

Most shorted ahead of earnings

Friday, November 18th 2016

A look at how short sellers are positioning themselves in companies announcing earnings in the coming week

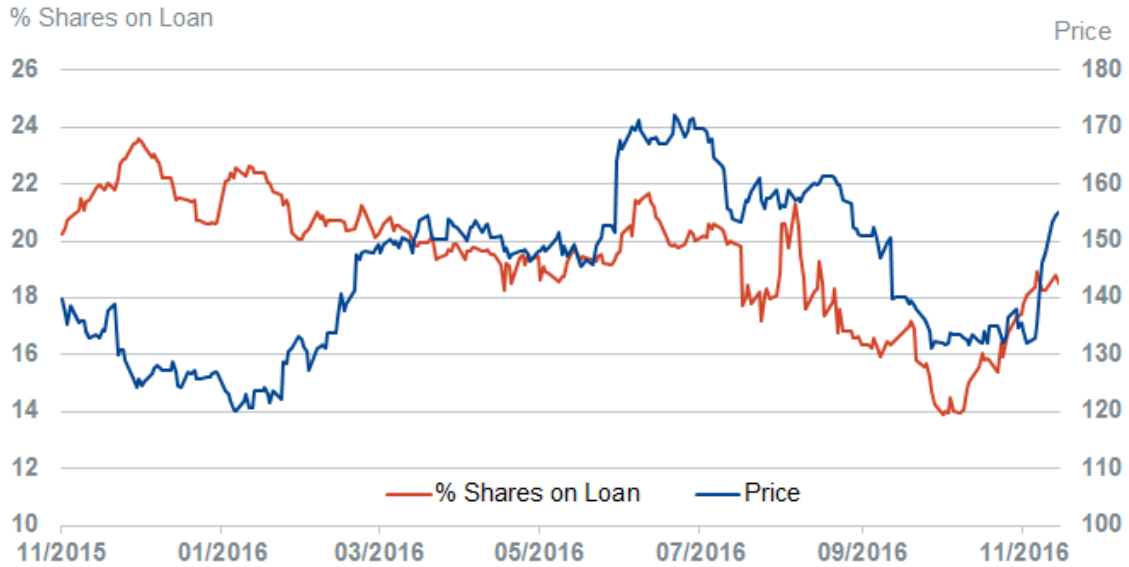
- Retailers Gamestop and Urban Outfitters heavily shorted
- Mitie Group sees large jump in short interest post Brexit
- China Digital Holdings most shorted firm announcing results in Asia this week

North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Cracker Barrel Old Country Store	Hotels, Restaurants & Leisure	CBRL	11/22/2016	18.6	17%
Gamestop Corp	Specialty Retail	GME	11/22/2016	17.4	-14%
Dycom Industries Inc	Construction & Engineering	DY	11/21/2016	15.4	3%
Signet Jewelers Ltd	Specialty Retail	SIG	11/22/2016	14.2	-20%
Canadian Solar Inc	Semiconductors & Semiconductor Equ	CSIQ	11/21/2016	13.3	5%
Ship Finance International Ltd	Oil, Gas & Consumable Fuels	SFL	11/23/2016	10.6	5%
Patterson Companies Inc	Health Care Providers & Services	PDCO	11/22/2016	10.3	7%
Rex American Resources Corp	Oil, Gas & Consumable Fuels	REX	11/23/2016	9.5	-18%
Urban Outfitters Inc	Specialty Retail	URBN	11/22/2016	8.3	33%
Deere & Co	Machinery	DE	11/23/2016	7.9	1%
Enanta Pharmaceuticals Inc	Biotechnology	ENTA	11/21/2016	7.4	11%
Dsw Inc	Specialty Retail	DSW	11/22/2016	7.0	23%
Rogers Sugar Inc	Food Products	RSI	11/23/2016	6.3	-6%
Mentor Graphics Corp	Software	MENT	11/22/2016	6.2	0%
Palo Alto Networks Inc	Communications Equipment	PANW	11/21/2016	5.8	-19%
Eaton Vance Corp	Capital Markets	EV	11/22/2016	5.2	-15%

Retailers and consumer focused firms make up the bulk of the heavily shorted companies announcing earnings in this shortened earnings week. Foremost among short seller's minds is casual dining chain Cracker Barrel which has 18.6% of its shares out on loan. Cracker Barrel shares have surged in the post-election rally, but short sellers are staying the course as demand to borrow Cracker Barrel shares has also rallied significantly over the last week.

