

Most shorted ahead of earnings

A review of how short sellers are positioning themselves ahead of earnings announcements in the coming week.

- Restoration Hardware leads the seven heavily shorted retailers announcing earnings this week
- UK asset managers Ashmore Group and Hargreaves Lansdown see heavy short interest leading up to earnings
- Biometric software firm Morpho has 10.7% of its shares shorted

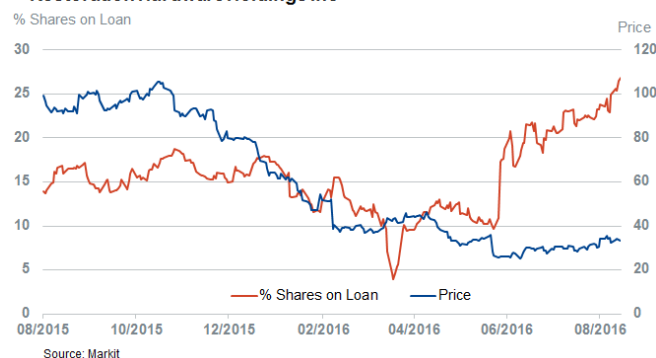
North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Restoration Hardware Holdings Inc	Retailing	RH	9/8/2016	26.6	21%
Transcontinental Inc	Commercial & Professional Services	TCL.A	9/8/2016	18.4	4%
Zumiez Inc	Retailing	ZUMZ	9/8/2016	17.9	-18%
Layne Christensen Co	Capital Goods	LAYN	9/6/2016	17.1	5%
Conn'S Inc	Retailing	CONN	9/8/2016	11.5	-13%
Fuelcell Energy Inc	Capital Goods	FCEL	9/7/2016	11.4	-1%
Power Solutions International Inc	Capital Goods	PSIX	9/9/2016	11.0	-4%
Tailored Brands Inc	Retailing	TLRD	9/7/2016	8.8	31%
Eros International Plc	Media	EROS	9/9/2016	8.8	-5%
Healthequity Inc	Health Care Equipment & Services	HQY	9/6/2016	7.6	-11%
Hudson'S Bay Co	Retailing	HBC	9/6/2016	7.4	-10%
Navistar International Corp	Capital Goods	NAV	9/8/2016	7.2	-23%
Analogic Corp	Health Care Equipment & Services	ALOG	9/8/2016	6.9	-7%
Homanian Enterprises Inc	Consumer Durables & Apparel	HOV	9/9/2016	6.5	-9%
Lumenpulse Inc	Capital Goods	LMP	9/8/2016	6.2	0%
Dave & Buster'S Entertainment Inc	Consumer Services	PLAY	9/6/2016	5.5	6%
Limoneira Co	Food Beverage & Tobacco	LMNR	9/8/2016	5.4	-7%
Duluth Holdings Inc	Retailing	DLTH	9/8/2016	5.3	30%
Mattress Firm Holding Corp	Retailing	MFRM	9/6/2016	5.0	-60%

Retailers are a key focus of North American short sellers this week despite the shortened trading week with seven of the 19 short targets coming from the sector.

The key target this week is Restoration Hardware which has over a quarter of its shares shorted. The firm reported an unexpected loss in its first quarter earnings on below consensus revenues which sent its shares down by more than a fifth. Short sellers are betting for a further disappointing set of earnings this time around as demand to borrow Restoration Hardware shares has increased by over 20% in the last month despite the fact that they have recovered most of the ground lost in the wake of last quarter's disappointing earnings.

Restoration Hardware Holdings Inc

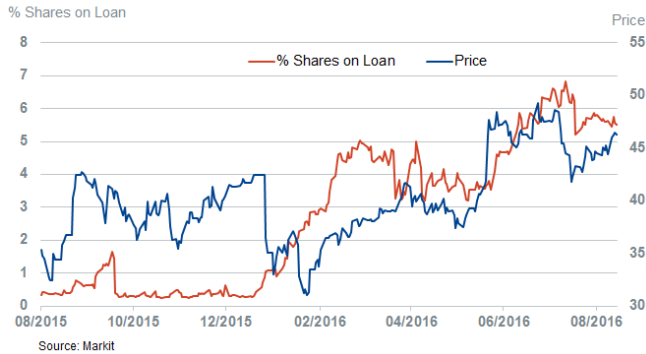


The other retailers announcing earnings this week include Tailored Brands, Saks owner Hudson's Bay and Mattress Firm Holdings. The latter of the three's short interest has more than halved in the last month after South African group Steinhoff International announced its desire to acquire the company.

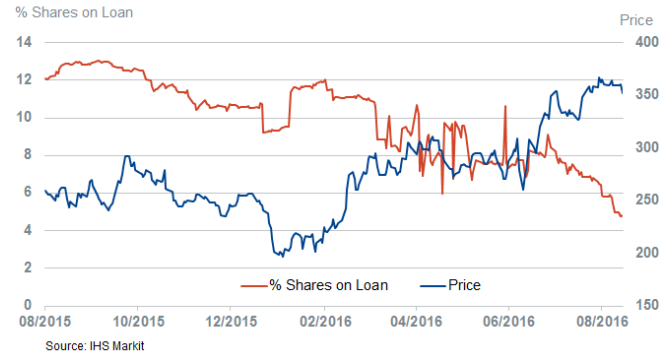
Arcade and casual dining operation Dave & Busters, the largest non-retail short target in this week's list by value, is exposed to the same forced driving short sellers to retailers due to its large exposure to consumer spending. Its short interest has increased by over 20 fold since the start of the year to the current 6% of shares outstanding.

