

Most shorted ahead of earnings

Monday, May 8th 2017

We reveal how short sellers are positioning themselves in companies announcing earnings in the coming week

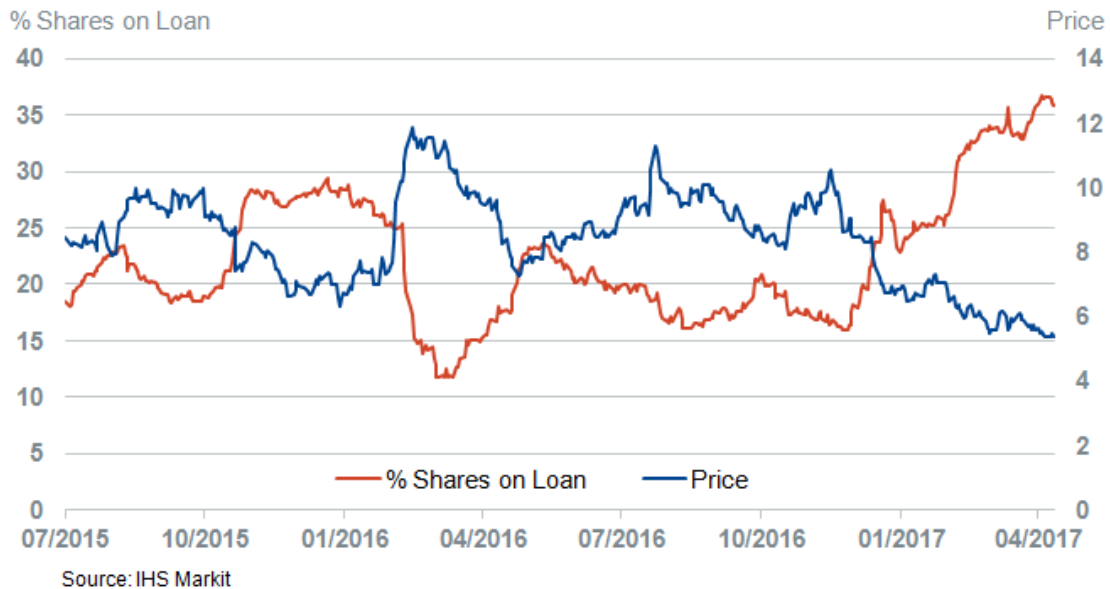
- JC Penney most shorted company announcing earnings
- Spanish grocer DIA sees short interest climb to a new all-time high
- Japanese biotech firms Sosei and Peptidream see surge in short interest in last month

North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
J C Penney Company Inc	Multiline Retail	JCP	5/12/2017	36.0	8%
Lgi Homes Inc	Household Durables	LGIH	5/9/2017	33.2	3%
Axon Enterprise Inc	Aerospace & Defense	AAXN	5/9/2017	29.3	163%
Quebecor Inc	Media	QBR.B	5/11/2017	28.5	3%
Sturm Ruger & Company Inc	Leisure Products	RGR	5/8/2017	28.4	-14%
Home Capital Group Inc	Thriffs & Mortgage Finance	HCG	5/11/2017	27.0	-25%
Ligand Pharmaceuticals Inc	Biotechnology	LGND	5/9/2017	26.2	-4%
Discovery Communications Inc	Media	DISCA	5/9/2017	22.3	3%
Atwood Oceanics Inc	Energy Equipment & Services	ATW	5/8/2017	22.0	14%
Eagle Pharmaceuticals Inc	Biotechnology	EGRX	5/8/2017	21.4	-5%
Boardwalk Real Estate Investment Equity Real Estate Investment Trusts (BEI.UN		5/11/2017	21.1	-1%
Pandora Media Inc	Internet Software & Services	P	5/8/2017	20.9	-7%
Amicus Therapeutics Inc	Biotechnology	FOLD	5/9/2017	20.7	2%
Badger Daylighting Ltd	Construction & Engineering	BAD	5/10/2017	20.6	12%
Cargojet Inc	Air Freight & Logistics	CJT	5/12/2017	20.3	1%

The most shorted company announcing earnings this week is JC Penney which hails from the retail sector which has by far and away proved to be the most prolific patch for bears so far this year. The retailer started the year on the back foot when it announced a larger than expected fall in same store sales in its fourth quarter earnings update which prompted it to announce a large wave of store closings. The market seems skeptical of the company's ability to turn its fortunes around as Penney shares have lost over a third of their value year to date. Short sellers seem to confer with the overall market mood as demand to borrow the firm's shares has nearly doubled over the same time to the current 36% of shares outstanding, the highest such figure in over three years.

J C Penney Company Inc



Biotech continue to feature prominently on short seller's minds and this week sees short sellers bracing for disappointing earnings from Ligand Pharmaceuticals, Eagle Pharmaceuticals and Amicus Therapeutics which all have more than a fifth of their shares out on loan.

