

Biotech gives shorts healthy boost in August

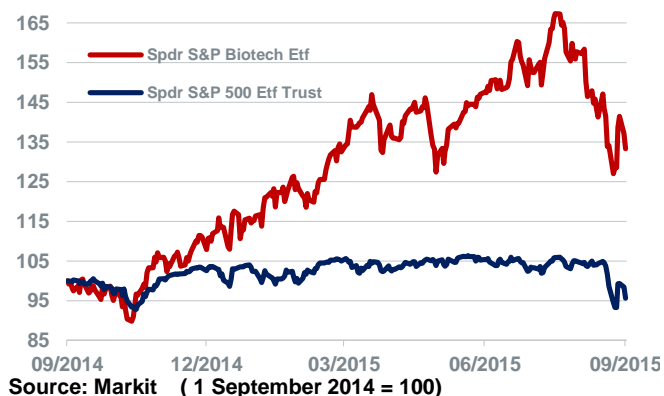
A sharp retreat from the US Biotech sector since mid-July 2015 has rewarded short sellers actively playing the sector despite six months of losses.

- US biotech average short interest rises to 7.3%, remains second only to energy
- Infertility drug maker Ovascience shares fall by 38% as short sellers continue campaign
- Short sellers show conviction in Myriad Genetics, the most shorted name in biotech

Dizzying heights

The US biotech sector has dropped 20% from an impressive peak reached in mid-July 2015. Despite the selloff, measuring the sector's performance using the S&P Biotech ETF, the sector is up 15%, this year, outpacing the market. Additionally, the sector is up by 33% over the last 12 months.

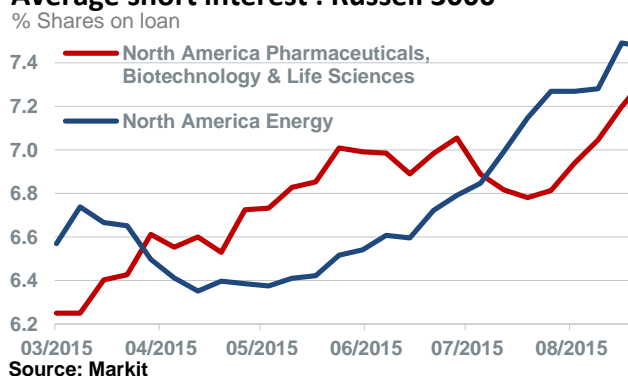
ETF Performance :XBI,SPY



Short seller's patience rewarded

According to **Markit Securities Finance** data, short sellers have keenly followed the biotech **sector** in 2015, increasing positions recently with average short interest rising to 7.3% in the last few months. This makes the sector the second most shorted behind the **energy sector**.

Average short interest : Russell 3000



Although 88% of the Russell 3000 biotech names fell in the past month, those that fell by a greater margin than their peers were 46% more short sold than the sector average short interest. This indicates that short sellers were largely successful in targeting the falling names of sector over the recent sell off.

On the most shorted end of the spectrum, nine out of the 10 most shorted names have seen their price retreat in the last month; Myriad Genetics being the only holdout.

Top ten most shorted: US biotech

Instrument Name	% Shares Outstanding On Loan	1M CHANGE	Price	1M CHANGE
Myriad Genetics Inc	35.6	-2%	36.7	11%
Ovascience Inc	30.0	3%	17.4	-38%
Keryx Biopharmaceuticals Inc	25.9	-3%	5.8	-20%
Igi Laboratories Inc	23.9	-2%	8.0	-8%
Merrimack Pharmaceuticals Inc	23.5	0%	9.5	-9%
Enanta Pharmaceuticals Inc	23.2	-5%	37.0	-26%
Albany Molecular Research Inc	22.9	-3%	19.6	-11%
Lannett Company Inc	22.8	19%	47.3	-20%
Ligand Pharmaceuticals Inc	22.4	4%	88.5	-19%
Exact Sciences Corp	20.3	0%	21.8	-7%

Source: Markit

One of the most short sold names currently is Ovacione with 30% of shares outstanding on loan. The stock has fallen by a dramatic 38% in the past month, with short sellers adding 3% to positions. The company is **developing** new *in vitro* fertilisation techniques to improve fertility rates but testing data has failed to **impress** investors thus far.

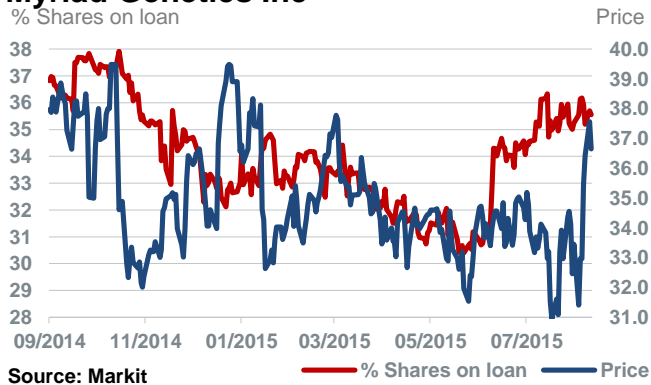
Ovacione Inc



With 36% of shares outstanding on loan, **perennial** biotech short, Myriad Genetics, remains the most shorted name in the sector.

The stock rallied in August by 11% but short sellers were undeterred and continue to hold their positions. Demand to short Myriad is also strong and has sent the benchmark fee above 10%, one of the highest in the sector.

Myriad Genetics Inc



Short sellers have increased positions in Lannett by 19%, the most over the past month. Shares outstanding on loan currently

stand at 22.8%, increasing through the stock's recent fall.

Lannett Company Inc



Big four sell off

The **'big four'** of biotech were also hit hard by the recent biotech selloff; declining on average by 13% in August. These larger firms measured in market value attract less than 0.5% in short interest. Nevertheless, there is still \$880m of short value on loan across the big four alone.

In context the sectors most short sold name, Myriad Genetics, currently has \$670m of value currently on loan. Celgene makes up the bulk of the total big four value on loan with nearly \$500m held by short sellers.

Celgene Corp



Celgene shares are currently up 25% over the past 12 months but down 12% since the beginning of August.

To read this article on our commentary website, please click [here](#).

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