

Most shorted ahead of earnings

We review how short sellers are reacting to the companies due to announce earnings in the week to come.

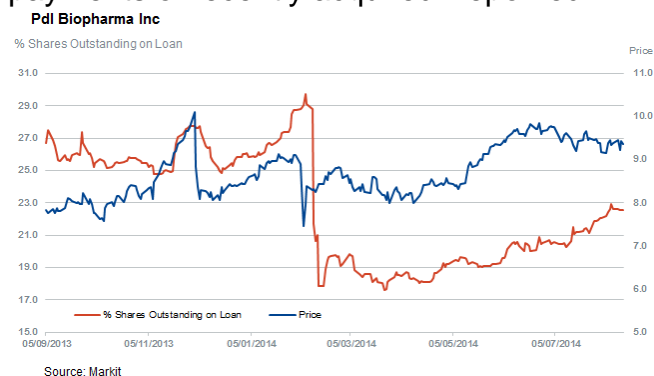
- Retailers dominate the list of the most shorted companies in the US
- UK listed Quindell sees record high short interest ahead of earnings
- Australian firms dominate the list of most shorted Asian companies announcing earnings

North America

The second quarter earnings season continues in earnest this week with over 1,200 firms announcing results in the coming five days. On the heavily shorted side, there are 20 firms seeing more than 9% of their shares out on loan.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
PdI Biopharma Inc	Biotechnology	PDLI	8/18/2014	22.5	6%
Gamestop Corp	Specialty Retail	GME	8/21/2014	21.8	-5%
Accuray Inc	Health Care Equipment & Supplies	ARAY	8/21/2014	21.1	3%
Bon-Ton Stores Inc	Multiline Retail	BONT	8/21/2014	21.0	27%
Fresh Market Inc	Food & Staples Retailing	TFM	8/21/2014	20.7	-5%
Aeropostale Inc	Specialty Retail	ARO	8/21/2014	19.4	-10%
Hibbett Sports Inc	Specialty Retail	HIBB	8/22/2014	18.1	-2%
Jinkosolar Hldg ADR Rep 4 Ord	Semiconductors & Semiconductor Eq	JKS	8/18/2014	14.2	11%
Buckle Inc	Specialty Retail	BKE	8/21/2014	13.7	0%
Ja Solar Holdings ADR Rep 5 Ord	Semiconductors & Semiconductor Eq	JASO	8/20/2014	13.6	10%
Childrens Place Inc	Specialty Retail	PLCE	8/21/2014	13.4	-10%
American Eagle Outfitters Inc	Specialty Retail	AEO	8/20/2014	12.4	-11%
Caci International Inc	IT Services	CACI	8/20/2014	11.3	-25%
America'S Car-Mart Inc	Specialty Retail	CRMT	8/20/2014	11.1	8%
Staples Inc	Specialty Retail	SPLS	8/20/2014	11.1	-2%
Tuesday Morning Corp	Multiline Retail	TUES	8/21/2014	10.2	26%
Stage Stores Inc	Specialty Retail	SSI	8/21/2014	10.2	20%
Sears Holdings Corp	Multiline Retail	SHLD	8/21/2014	10.1	-1%
Real Goods Solar Inc	Electrical Equipment	RGSE	8/19/2014	9.6	-3%
Renesola ADR Repstg Two Ord	Semiconductors & Semiconductor Eq	SOL	8/19/2014	9.0	-4%

The most shorted company announcing results next week is PDL Biopharma which has 22.5% of shares out on loan. The firm has had to delay its earnings as it is trying to get clarification on how to account for royalty payments of recently acquired Depomed.



This comes at a time when short sellers have been taking a renewed interest in the company with short interest up by a quarter from the recent lows in March.

Also shorted in the health space is oncology firm, Accuray which comes in as the third most shorted firm. Accuray is not expected to turn a profit in the near future and has seen a pickup in short selling in the weeks leading up to its results announcement.