The firm seeing the largest rise in shorting activity in the lead-up to earnings is newly rebranded Taser which now trades under the name Axon, the name the firm has given to its line of evidence gathering body cameras. These cameras play a growing, yet still unprofitable, part of the company's revenue mix as it tries to diversify away from the non-lethal stun gun that has made the company a household name. Short sellers seem skeptical of the company's recent moves however as demand to borrow Axon's shares has more than doubled in the last month to 30% of shares outstanding, the highest level in nearly two years.

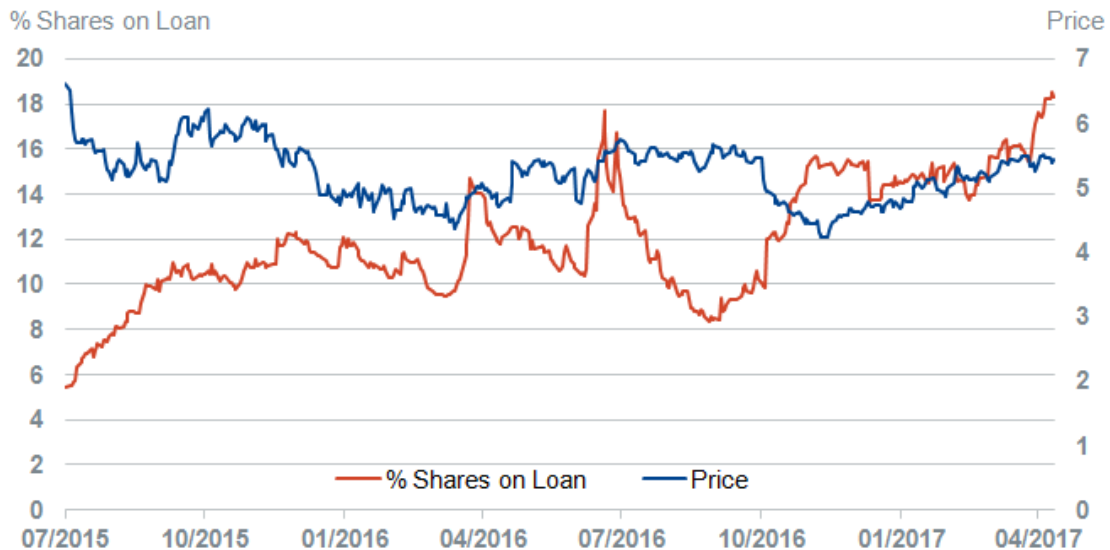
Shorts have also been busy shorting lethal weapons manufacturers over recent months as well as Sturm Ruger has more than a quarter of its shares out on loan. Short sellers targeted the company in anticipation of slowing gun sales after the Republicans swept to power back in November. Gun sales have remained buoyant according to recent background check [volumes](#), however Sturm Ruger shares, which slid heavily following the election, have gone on to regain most of their lost ground. This has caused short seller to rethink their Sturm Ruger short as demand to borrow the company's shares has slid significantly in recent weeks.

Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Distribuidora Internacional De Alim	Food & Staples Retailing	DIA	5/11/2017	18.2	13%
K&S Ag	Chemicals	SDF	5/9/2017	16.4	0%
Aurelius Equity Opportunities Se	Capital Markets	AR4	5/11/2017	15.1	34%
Drillisch Ag	Wireless Telecommunication Services	DRI	5/11/2017	10.8	-4%
Ablynx Nv	Biotechnology	ABLX	5/11/2017	10.2	3%
Banca Piccolo Credito Valtellinese	Banks	CVAL	5/9/2017	10.0	18%
Nordex Se	Electrical Equipment	NDX1	5/11/2017	9.7	-16%
Maire Tecnimont Spa	Construction & Engineering	MT	5/10/2017	9.5	12%
Marine Harvest Asa	Food Products	MHG	5/10/2017	9.0	20%
Petroleum Geo Services Asa	Energy Equipment & Services	PGS	5/11/2017	8.9	22%
Obrascon Huarte Lain Sa	Construction & Engineering	OHL	5/11/2017	8.5	21%
Aperam Sa	Metals & Mining	APAM	5/10/2017	8.4	4%
Unione Di Banche Italiane Spa	Banks	UBI	5/10/2017	8.3	16%
Cancom Se	IT Services	COK	5/11/2017	8.1	-5%

The big European short target to announce earnings this week is Spanish retailer Distribuidora Internacional de Alimentacion which has 18.2% of its shares out on loan. The retailer's sales have consistently missed analyst expectations in each of its recent trading updates. Short sellers are positioning for another earnings disappointment as the current demand to borrow the firm's shares stands at the highest level in over three years.

Distribuidora Internacional De Alimentacion Sa



Source: IHS Markit

Short sellers are also lining up for another bear raid on Norwegian geophysical survey firm Petroleum Geo Services (PGS) which has seen the demand to borrow its shares surge by 22% in the last month to 9% of shares outstanding. While PGS's short interest is still way off the levels seen last year when short sellers borrowed over 23% of the company's shares outstanding the recent surge shows could indicate that short sellers are positioning for another round of capital expenditure cuts from oil firms in response to the recent slide in oil prices.