Markit Equities Commentary

Dave & Buster'S Entertainment Inc



Ashmore Group Plc

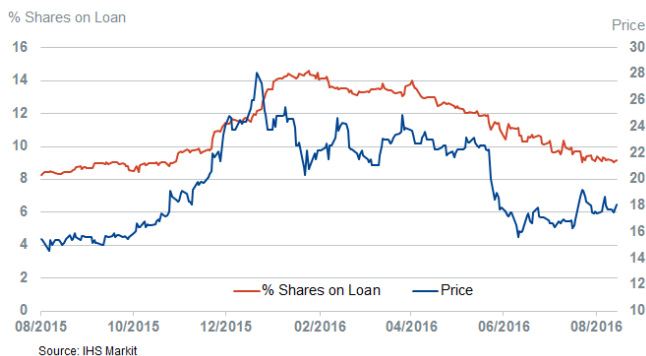


Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Sas Ab	Transportation	SAS	9/8/2016	9.2	-5%
Enquest Plc	Energy	ENQ	9/8/2016	7.5	27%
Santhera Pharmaceuticals Holding	Pharmaceuticals, Biotechnology & Life	SANN	9/6/2016	7.4	11%
Bkw Ag	Utilities	BKW	9/6/2016	6.1	-3%
J D Wetherspoon Plc	Consumer Services	JDW	9/9/2016	6.0	-17%
Zumtobel Group Ag	Capital Goods	ZAG	9/6/2016	5.3	-16%
Oci Nv	Materials	OCI	9/6/2016	5.3	16%
Ashmore Group Plc	Diversified Financials	ASHM	9/5/2016	4.7	-32%
Hargreaves Lansdown Plc	Diversified Financials	HL	9/7/2016	4.7	-11%
Redrow Plc	Consumer Durables & Apparel	RDW	9/6/2016	4.6	-4%
Bourbon Sa	Energy	GBB	9/8/2016	3.6	-2%
Hunting Plc	Energy	HTG	9/5/2016	3.5	-24%
Aroundtown Property Holdings Plc	Real Estate	ALATP	9/6/2016	3.2	1%

The main European short target announcing earnings this week is Scandinavian airline Sas which has 9.2% of its shares out on loan. The firm has been locked in a heated battle with regional upstart Norwegian Air Shuttle which has spurred heavy shorting activity in both firms. Short sellers have been less active in SAS shares since it announced underwhelming results back in June which sent its shares down sharply.

Sas Ab



UK asset managers are another key short trade this week with Ashmore and Hargreaves Lansdown both making the list of heavily shorted firms announcing earnings.

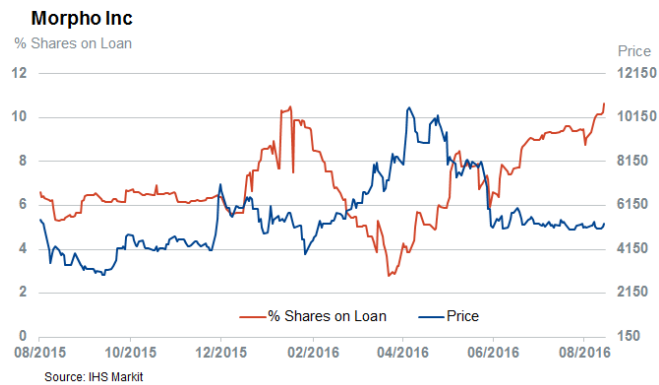
The former of the two has experienced sustained short covering as investors regain their faith in emerging markets especially as UK gilt yields have sunk to new all-time lows in the weeks since the EU referendum.

Energy exploration firm Enquest comes on the other side of the short selling momentum scale as short sellers have increased their positions by over a quarter in the four weeks leading up to its earnings announcement on Thursday.

Apac

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Morpho Inc	Software & Services	3653	9/9/2016	10.7	12%
Karoon Gas Australia Ltd	Energy	KAR	9/8/2016	6.3	-2%
Ateam Inc	Software & Services	3662	9/9/2016	5.9	-10%
Pigeon Corp	Household & Personal Products	7956	9/5/2016	4.5	-5%
3-D Matrix Ltd	Pharmaceuticals, Biotechnology & Life	7777	9/7/2016	4.4	2%
Asukanet Co Ltd	Commercial & Professional Services	2438	9/8/2016	4.1	12%
Kumiai Chemical Industry Co Ltd	Materials	4996	9/9/2016	3.9	-1%
Highfield Resources Ltd	Materials	HFR	9/7/2016	3.4	-18%
Igg Inc	Software & Services	799	9/5/2016	3.1	3%

Japanese image processing and biometrics firm Morpho is the most shorted Asian company announcing earnings this week with 10.7% of its shares out on loan. Its shares are down by more than 50% from the highs set back in April and short sellers have been steadily adding to their positions after covering during a rally in Morpho's share price in the opening four months of the year.



Software firms make several of this week's key short targets in Asia as games developers Ateam and IGG also make the list of heavily shorted names leading up to earnings.

The largest rise in short interest leading up to earnings is seen in publishing company Asukanet whose short interest has climbed by 12% in the last month. Asukanet's has been trying to diversify away from its core funeral and personal photography business into the aerial photography space, but short sellers are yet to be convinced given the recent rise in demand to short the firm's shares which are trading at less than a quarter of the recent highs set back in 2014.

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