Cracker Barrel Old Country Store Inc

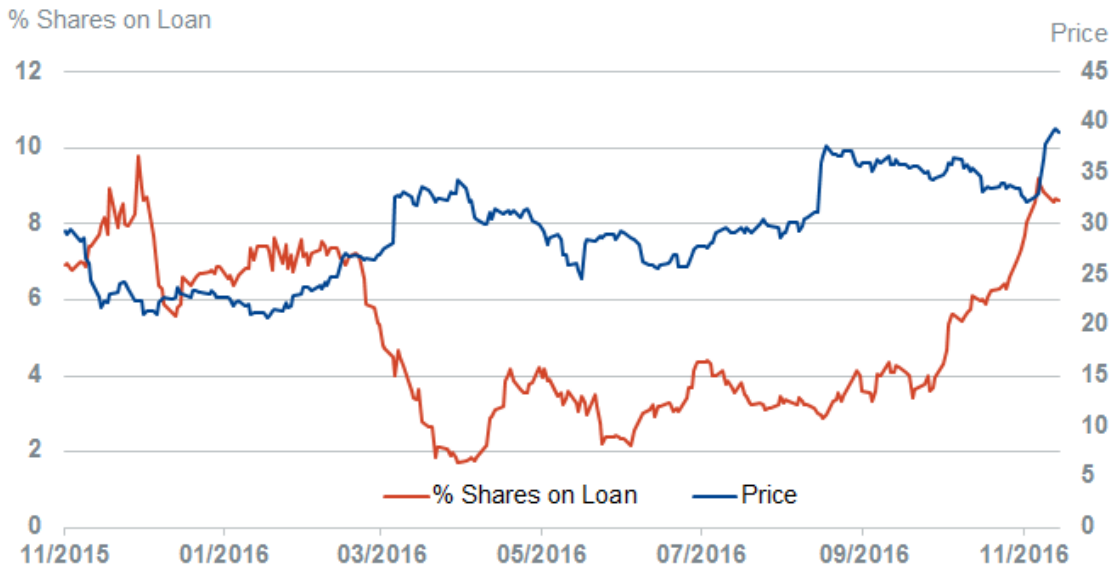


Source: IHS Markit

On the retail side, we see Gamestop with 17.4% of shares out on loan to short sellers. The company has continued to struggle in recent years as it sees itself increasingly cut out of the loop as shoppers skip bricks and mortar stores for cheaper online alternatives for both consoles and games. Interestingly, the company's steadily declining share price has not inspired short sellers as Gamestop's current short interest is roughly a third of the recent high set back last December.

Short sellers have also doubled down in clothing retailer Urban Outfitters in light of the recent rally as the company's short interest has jumped by a third in the last month. This rise in short interest could be vindicated should Urban Outfitter's results mirror that of fellow short target Abercrombie & Fitch which fell heavily on Friday after disappointing revenues.

Urban Outfitters Inc



Source: IHS Markit

On the other side of the short momentum we've seen short sellers cover a fifth of their positions in jeweler Signet which has also enjoyed a strong run in the recent rally.

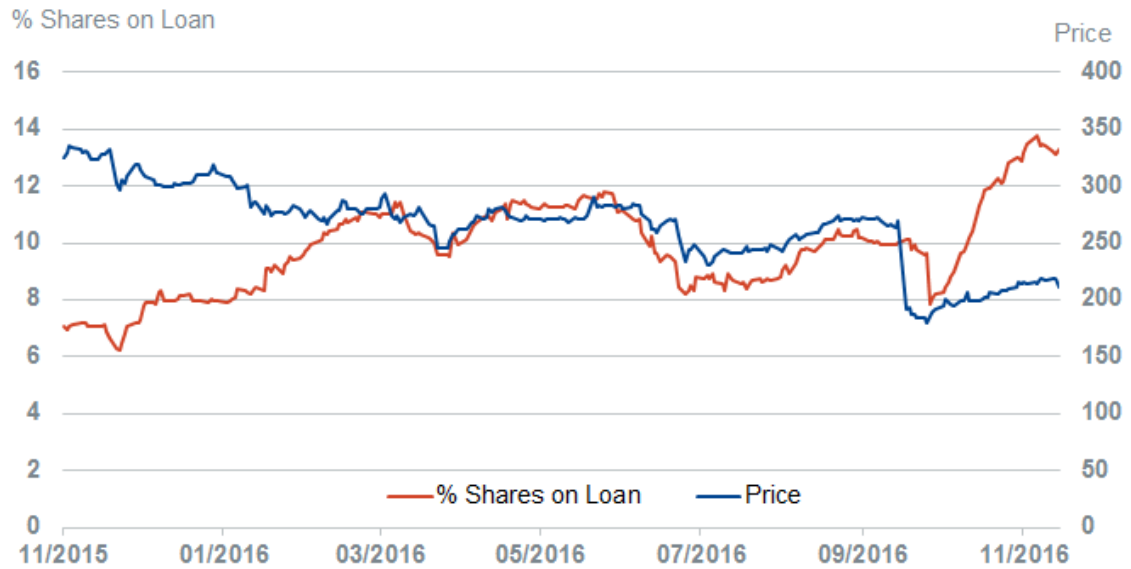
Another company seeing material short covering in the run-up to earnings is fund manager Eaton Vance which has seen a 15% fall in demand to borrow its shares in the last month. This fall in short interest mostly came in the last week as the post-election rally sent US shares surging to new highs. This rally disproportionately helped fund managers as investors expect a bump in their revenues owing to their AUM driven model. The recent bout of covering takes the demand to short Eaton Vance to the lowest level in over a year.

Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Mitie Group Plc	Commercial Services & Supplies	MTO	11/21/2016	13.3	11%
Seadrill Ltd	Energy Equipment & Services	SDRL	11/22/2016	12.7	1%
Ablynx Nv	Biotechnology	ABLX	11/23/2016	11.3	9%
Schoeller Bleckmann Oilfield Equip	Energy Equipment & Services	SBO	11/23/2016	8.4	-1%
Bw Lpg Ltd	Oil, Gas & Consumable Fuels	BWLPG	11/24/2016	5.8	1%
Ao World Plc	Internet & Direct Marketing Retail	AO.	11/22/2016	5.2	1%
Cybg Plc	Banks	CYBG	11/22/2016	4.7	-13%
Thomas Cook Group Plc	Hotels, Restaurants & Leisure	TCG	11/23/2016	4.6	-23%
Marston'S Plc	Hotels, Restaurants & Leisure	MARS	11/24/2016	4.6	-8%
Remy Cointreau Sa	Beverages	RCO	11/24/2016	4.2	-8%
Pennon Group Plc	Water Utilities	PNN	11/25/2016	3.8	-14%
Pierre Et Vacances Sa	Hotels, Restaurants & Leisure	VAC	11/24/2016	3.3	9%
Pets At Home Group Plc	Specialty Retail	PETS	11/24/2016	3.2	-8%
Zodiac Aerospace Sa	Aerospace & Defense	ZC	11/22/2016	3.2	0%

Mitie Group finds itself the most shorted firm among European companies announcing earnings this week with 13.3% of its shares out on loan. The British property service firm's last earning update sent its shares down by over a quarter as the firm announced that the UK's decision to leave the European union had impacted revenues as clients trimmed facilities servicing costs. Short sellers think the firm's slump may still have legs as Mitie's current short interest is over a third higher than on the eve of its September update.