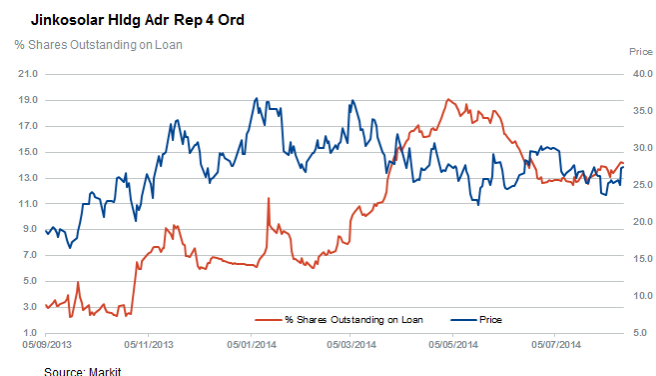
While biopharma firms make up two of the three most shorted names, retailers make up over two thirds of the most shorted companies announcing results next week and ahead of the crucial back to school shopping season.

The other firms seeing sustained short selling ahead of earnings are solar firms, with three Chinese based ADRs and one US firm making the most shorted list.

While the recent solar news out of China has been positive with the country recently overtaking the US in terms of install base, shorts continue to stay active in these names, particularly given the fact that energy prices seem to be on a downward slope.

Leading the pack as the most shorted firms are Jinkosolar and Ja Solar which both see more than 13% of shares out on loan ahead of earnings.

Markit Equities Research

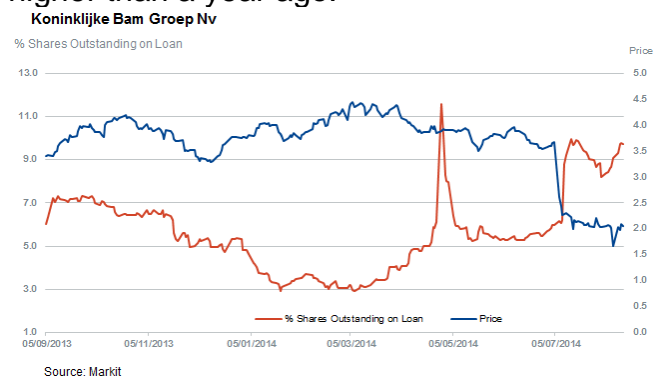


Europe

Europe sees relatively low earnings activity and as such only 10 firms see heavy demand to borrow in the lead up to results.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Koninklijke Bam Groep Nv	Construction & Engineering	BAMNB	8/21/2014	9.7	-1%
Koninklijke Vopak Nv	Oil, Gas & Consumable Fuels	VPK	8/20/2014	8.8	2%
Quindell Plc	IT Services	QPP	8/21/2014	7.8	0%
Evolva Holding Sa	Pharmaceuticals	EVE	8/22/2014	7.0	48%
Medvir Ab	Biotechnology	MVIR B	8/21/2014	4.3	134%
Nobel Biocare Holding Ag	Health Care Equipment & Supplies	NOBN	8/21/2014	3.8	-19%
New World Resources Plc	Metals & Mining	NWR	8/21/2014	3.8	-7%
Heijmans Nv	Construction & Engineering	HEJUM	8/20/2014	3.5	-8%
Lenzing Ag	Chemicals	LNZ	8/21/2014	3.3	4%
Mekonomen Ab	Specialty Retail	MEKO	8/21/2014	3.1	36%

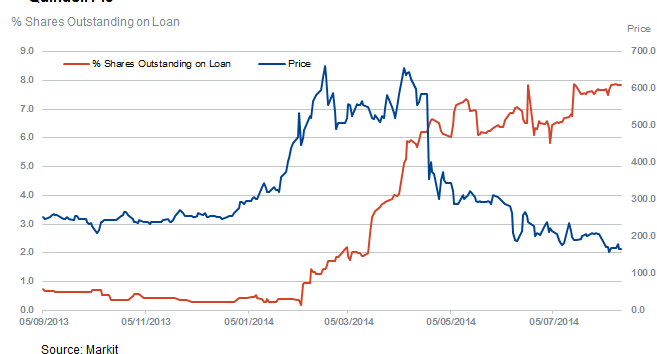
Topping the list as the most shorted firm ahead of results in the region is Koninklijke Bam which has just under 10% of its shares out on loan. The firm has seen its shares dive over the last few weeks after it announced the loss of a UK tender and weakness in German infrastructure spending. This news has seen shorts pile into the firm as current demand borrow is over four times higher than a year ago.



Another firm making the most shorted list is Heijman which has 3.5% of shares out on loan.

In the UK, IT services firm, Quindell is the most shorted firm with 7.8% of its shares out on loan. The demand to borrow shares of the firm climbed to record highs in recent weeks after rumours of possible trouble with the firm's partnership with the RAC was in trouble.

