

Most shorted ahead of earnings

Monday, March 20th 2017

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

- RH most sees persistently high short interest despite a recent rebound
- Meyer Burger continues to feature among the favorite short targets
- Aluminium Corporation of China is the most shorted Asian stock

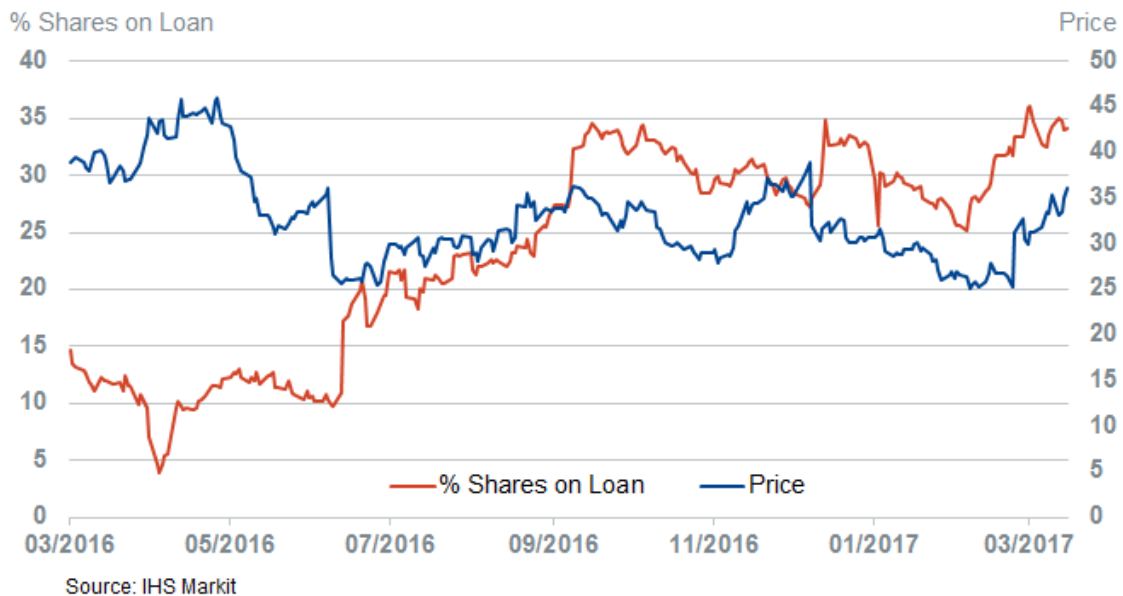
North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Rh	Specialty Retail	RH	3/20/2017	34.1	7%
Badger Daylighting Ltd	Construction & Engineering	BAD	3/20/2017	18.2	0%
G-iii Apparel Group Ltd	Textiles, Apparel & Luxury Goods	GIII	3/21/2017	17.2	-6%
Kb Home	Household Durables	KBH	3/23/2017	17.1	6%
Gamestop Corp	Specialty Retail	GME	3/23/2017	16.2	-8%
Five Below Inc	Specialty Retail	FIVE	3/22/2017	16.2	6%
Seabridge Gold Inc	Metals & Mining	SEA	3/24/2017	13.1	9%
Canadian Solar Inc	Semiconductors & Semiconductor Equ	CSIQ	3/21/2017	12.7	-8%
Premier Gold Mines Ltd	Metals & Mining	PG	3/24/2017	10.9	21%
Citizens Inc	Insurance	CIA	3/23/2017	9.8	15%
Global Eagle Entertainment Inc	Media	ENT	3/23/2017	9.7	32%
Lands End Inc	Internet & Direct Marketing Retail	LE	3/21/2017	9.7	-11%
Rex American Resources Corp	Oil, Gas & Consumable Fuels	REX	3/24/2017	8.6	3%

Short sellers continue to be highly active among retailers. This trend was recently highlighted in our [recent report](#) looking at bearish sentiment in the sector as well as retail focused REITs whose fortunes have also been impacted by customers shifting to online shopping.

