

Most shorted ahead of earnings

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

- Arc Group is the most shorted company after surging eight fold in the last year
- Abc Arbitrage in France is the only European firm with any significant short interest reporting next week
- Materials firms make up two of the four most shorted companies in Asia

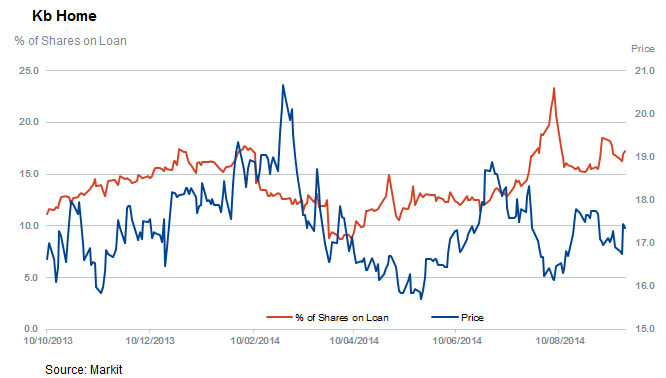
North America

The second quarter earnings season continues to wind down next week with 192 companies announcing results across North America. Of these, there are 17 companies announcing earnings with more than 3% of their shares out on loan.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Arc Group World Wide Inc	Capital Goods	ARCWD	9/25/2014	21.1	-15%
Kb Home	Consumer Durables & Apparel	KBH	9/24/2014	17.2	12%
Bed Bath & Beyond Inc	Retailing	BBBY	9/23/2014	12.2	-6%
Agf Management Ltd	Diversified Financials	AGF.B	9/24/2014	11.1	-8%
S&W Seed Co	Food Beverage & Tobacco	SANW	9/23/2014	10.3	34%
Carmax Inc	Retailing	KMX	9/23/2014	9.1	2%
Blackberry Ltd	Technology Hardware & Equipment	BB	9/26/2014	7.6	-2%
Scholastic Corp	Media	SCHL	9/25/2014	6.4	-5%
Finish Line Inc	Retailing	FINL	9/26/2014	5.7	14%
Dhx Media Ltd	Media	DHX	9/23/2014	5.4	10%
Neogen Corp	Health Care Equipment & Services	NEOG	9/22/2014	4.8	4%
Autozone Inc	Retailing	AZO	9/22/2014	4.2	0%
Aar Corp	Capital Goods	AIR	9/23/2014	3.9	-6%
Paramount Gold And Silver Corp	Materials	PZG	9/23/2014	3.7	6%
Oncosec Medical Inc	Health Care Equipment & Services	ONCS	9/26/2014	3.5	-6%
Paychex Inc	Software & Services	PAYX	9/24/2014	3.3	-4%
Hb Fuller Co	Materials	FUL	9/25/2014	3.2	10%

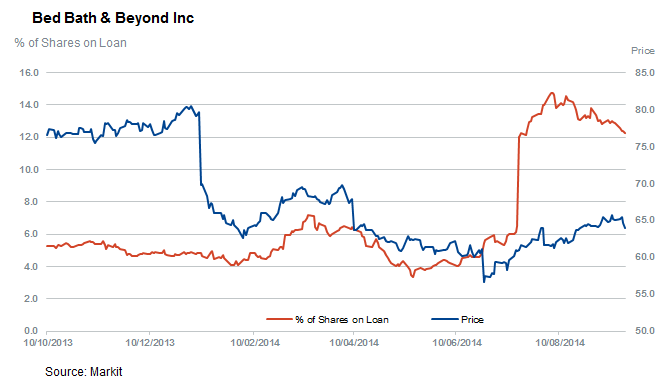
Arc Group World Wide is the most shorted company announcing results this week with 21% of its shares out on loan. This heavy demand to borrow comes after the firm, whose shares has been languishing in the \$2 mark for the last four years, saw it rise by ten fold after reinventing itself as a 3D printing and prototyping company. Shorts don't seem sold on the recent reinvention as short interest has surged in step with shares.

