4th floor
Ropemaker Place
25 Ropemaker Street
London
EC2Y 9LY
United Kingdom

tel +44 20 7260 2000
fax +44 20 7260 2001
www.markit.com

Markit Research

February 10th 2016

Consumers services feel the January cold

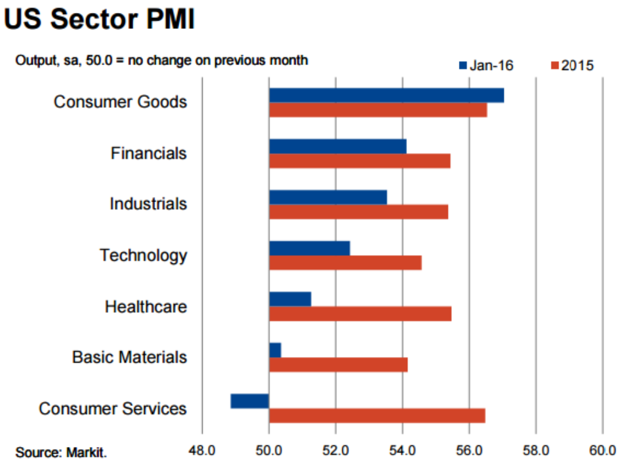
Consumer spending has remained relatively downbeat, with consumer services firms coming at the bottom of the inaugural Markit US Sector PMI.

— Consumer discretionary firms reported a fall in output in the January US Sector PMI survey
— Short interest in consumer discretionary firms is up by 60% over the last year
— Retailers top the list of sector's most shorted, with Discovery and Wynn also targeted

Consumer spending represented two thirds of US GDP as of latest count and with other sectors of the economy coming unstuck by global volatility, market watchers have increasingly looked to US consumers to pick up the growth slack. But this faith in US consumers is looking increasingly misplaced, as overall consumer spending over the crucial December holiday shopping window was flat on the previous month.

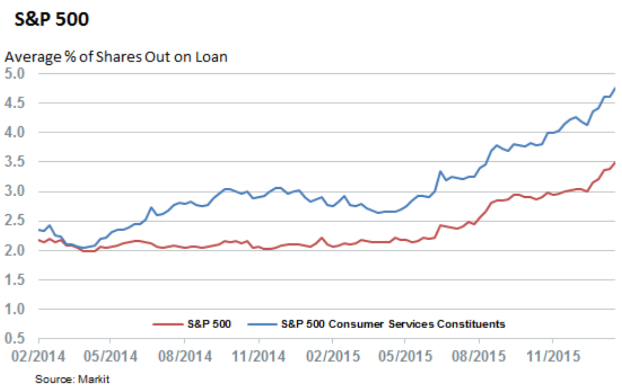
The new year has brought a further wave of negative indicators regarding the health of US consumers. Consumer services firms came in at the bottom of the pile of the newly released Markit Economics US Sector PMI. These firms had previously led all sectors in terms of output growth over last year, but momentum has faltered over the last two months and firms reported a slowdown in output over January for the first time in over two years.

In fact the consumer services sector was the only sector to see a slowdown in output over the month; putting it even behind even basic materials firms, which have been the vanguard of the recent market slowdown.



Investors shifting positions

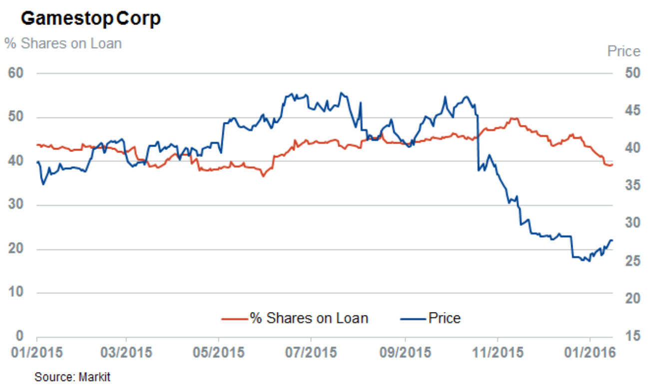
The recent weakness looks to have been seized upon by short sellers as demand to borrow consumer services' shares has increased to new highs in recent weeks. The current average demand to borrow shares in the sector has crossed the 4.5%, making it the third most shorted sector behind oil & gas and basic materials firms.



Retailers, which stand to feel the brunt of the anaemic consumer spending, have been the most targeted by short sellers as the industry makes up six of the ten most shorted S&P 500 retail constituents.

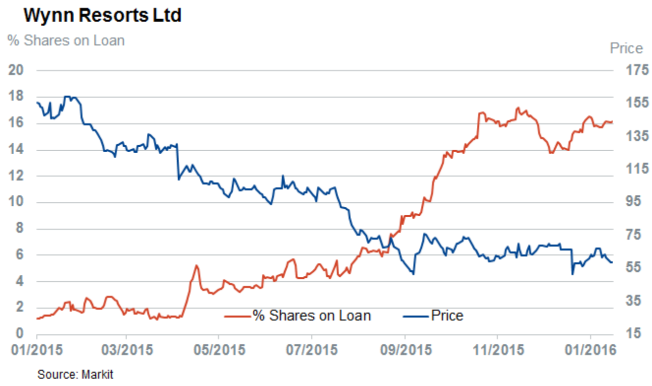
Name	Ticker	% of shares out on loan on	YTD % Change
Gamestop Corp	GME	39.2	-12%
Discovery Communications Inc	DISCA	21.2	15%
Carmax Inc	KMX	20.6	54%
Nordstrom Inc	JWN	17.6	34%
Wynn Resorts Ltd	WYNN	16.2	14%
Marriott International Inc	MAR	14.1	48%
Gap Inc	GPS	11.9	5%
Bed Bath & Beyond Inc	BBBY	11.3	-5%
Kohls Corp	KSS	11.3	-27%
Chipotle Mexican Grill Inc	CMG	10.7	64%

Video game retailer Gamestop comes in as the most shorted of the lot with 40% of the firm's shares now on loan as its stocks hit new multi-year lows after its earnings came in below analyst estimates.



Other retailers favoured by short sellers are Carmax, Nordstrom and Gap, all of whom see more than 12% of their shares now out on loan.

Outside of retailers, short sellers have been loading up on Discovery Communication and casino operator Wynn Resort. The latter of the two has seen short sellers circle as its shares tumbled by over 80% from their highs in 2014.



Simon Colvin

Analyst

Markit

Tel: +44 207 264 7614

Email: simon.colvin@markit.com

For further information, please visit www.markit.com