Rh, which operates Restoration Hardware stores. is this week's high conviction short target as it has over a third of its shares are out on loan to short sellers. RH shares have rebounded in recent months however short sellers, who have zeroed in on RH since last summer, have been willing to double down as demand to borrow the firm's shares has climbed to the highest level in over three years. RH earnings updates have proved to be highly profitable for short sellers as three of the last four results announcements were followed by a 20% fall in price.

Rh

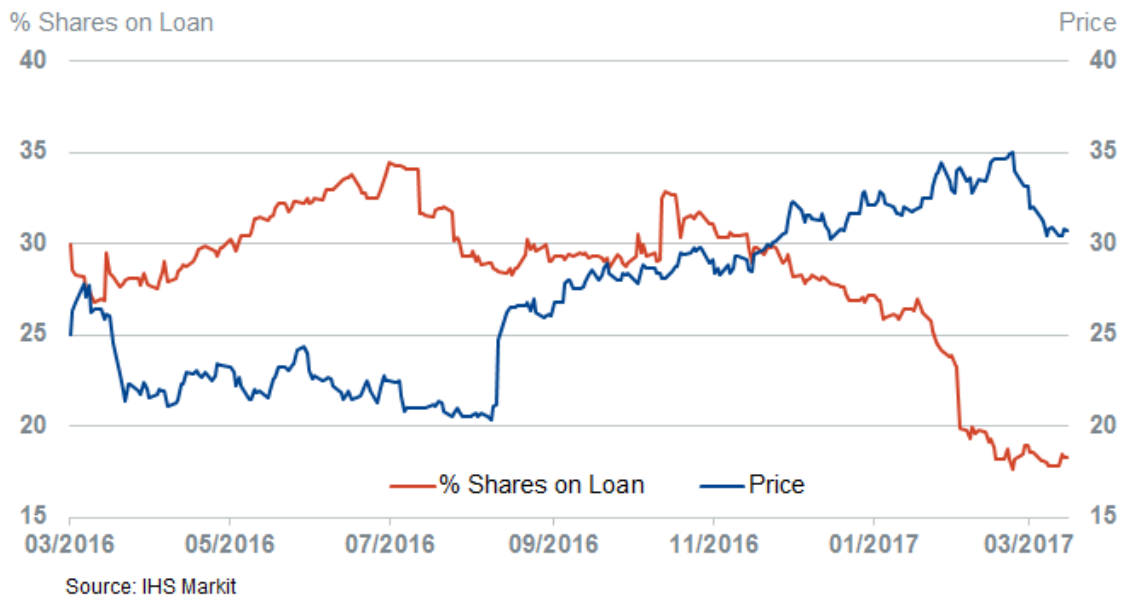


Other high conviction short plays in the retail sector this week are GameStop and Five Below which both have 16% of their shares out on loan to short sellers.

Not having a store presence doesn't necessarily guarantee a firm won't come under pressure from short sellers however Lands End, which draws most of its revenue from direct catalogue and online channels, also finds itself among this week's heavily shorted stocks. The company isn't totally unencumbered from physical retail however as it draws 15% of its sales from its retail distribution located in both standalone stores and in Sears locations. The company's current high short interest masks some brightening investor sentiment though, as its shorting activity has come down significantly in recent months.

Another firm seeing heavy short covering in recent months is Badger Daylighting, the second most shorted firm announcing earnings this week. Badger saw over a third of its shares out loan over last summer, but short sellers have since covered half their positions after the firm posted brighter earnings which sent its shares up sharply.

Badger Daylighting Ltd



Gold miners also feature prominently among the top short targets for the coming week as Seabridge Gold and Premier Gold mines make the list of heavily shorted firms ahead of earnings.

