

Most shorted ahead of earnings

Friday, November 25th 2016

A look at how short sellers are positioning themselves in companies announcing earnings in the coming week

- Short sellers take aim at Smith & Wesson post-election
- Elekta sees resurgence in demand to borrow its shares heading into earnings
- Australian firms TFS and Metcash both have more than 10% of shares on loan heading into earnings

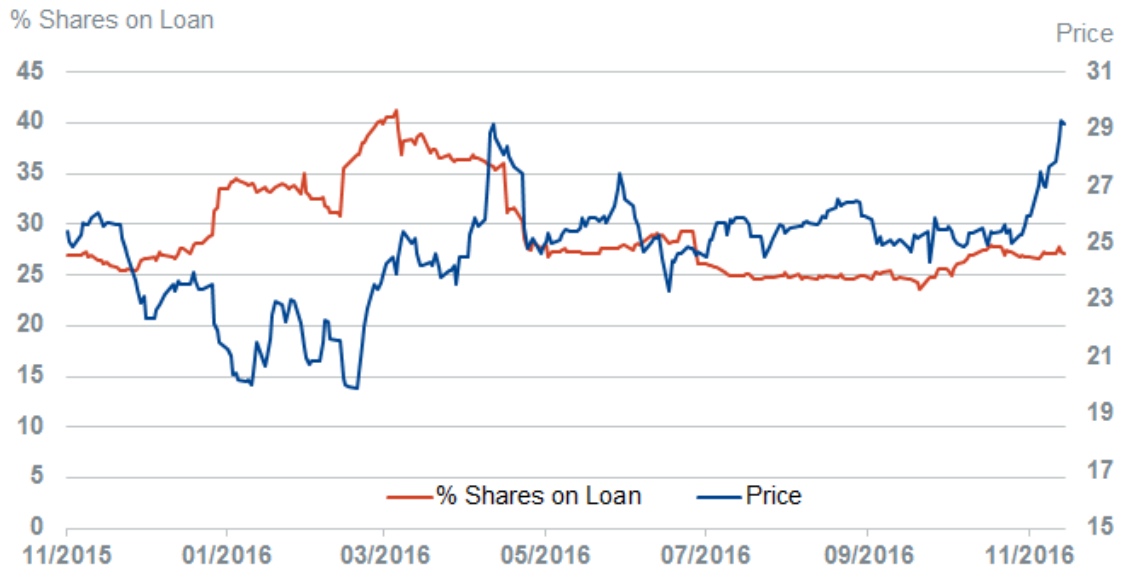
North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Canadian Western Bank	Banks	CWB	12/1/2016	27.1	-3%
Smith & Wesson Holding Corp	Leisure Products	SWHC	12/1/2016	25.1	42%
Big Lots Inc	Multiline Retail	BIG	12/2/2016	20.6	-3%
Five Below Inc	Specialty Retail	FIVE	12/1/2016	18.7	7%
Lands End Inc	Internet & Direct Marketing Retail	LE	12/1/2016	16.6	-3%
American Eagle Outfitters Inc	Specialty Retail	AEO	11/30/2016	16.3	-2%
Zumiez Inc	Specialty Retail	ZUMZ	12/1/2016	14.1	-11%
Tiffany & Co	Specialty Retail	TIF	11/29/2016	12.7	-8%
Ambarella Inc	Semiconductors & Semiconductor Equ	AMBA	12/1/2016	12.7	18%
Genesco Inc	Specialty Retail	GCO	12/2/2016	12.3	2%
Ship Finance International Ltd	Oil, Gas & Consumable Fuels	SFL	11/29/2016	11.2	6%
Sears Holdings Corp	Multiline Retail	SHLD	12/2/2016	10.8	-6%
G-iii Apparel Group Ltd	Textiles, Apparel & Luxury Goods	GIII	12/1/2016	10.1	-14%
Splunk Inc	Software	SPLK	11/29/2016	9.8	-14%
Rex American Resources Corp	Oil, Gas & Consumable Fuels	REX	11/29/2016	9.7	-6%
Mts Systems Corp	Electronic Equipment, Instruments & C	MTSC	11/30/2016	8.6	3%
Ascena Retail Group Inc	Specialty Retail	ASNA	12/1/2016	8.3	-4%
Golar Lng Ltd	Oil, Gas & Consumable Fuels	GLNG	11/30/2016	8.3	-12%