Mitie Group Plc



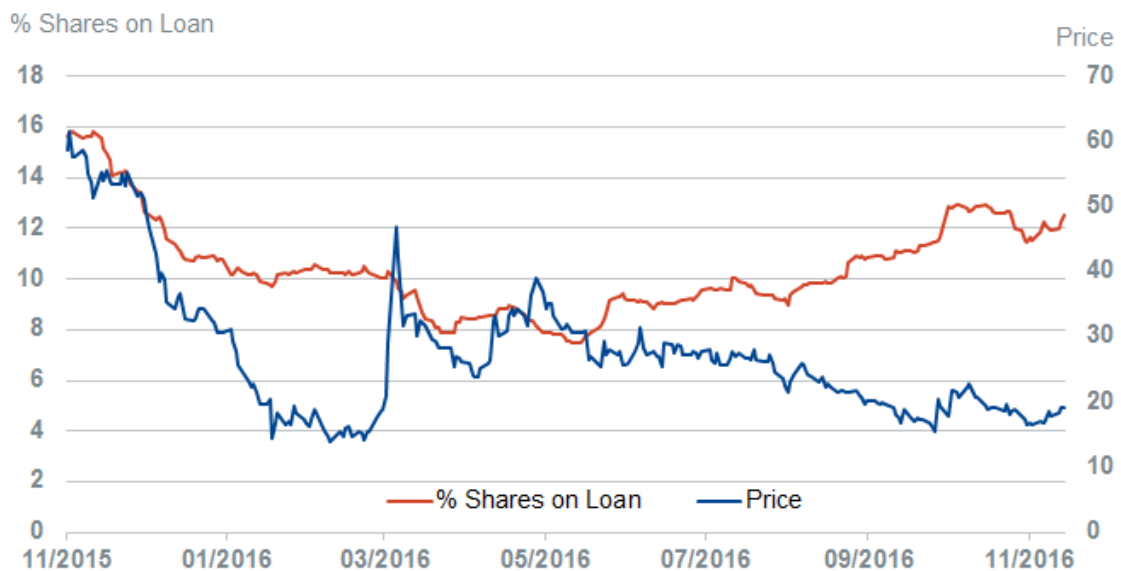
Source: IHS Markit

Scottish bank Cybg was also singled out as a potential sufferer in the wake of the Brexit referendum, but the company's shares have managed to recover most of the ground lost after the referendum. This recovering has seen short sellers cover nearly half their positions over the last few weeks to the current 4.7% of shares outstanding.

Cybg isn't alone among post Brexit shorts seeing heavy covering as Thomas Cook and Marston's have also seen a decrease in the demand to borrow their shares in the last month.

The other high conviction short play announcing earnings this week is offshore drilling operator Seadrill. Analysts are forecasting more pain ahead for offshore operators as contracts roll off, forcing operators to slash charter rates in order to win new contracts in the current highly competitive post oil slump market.

Seadrill Ltd



Source: IHS Markit

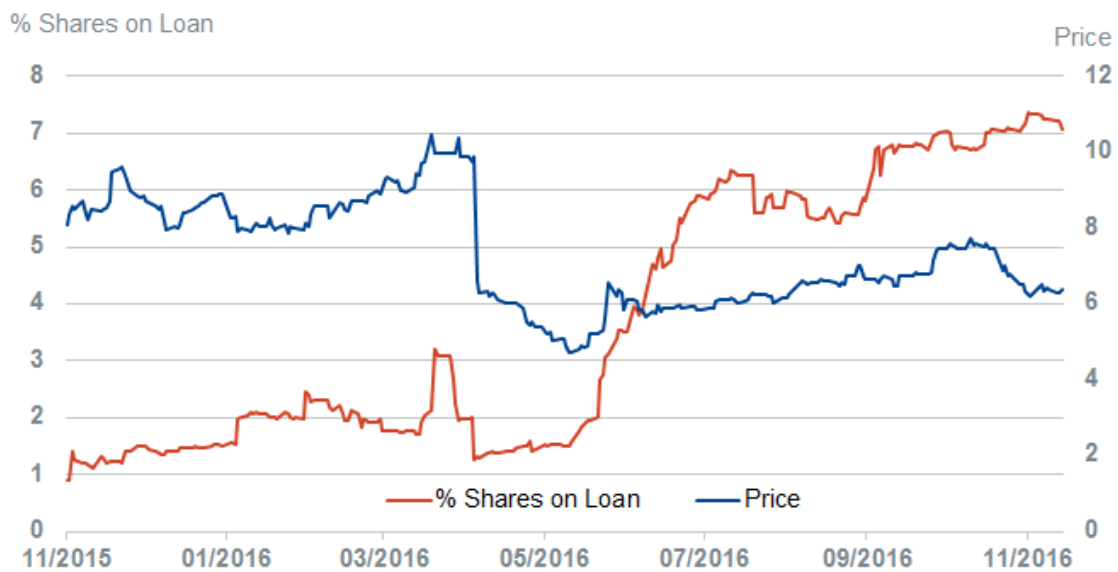
Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Digital China Holdings Ltd	Electronic Equipment, Instruments & C	861	11/21/2016	7.1	0%
Australian Agricultural Company Ltd	Food Products	AAC	11/25/2016	4.5	-10%
Naturalendo Tech Co Ltd	Biotechnology	168330	11/21/2016	3.7	10%
Icd Co Ltd	Semiconductors & Semiconductor Equ	040910	11/21/2016	3.4	-11%
Interflex Co Ltd	Electronic Equipment, Instruments & C	051370	11/21/2016	3.1	11%

Asian short sellers won't be too glued to earnings updates this week as only five firms in the continent see more than 3% of their shares out on loan ahead of earnings.

The most shorted firm in this small group is investment holding Digital China Holdings. Digital China came under scrutiny from short sellers after a large special dividend due which was followed by a fourfold increase in the demand to borrow its shares.

Digital China Holdings Ltd



Source: IHS Markit

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