

# Chinese exposure bruises automakers

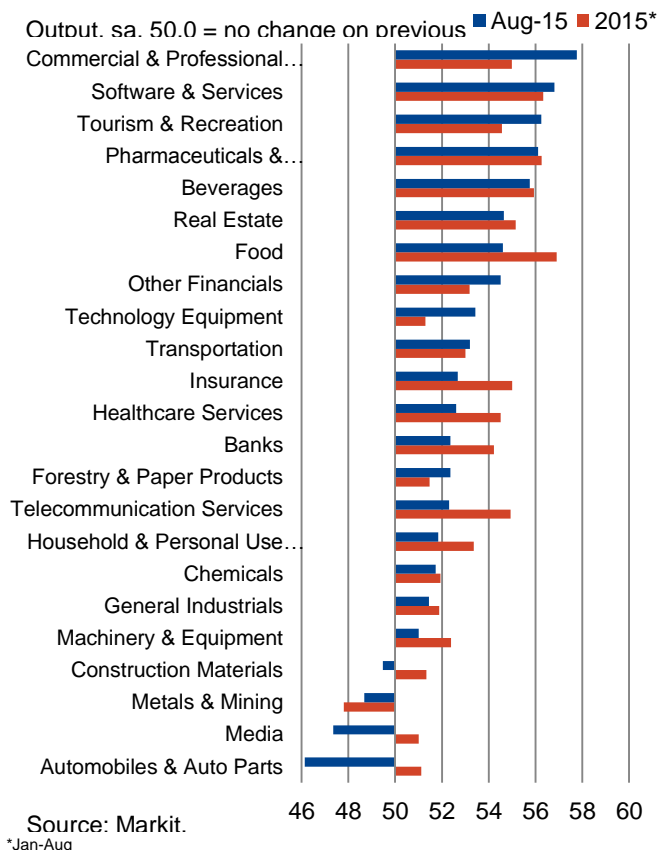
Falling demand from China is driving short sellers towards exposed automobile stocks as decreasing pricing power amid weaker emerging markets and a strong dollar, are pressuring profits.

- Weak sales figures in China attract short sellers to Daihatsu and Peugeot
- Tesla the most short sold automaker globally, despite registering strong growth in China
- Short sellers ride Harley Davidson with short interest rising to a five year high

## Chinese vehicle demand crashes

Despite vehicle dealers providing deep discounts to entice consumers in China, the lowest number of vehicles sold in over **17 months** was registered in August.

### Global Sector PMI: detailed sectors



Additionally **Markit PMI™** data indicates that output for the global automobiles & auto parts sector suffered a drop in output in August for the first time since June 2013. The rate of contraction was the strongest since Global

Sector PMI data became available in October 2009. Regional data signalled that output fell in Asia but continued to grow in Europe.

## Shorts target export exposure

Shares in Japan based Daihatsu have suffered since the company reported an **18%** decline in worldwide production as export sales declined more than that of local sales for July 2015. Short sellers have increased positions in the automaker by more than 40% to reach 7.4% of shares outstanding on loan in the last three months, while shares slid 25%.

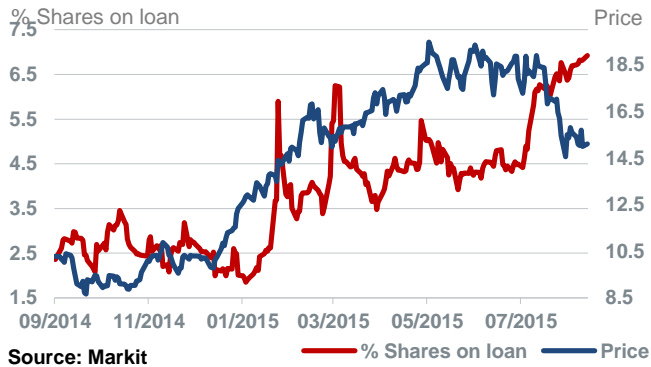
### Daihatsu Motor Co Ltd



Short sellers doubled positions in Peugeot in the last 12 months with shares outstanding on loan increasing to 6.9%. July production **figures** from the company indicated weakness in certain markets with Peugeot and Citroen reporting lower sales figures in China. In 2014 Peugeot entered into a partnership with Dongfeng Motor as part of the company's **“pillar”** of its globalisation

strategy. The strategy to increase exposure to China for growth has now attracted short sellers to the predominantly European car maker.

### Peugeot Sa



### Short sellers cover in Great Wall

Short sellers covered positions in the Great Wall Motor Company as the stock rallied into 2015. Currently shares outstanding decreased from 6.8% to 1.1% with short sellers failing to benefit from the stocks subsequent six month 60% decline, possibly due to state prohibitions on short selling.

### Great Wall Motor Co Ltd

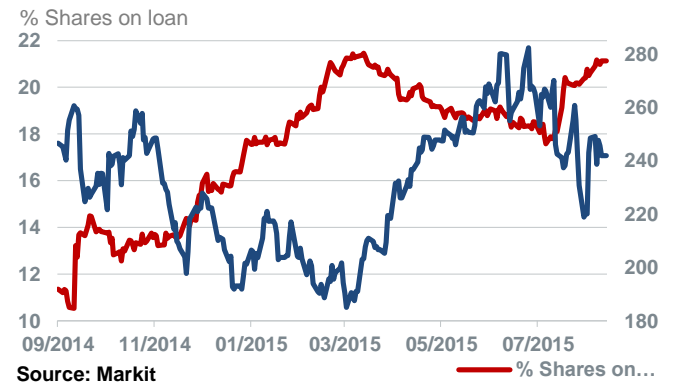


### Short sellers flock to young US automaker

The most shorted automaker is Tesla Motors, despite reporting strong growth in China in the second quarter of 2015. The automaker has 21% of shares outstanding on loan with short sellers increasing positions by 18% since the beginning of August. Tesla Short sellers could be more concerned with the company's ability to continue to **fund growth**

as it recently undertook a 2.7m stock offering to raise \$642m.

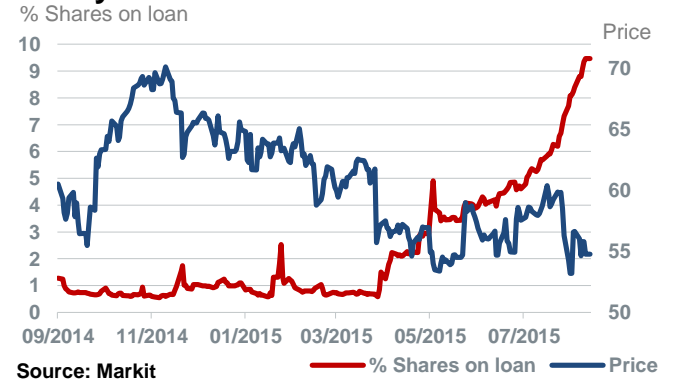
### Tesla Motors Inc



### Dollar strength hurting HOG

Short sellers have flocked to Harley Davidson (HOG) in the last three months with shares outstanding on loan increasing to 9.5%, a five year high. Short interest has not been at these levels since 2008/2009 when short sellers targeted the firm during the financial crisis.

### Harley-Davidson Inc



USD strength **hurt** Harley Davidson sales in the second quarter of 2015 with import competitors discounting aggressively in HOG's core market in the US representing 65% of sales. The company's only sales growth was registered in Apac in the second quarter.

Short sellers have been successful in the past in predicting a slump in sales and share price performance of the American icon.

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

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