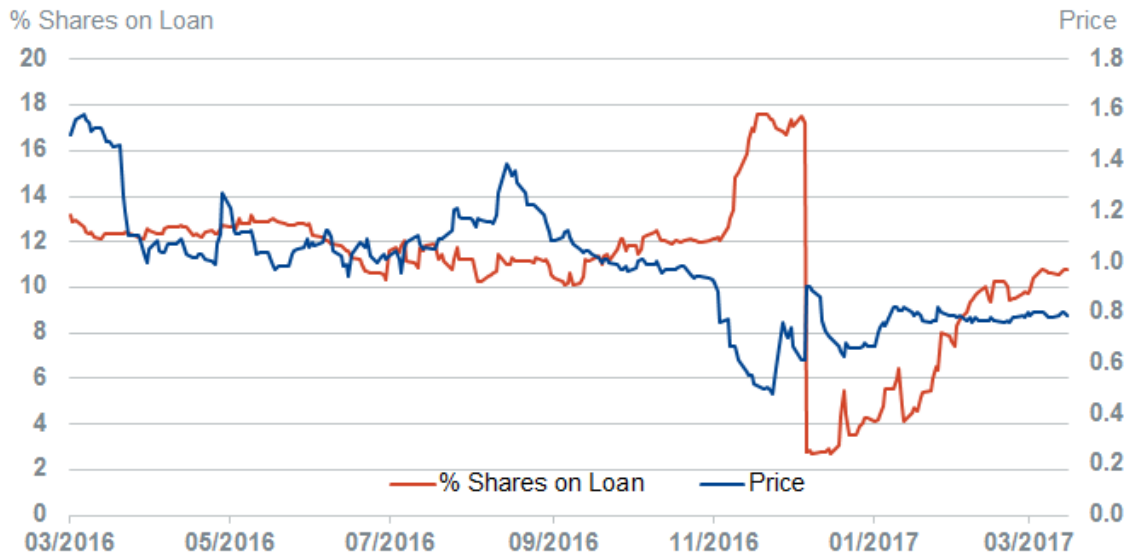
Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Drillisch Ag	Wireless Telecommunication Services	DRI	3/23/2017	11.5	0%
Meyer Burger Technology Ag	Semiconductors & Semiconductor Equ	MBTN	3/22/2017	10.8	5%
Hanstee Holdings Plc	Equity Real Estate Investment Trusts (HSTN	3/21/2017	8.6	-2%
Deutsche Wohnen Ag	Real Estate Management & Developm	DWNI	3/21/2017	6.2	-20%
Leoni Ag	Auto Components	LEO	3/23/2017	4.3	33%
Enquest Plc	Oil, Gas & Consumable Fuels	ENQ	3/21/2017	4.1	-6%
Ted Baker Plc	Textiles, Apparel & Luxury Goods	TED	3/23/2017	3.7	-6%
Next Plc	Multiline Retail	NXT	3/23/2017	3.6	17%
Salzgitter Ag	Metals & Mining	SZG	3/24/2017	3.4	9%
Adler Real Estate Ag	Real Estate Management & Developm	ADL	3/24/2017	3.4	-5%
Sgl Carbon Se	Electrical Equipment	SGL	3/21/2017	3.4	77%

Telecommunication firm Drillisch is the most shorted firm announcing earnings next week as it has over 11% of its shares out on loan. While high, the short interest unlikely to be driven by any directional players as the firm has several convertible bond issuances outstanding.

The same isn't the case for Meyer Burger, the solar cell manufacturing firm which lands as the second most shorted firm announcing earnings this week. Meyer Burger's persistently high short interest stems from the ongoing global glut of solar cells which has depressed prices and hampered investment in new capacity.