Canadian bank Canadian Western is the most shorted company announcing earnings in North America this week. The mortgage lender had come under severe pressure from short sellers earlier in the year as investors worried about the impact of falling oil prices as the company was relatively overexposed to loans made to the energy industry as well as the wider energy dependent Alberta economy. These fears have subsided somewhat in recent month and demand to borrow the company's shares, which had stood as high as 40% of Canadian Western's shares, has fallen by a third. The remaining shorts, which still represent over a quarter of Canadian Western's shares, are also feeling the impact of the post US election equities rally as the firm's shares have rallied by more than 10% to a new yearly high in the last two weeks.

Short sellers are still holding relatively steadfast in light of the recent rally as demand to borrow Canadian Western stock has stayed flat in the last month.

Canadian Western Bank

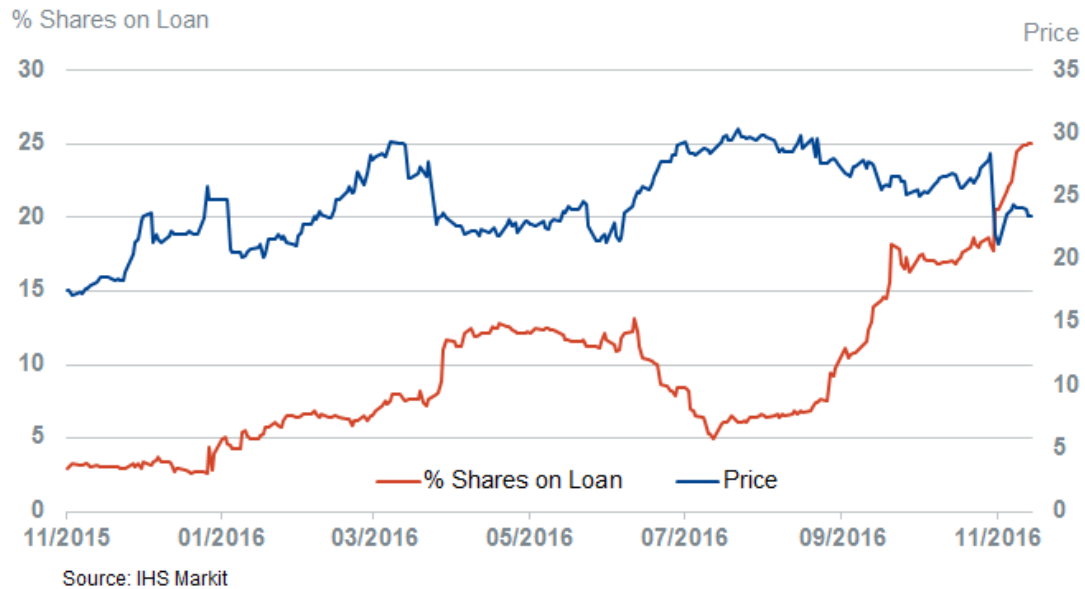


Source: IHS Markit

Oil shorts have shown no such resolve in light of recent surges in Rex Resources and Golar LNG which have both seen sustained covering in the last four weeks.

Short covering has definitely not been the case in the second most shorted company announcing earnings this week, gunmaker Smith & Wesson, as demand to borrow the company's stock has surged by more than 40% in the last month. The US election has also played a key role in driving short seller behavior in this name as investors realized that gun control wouldn't feature high on a Republican congress's agenda. Previous efforts to control gun sales in North America had perversely driven gun sales higher as consumers tried to get ahead of possible limits. Short sellers are betting that the 15% slump in Smith & Wesson shares seen in the wake of the election will continue as consumers no longer feel the need to get ahead of gun control legislation. Smith & Wesson was arguably the most successfully short position to come out of the surprise election as its short interest had tripled in the weeks leading up to the election.