Quindell Plc



The other UK firm to see significant demand to borrow is New World Resources which has 3.7% of its shares out on loan. Short sellers have been closing out their positions in the silver miner, however, as the firm has seen its shares fall by over three quarters over the last year.

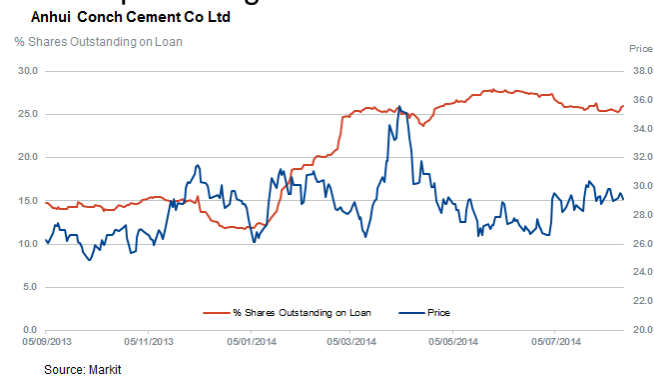
Asia

Asia also sees plenty of earnings activity with 17 firms seeing more than 5% of shares out on loan ahead of earnings.

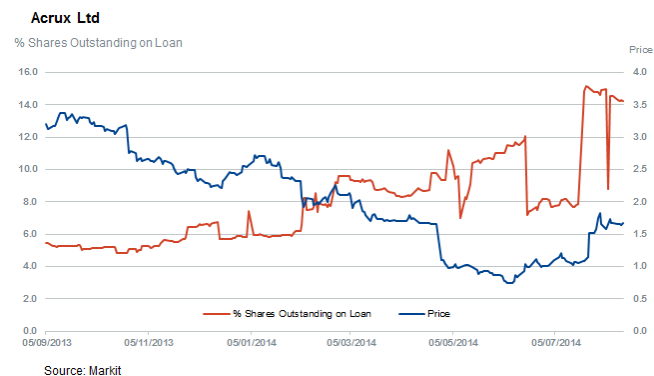
Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Anhui Conch Cement Co Ltd	Construction Materials	914	8/21/2014	7.2	1%
Acrux Ltd	Pharmaceuticals	ACR	8/21/2014	14.3	81%
Monadelphous Group Ltd	Construction & Engineering	MND	8/19/2014	14.0	-1%
Reckitt Benckiser Ltd	Multiline Retail	TRS	8/21/2014	11.5	-3%
Cabcharge Australia Ltd	Commercial Services & Supplies	CAB	8/21/2014	10.3	20%
Iluka Resources Ltd	Metals & Mining	ILU	8/22/2014	10.1	4%
loof Holdings Ltd	Capital Markets	IFL	8/22/2014	9.7	45%
Kingsoft Corp Ltd	Software	3888	8/19/2014	8.6	10%
Fortescue Metals Group Ltd	Metals & Mining	FMG	8/20/2014	7.9	8%
China Yurun Food Group Ltd	Food Products	1068	8/22/2014	7.5	4%
Great Wall Motor Co Ltd	Automobiles	2333	8/22/2014	6.8	35%
Nextdc Ltd	Diversified Telecommunication Services	NXT	8/20/2014	6.4	-1%
Invacare Ltd	Diversified Consumer Services	IVC	8/19/2014	5.5	20%
Gwa Group Ltd	Building Products	GWA	8/19/2014	5.5	-2%
Cardno Ltd	Construction & Engineering	CDD	8/19/2014	5.5	9%
Sound Global Ltd	Construction & Engineering	967	8/20/2014	5.2	3%
Southern Cross Media Group Ltd	Media	SXL	8/20/2014	5.1	22%

Hong Kong listed Anhui Conch Cement comes in as the most shorted Asian firm with over a quarter of its shares out on loan.

The possibility of a Chinese hard landing has drawn shorts to the name over the last six month, but its share price has been pretty resilient in the face of improving Markit PMI numbers. Shorts seem undeterred however, as short interest has stayed over 25% despite several price surges.



Australian firms make up the majority of heavily shorted names, with pharma firm Acrux which has 14% of its shares out on loan. Acrux has seen a surge in demand to borrow despite a US licensee having reported positive results in its testosterone therapy division.



The country's mining industry continues to prove popular for shorts with both primary producers such as Iluka Resources and Fortescue Metals and support firms such as Monadelphous making the most shorted list.

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