Meyer Burger Technology Ag



Source: IHS Markit

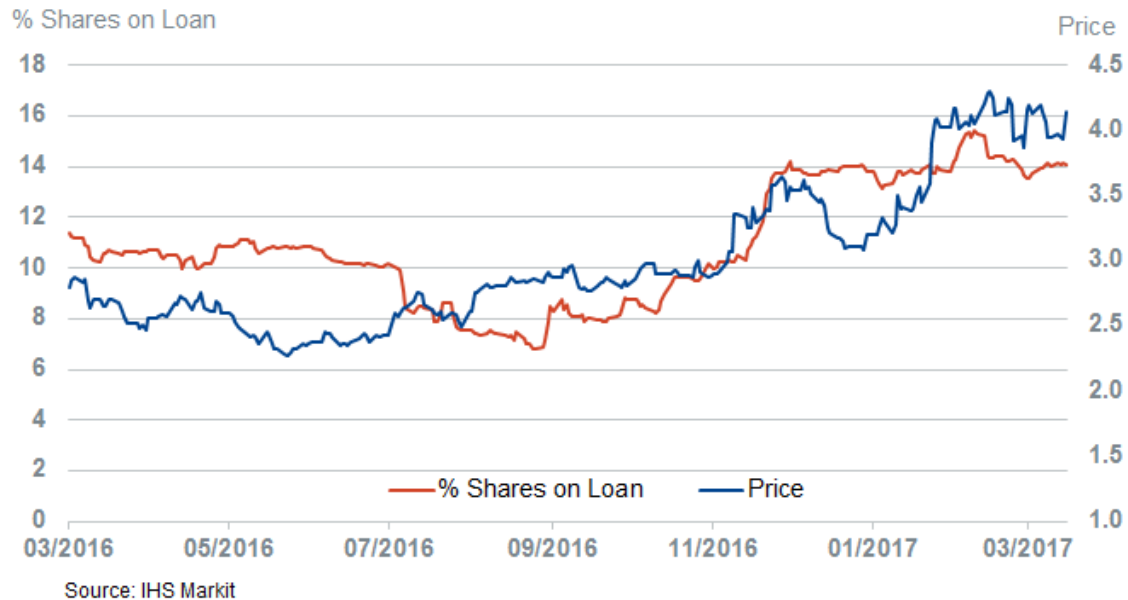
Fashion firms comprise the main UK short plays next week as Ted Baker and Next both make the list of heavily sorted firms ahead of earnings.

Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Aluminum Corp Of China Ltd	Metals & Mining	2600	3/23/2017	14.1	-2%
Syrah Resources Ltd	Metals & Mining	SYR	3/24/2017	13.6	27%
Anhui Conch Cement Co Ltd	Construction Materials	914	3/23/2017	13.5	0%
United Laboratories International H	Pharmaceuticals	3933	3/22/2017	9.7	-4%
Acer Inc	Technology Hardware, Storage & Perip	2353	3/24/2017	7.6	2%
Great Wall Motor Co Ltd	Automobiles	2333	3/24/2017	7.3	-3%
Motech Industries Inc	Semiconductors & Semiconductor Equ	6244	3/21/2017	5.7	-1%
Hannstar Display Corp	Electronic Equipment, Instruments & C	6116	3/23/2017	5.3	3%
Eo Technics Co Ltd	Semiconductors & Semiconductor Equ	039030	3/23/2017	5.1	41%

Aluminium Corporation of China is the most shorted firm announcing earnings in Asia this week as it has 14% of its shares on loan to short sellers. Short sellers have stood the course in Aluminium Corp despite a recent rebound in aluminium price, driven by improving global growth, which has seen nearly doubled the firm's shares from the lows set last year.

Aluminum Corp Of China Ltd



Shares in Australian mining firm Syrah, which is looking to Segway into the graphite market, is the second most shorted Asian company announcing earnings this week. Current short interest in the firm stands at an all-time high despite the fact that its shares have rebounded after losing over two thirds of their value from the all-time highs registered last June.

Computer manufacturer Acer is the most shorted tech mane announcing earnings this week as just under 8% of its shares are out on loan to short sellers. Acer has been a constant feature among the list of heavily shorted Asian stocks for much of the last few years although appetite to short the firm has fallen somewhat in recent weeks as evidenced by the fact that the demand to borrow its shares fell to a three year low over February.

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