Second most shorted is homebuilder Kb Home which has seen demand to borrow jump by over 10% in the last four weeks. This looks to have been badly timed however as the firm's shares spiked in the last couple of days after fellow builder Lennar reported better than expected results which sent the sector up higher.



Sector wise, retailers continue to make popular shorts, though this week's crop of popular shorts don't look to have been profitable of late, as all four firms currently see their shares trade near annual highs.

The most shorted firm in the retail space announcing results this week is Bed Bath & Beyond which has 12.2% of its shares out on loan. It's worth noting that the firm's current shorting activity seems to be driven by its recent buyback announcement which the firm aim to fund by issuing new debt.



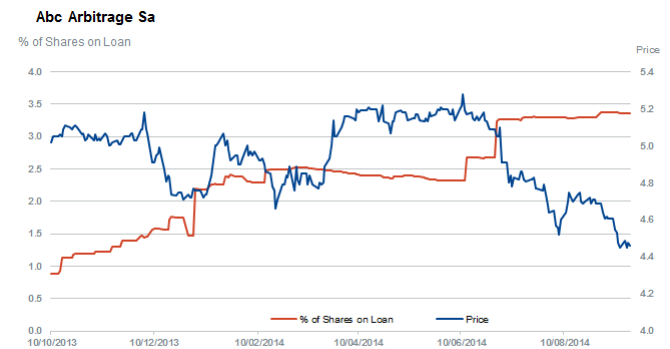
The other retailers seeing heavy short interest are car firms Autozone and Carmax and sports apparel retailer Finish Line.

In the tech space, Blackberry continues to see heavy short interest. Interestingly, the firm's shares have proven buoyant despite the fact that it hasn't had a profitable quarter in over a year.

Europe

Light earnings flow next week only has one company announcing results with more than 3% of shares out on loan. This honour goes to French trading and asset management firm **Abc Arbitrage** which has 3% of its shares out on loan. The smallcap share has seen short interest triple in the last year as its shares fell by over 10%.

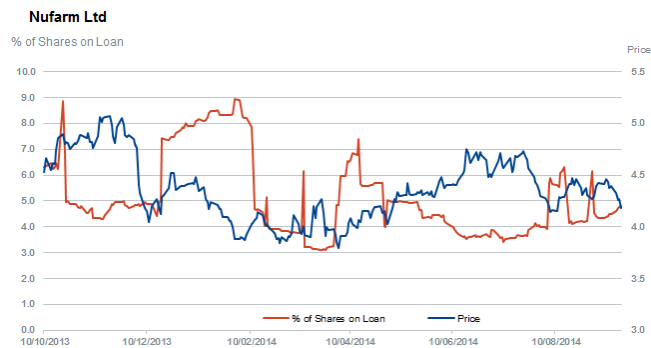
Topping this week's list is pesticide and seed firm **Nufarm Limited** which has just under 5% of its shares out on loan. Analysts are expecting the firm to post a lower year on year profit in the coming earnings despite a 5% rise in revenue.



Source: Markit

Also shorted in the space is Chinese paper firm **Nine Dragon Paper Holdings** which has 3.6% of shares out on loan.

Another interesting short target announcing result this week is Japanese Retailer **Asahi** which has 3.5% of shares out on loan. That number is three times higher than a year ago as short sellers zeroed in on Japanese retailers after recent price rises saw Japanese customers cut spending.



Source: Markit

Asia

Asia also sees relatively low earnings activity with five firms seeing more than 3% of shares out on loan ahead of earnings.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Nufarm Ltd	Materials	NUF	9/23/2014	4.8	15%
Zuiko Corp	Capital Goods	6279	9/24/2014	4.0	-4%
Nine Dragons Paper Holdings Ltd	Materials	2689	9/24/2014	3.6	-5%
Asahi Co Ltd	Retailing	3333	9/22/2014	3.5	4%

Materials continue to feature high amongst short seller's targets this week, with two of the four firms seeing heavy short interest ahead of imminent results coming from the sector.

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