Smith & Wesson Holding Corp



Retailers continue to feature heavily in the most shorted ahead of earnings list as Big Lots, Five Below and Lands' End round out the list of the five most shorted companies announcing earnings this week.

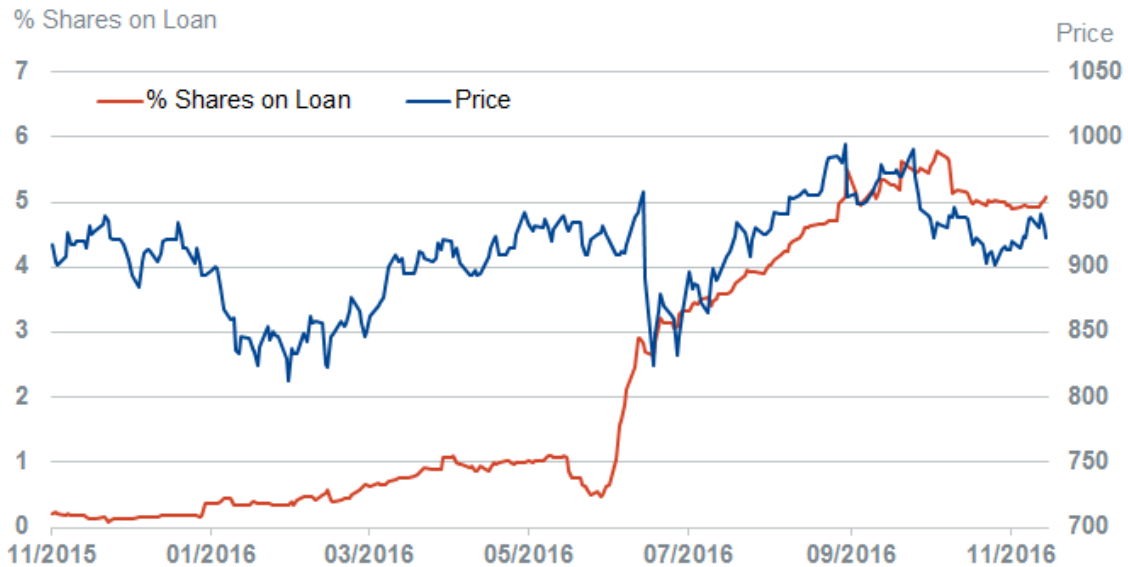
Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Elekta Ab (Publ)	Health Care Equipment & Supplies	EKTA B	12/1/2016	14.1	16%
Shaftesbury Plc	Equity Real Estate Investment Trusts (SHB)		11/29/2016	5.1	1%
Bw Offshore Ltd	Energy Equipment & Services	BWO	11/28/2016	4.4	-1%
Aroundtown Property Holdings Plc	Real Estate Management & Development	ALATP	11/28/2016	3.7	0%
Berkeley Group Holdings Plc	Household Durables	BKG	12/2/2016	3.4	-7%

Perennial short Elekta is the most shorted European company announcing earnings this week by a factor of three. The cancer and neuroscience firm has seen a 16% jump in short interest in recent weeks after the US International Trade Commission [delivered](#) an initial determination that some of Elekta's radiotherapy technology infringed on patents held by competitor Varian.

Real estate firms make up three of the remaining four high conviction short positions announcing earnings this week, led by UK REIT Shaftesbury. The owner of several West End freeholds has come under scrutiny from short sellers after the Brexit referendum as investors looked for liquid alternatives to play the UK real estate market. Short sellers have continued to play an active part in Shaftesbury despite a recovery in its share price which has seen it bounce back above its pre referendum result.

