

Will Elon Musk Acquire Twitter?

Mergers and acquisitions are challenging under the best of circumstances. Portfolio managers working at event driven and merger arbitrage hedge funds need to make sense of often conflicting signals, as they try to predict the likelihood of a deal closing or breaking.

Adding the world’s most eccentric billionaire and one of the most talked-about social media companies into the mix doesn’t make this type of analysis any easier. Still, the market has been reacting to Elon Musk’s on-again, off-again takeover attempt of Twitter (TWTR).

At Northstar, our merger arbitrage model allows hedge funds to fully analyze the risk of mergers and acquisitions. One of the variables our model tracks is the market-implied probability that a deal will break. When Musk first announced his takeover bid in April, the market believed there was a 34% chance the deal would *not* go through. When Twitter’s board accepted his offer a few weeks later, the break probability dropped below 10%. In May, Elon’s poop emoji sent the break probability soaring over 60%. The break probability has been hovering between 40% and 60% ever since, right up until this week’s announcement that Musk was ready to proceed on the original terms. This sent the break probability back to April levels, briefly dipping below 10%.

Enjoy the full timeline below. You can read more about our industry-leading merger arbitrage model [here](#).