Peripheral banks continue to heavy demand to borrow as Banca Piccolo Credito Valtellinese Spa and Unione Di Banche Italiane Spa have both seen their short interest climb by over 15% in the month leading-up to earnings.

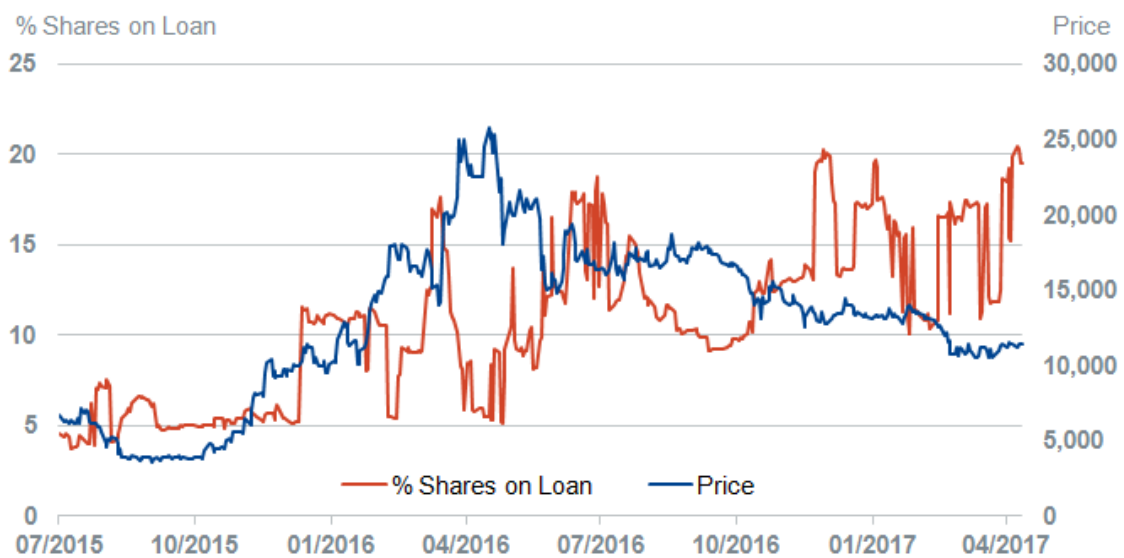
Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Sosei Group Corp	Pharmaceuticals	4565	5/12/2017	19.5	74%
Edion Corp	Specialty Retail	2730	5/9/2017	16.6	1%
Japan Display Inc	Electronic Equipment, Instruments & C	6740	5/10/2017	15.9	7%
Jig-Saw Inc	Internet Software & Services	3914	5/10/2017	15.0	4%
Colopl Inc	Software	3668	5/10/2017	11.4	7%
Takara Leben Co Ltd	Real Estate Management & Developm	8897	5/9/2017	11.4	6%
Nissha Printing Co Ltd	Electronic Equipment, Instruments & C	7915	5/12/2017	11.4	-19%
Marvelous Inc	Software	7844	5/11/2017	11.3	0%
W-Scope Corp	Chemicals	6619	5/11/2017	11.2	-9%
Peptidream Inc	Biotechnology	4587	5/12/2017	11.0	14%
Yamada Denki Co Ltd	Specialty Retail	9831	5/10/2017	10.7	3%
Akatsuki Inc	Software	3932	5/11/2017	10.1	4%
Calbee Inc	Food Products	2229	5/12/2017	10.1	-1%

Japanese firms make up the entirety of the 13 Asian firms which have more than 10% of their shares shorted ahead of earnings announcements this week.

The high conviction short for this week is pharmaceutical firm Sosei as short sellers have increased their borrow in the firm's shares by 74% in the last month to 19.5% of shares outstanding. Short sellers started to target the firm in earnest last year when the firm announced an unexpected loss. Demand to borrow the firm's shares has continued to climb in earnest after they lost over half their value from the highs posted last year.

Sosei Group Corp



Source: IHS Markit

Fellow high flying biotech firm Peptidream also joins Sosei on the list of heavily shorted stocks, with an all-time high 11% of its shares are out on loan.

Contacts:**Simon Colvin**

Analyst

+44 20 7260 7614

Simon.colvin@ihsmarkit.com

For further information, please visit www.ihsmarkit.co

Disclaimer

The intellectual property rights to this report provided herein is owned by Markit Group limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omission or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.

This report does not constitute nor shall it be construed as an offer by Markit to buy or sell any particular security, financial instrument or financial service. The analysis provided in this report is of a general and impersonal nature. This report shall not be construed as providing investment advice that is adapted to or appropriate for any particular investment strategy or portfolio. This report does not and shall not be construed as providing any recommendations as to whether it is appropriate for any person or entity to "buy", "sell" or "hold" a particular investment.