetting to higher levels borrowers could not realistically afford. Underwriting standards had eroded to the point where lenders routinely approved loans without meaningful income verification. Many of these loans were subprime, mortgages issued to borrowers with limited documentation or poor credit histories. Yet they were still then bundled into asset-backed securities (ABS), structures created by pooling thousands of individual loans and slicing them into different layers of risk. When the collateral consisted specifically of home mortgages, the instruments were labelled RMBS, or residential mortgage-backed securities. Senior tranches received high ratings AAA because they were paid first, while the lower tranches absorbed the initial losses, but all tranches depended on the same weak loan pools. Once the teaser periods expired, many borrowers would be unable to meet their payments, triggering a wave of delinquencies. To Burry, the pricing of these instruments did not reflect this risk.

The credit ratings that investors relied on for protection seemed detached from the reality of the underlying loans, and the entire structure appeared far more fragile than the market believed.

Burry had no doubt about the risk but the timing of when it would surface was less obvious. To express his view, he needed an instrument that allowed him to position early without taking open-ended losses while he waited for the defaults to materialise. The solution came through credit-default swaps on the weakest mortgage bonds. In essence, a CDS functions like insurance on a bond: the buyer pays a fixed annual premium, and if the underlying security deteriorates or defaults, the insurer compensates the loss.

There was, however, a practical consideration. If his thesis proved correct, the institutions most exposed to mortgage securities could be among the first to collapse. There was no point buying protection from a counterparty that might fail at the moment the swap became valuable. Burry avoided firms like Bear Stearns and Lehman Brothers, which were deeply tied to mortgage origination and securitisation, and instead approached institutions he believed were more likely to withstand a downturn, including Goldman Sachs, Morgan Stanley, Deutsche Bank, Bank of America, UBS, Merrill Lynch, and Citigroup.

The positions cost him significant premium payments, and for nearly two years it produced nothing but mark-to-market losses and frustration. Investors pressured him to unwind the trade, sent hostile letters, demanded redemptions, and even threatened lawsuits. Burry, however, refused to move. He trusted his analysis more than the market's sentiment.

When the subprime market finally cracked in 2007 and the collapse accelerated in 2008, Scion's portfolio surged. For the housing-short trade, Burry personally earned about \$100 million, and his investors earned \$725 million.



Source: theatrical release poster of the movie "The Big Short"

## Life after the Big Short

In 2008, after the subprime trade had played out, Burry closed down Scion Capital and spent several years focusing on his personal investments and his family. During this period, one of his most talked-about themes was his focus on water. Burry argued that fresh, clean water would become one of the most valuable assets and it is most efficiently transported not by pipelines or tankers, but by agriculture. He invested in farmland with access to reliable water sources. Burry also maintained a persistent interest in gold, viewing it as a hedge against periods of monetary disorder or excessive money supply growth.

In 2013, Burry returned to professional asset management and relaunched his hedge fund under the name Scion Asset Management. In 2019, he resurfaced in headlines with a contrarian position in GameStop, months before the stock became associated with one of the most spectacular short squeezes in market history. He bought the stock because he believed the market was mispricing the company's balance-sheet. When the stock exploded in early 2021, Burry had just sold all its remaining shares in the fourth quarter of 2020, earning Scion Asset Management \$100 million instead of a potential \$1.5 billion had Burry held all his shares in January 2021, according to Forbes. Still, his early analysis, fundamental, and grounded in intrinsic value, had been proven correct. According to Sure Dividend, from May 2020 to 2023, followers of the disclosed holdings of Scion Asset Management delivered a 56% annualised return, compared with 12% for the S&P 500.

## The AI Short

In November 2025, Michael Burry returned to headlines with a trade that immediately split the investment community in two. While global markets were still riding the momentum of the AI revolution, with Nvidia, Palantir, and a handful of related names powering equity indices to new highs, Burry positioned himself squarely against the euphoria. He built sizable bearish positions targeting Palantir (50,000 put options) and Nvidia (10,000 put options).

Burry argued that the market was extrapolating limitless demand for compute, uninterrupted margin expansion, and a permanent technological moat. Valuations reflected not just current profitability, but the assumption that AI would deliver immediate, large-scale cash flows across the entire economy.

Just few days before this analysis, on November 19, 2025, Nvidia reported third-quarter earnings that beat Wall Street expectations with revenue of \$57 billion, up 62% year-over-year. "Blackwell sales are off the charts, and cloud GPUs are sold out," CEO Jensen Huang said in the earnings statement.

Per the SEC reporting, Scion Asset Management positions were worth \$912 million for Palantir and \$186.5 million for Nvidia. However, the way these values are calculated do not reflect the actual price spent to acquire these options. Michael Burry explained on X that he bought his options on Palantir for \$1.84 a share, meaning his total cost for the Palantir options was \$9.2 million. As of November 20, the bid price for these same options stands at \$2.68 a share. He did not disclose the cost of the Nvidia options.

## The bets that didn't work out

In May 2017, Michael Burry predicted a global financial meltdown and World War 3 on Twitter (now X). The S&P500 gained 14.5% through year-end. Since then, the only moment the S&P 500 fell below the price of the day Michael Burry posted was in March 2020 because of the Covid crisis.

In September 2019, he told Bloomberg News index funds were the next CDOs. He explained that index funds and exchange-traded funds (ETFs) were inflating stock and bond prices in the same way CDOs did for subprime mortgages before he made hundreds of millions from shorting them during the 2007-2008 great recession. In reality, nothing like that happened. Passive funds kept attracting record inflows, valuations didn't unwind in any CDO-style crash, and markets went on to hit repeated all-time highs, except for the pandemic crisis, but we can safely say that the reasons for that crash were not overvaluations.

In February 2021, Burry said "The market is dancing on a knife's edge" before seeing the S&P 500 gain nearly 27% by the end of the year. Then, in January 2023, he posted a very short tweet that read "sell". Only two months later, in March, he went back on his previous warning saying, "I was wrong to say sell."



Source: The Telegraph

In February 2021, he called Bitcoin a "bubble that poses more risk than opportunity" when the digital asset was around \$49,500. A few months later, in June 2021, he warned investors to expect the "mother of all crashes" in crypto on X before deleting the posts in September. During the year, Bitcoin hit a new all-time high at 69,000 in November before the famous crash of over 75% that bottomed one year later, in November 2022. Some will say Burry was right, but too early. And when it comes to short positions, the line between being wrong and too early is very thin.

## Conclusion

Michael Burry has been a central figure in modern investing ever since his wildly successful, contrarian bet against the housing market in 2008, which was later immortalised in the Oscar-winning film *The Big Short*. Even after deregistering Scion Asset Management, admitting that his "estimation of values in securities is not now, and has not been for some time, in sync with the markets," he's clearly not done. In a recent post on X, he wrote: "On to much better things Nov 25th." The only question now is what he plans to unleash next.

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