Shaftesbury Plc



Source: IHS Markit

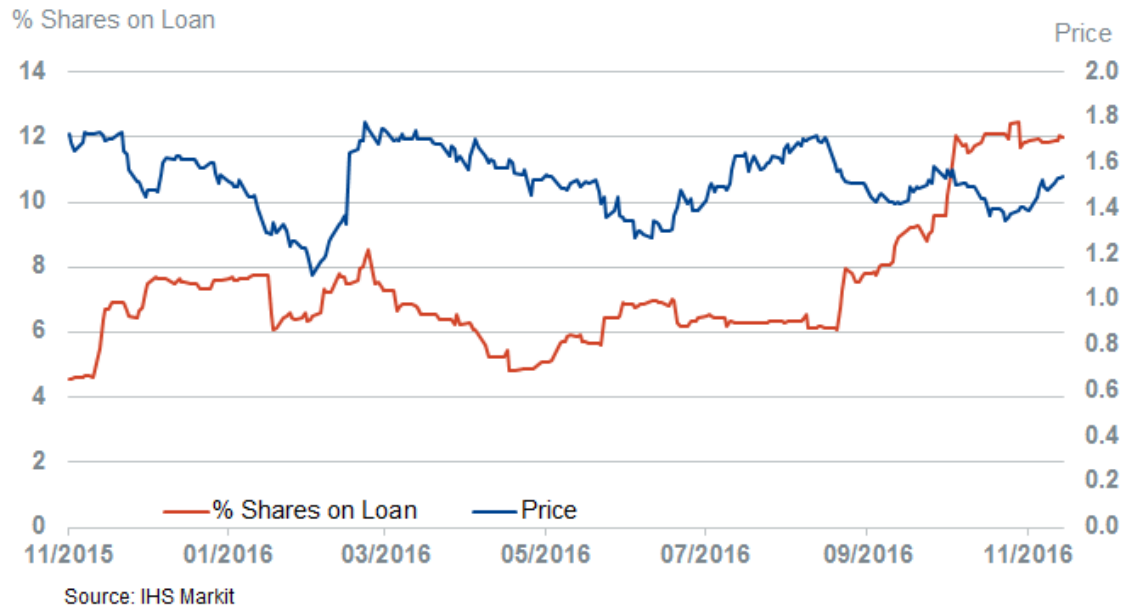
London property developer Berkeley has not enjoyed such a recovery, but short sellers have not shown the same desire to keep their positions open as the current demand to borrow its shares is roughly half the levels seen over the recent highs.

Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Tfs Corporation Ltd	Paper & Forest Products	TFC	11/30/2016	12.0	-1%
Metcash Ltd	Food & Staples Retailing	MTS	11/30/2016	10.7	-2%
Ezra Holdings Ltd	Energy Equipment & Services	5DN	11/29/2016	8.4	15%
Digital China Holdings Ltd	Electronic Equipment, Instruments & C	861	11/28/2016	7.0	-1%
Tingyi Cayman Islands Holding Co	Food Products	322	11/28/2016	5.1	-8%
China Maple Leaf Educational Sys	Diversified Consumer Services	1317	11/29/2016	4.8	0%
China Huishan Dairy Holdings Con	Food Products	6863	11/29/2016	4.7	1%
Naturalendo Tech Co Ltd	Biotechnology	168330	11/28/2016	3.7	5%
Icd Co Ltd	Semiconductors & Semiconductor Equ	040910	11/28/2016	3.3	-5%
Hatena Co Ltd	Internet Software & Services	3930	11/30/2016	3.3	25%
People Co Ltd	Leisure Products	7865	12/1/2016	3.1	-1%

Australian sandalwood producer TFS Corporation is the most shorted Asian firm announcing earnings in Asia this week as it has 12% of its shares out on loan. This current demand to borrow represents an all-time high for the firm as it has more than doubled in the last three months.

Tfs Corporation Ltd



Retailer Metcash is the other very high conviction short announcing earnings this week. Although still very high, the appetite to sell Metcash share short is severely diminished from there it stood last year when over 25% of its shares were out on loan to short sellers.

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