

Most shorted ahead of earnings

We review how short sellers are reacting to companies due to announce earnings in the third week of the third quarter results season.

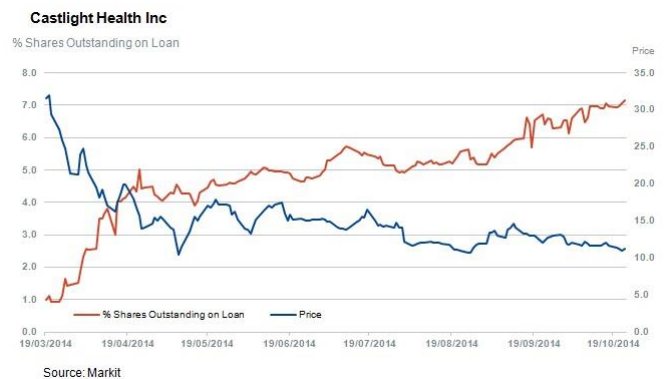
- Software firms see significant demand to borrow in the run up to earnings
- Nokian Tyres, which is heavily exposed to Russia, has 16% short interest
- Tech firms dominate the sectors seeing high short interest ahead of earnings

North America

The third quarter earnings season continues in earnest next week and there are 20 firms with more than 20% of shares out on loan prior to announcing earnings next week.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Castlight Health Inc	Health Care Equipment & Services	CSLT	10/30/2014	50.3	14%
Invensense Inc	Technology Hardware & Equipment	INVN	10/28/2014	35.9	11%
Keyw Holding Corp	Capital Goods	KEYW	10/28/2014	34.5	6%
Cliffs Natural Resources Inc	Materials	CLF	10/27/2014	34.5	-1%
Neustar Inc	Software & Services	NSR	10/30/2014	30.2	3%
Rayonier Advanced Materials Inc	Materials	RYAM	10/29/2014	27.7	-15%
Rubicon Technology Inc	Semiconductors & Semiconductor Equ	RBCN	10/29/2014	26.7	18%
Sturm Ruger & Co Inc	Consumer Durables & Apparel	RGR	10/29/2014	26.5	-5%
Walter Energy Inc	Materials	WLT	10/30/2014	26.2	-5%
Exact Sciences Corp	Pharmaceuticals, Biotechnology & Life	EXAS	10/27/2014	25.9	0%
Fleetmatics Group Plc	Software & Services	FLT	10/29/2014	23.7	16%
Outerwall Inc	Retailing	OUTR	10/30/2014	23.0	3%
Aegerion Pharmaceuticals Inc	Pharmaceuticals, Biotechnology & Life	AEGR	10/30/2014	22.8	-2%
Tuesday Morning Corp	Retailing	TUES	10/30/2014	22.2	13%
Ultra Petroleum Corp	Energy	UPL	10/30/2014	21.5	-10%
Greenbrier Co Inc	Capital Goods	GBX	10/31/2014	20.6	2%
Iridium Communications Inc	Telecommunication Services	IRDM	10/30/2014	20.4	0%
Arch Coal Inc	Energy	ACI	10/28/2014	20.4	10%
Title Shop Holdings Inc	Retailing	TTS	10/28/2014	20.2	6%

Software as a Service (SaaS) companies dominate the firms seeing the highest short interest in the US ahead of reporting earnings. Castlight Health Inc, which serves the enterprise healthcare software market via the cloud to employers, is the most shorted company in the US. The company is trading 72% lower from its IPO in March of this year, which peaked at \$40.00. Currently trading at \$11.20, 49% of its shares are out on loan. Analysts continue to question the company's ability to convert reported backlog orders and to aggressively grow revenue figures.



NeuStar's share price is down 47% over the last 12 months and currently has 30% of its shares out on loan. The ex-Lockheed Martin subsidiary was originally in the business of providing telephone number portability in the late '90s, and now provides IT, security and marketing services. Other SaaS stocks with a high short interest include recently listed Rubicon Technologies, which is down 54% trading at \$4.49 with 26% of shares out on loan, and Fleetmatics Group, which has previously been questioned by Prescience Point Research Group on inflating profitability and has been publicly shorted by the firm in the past. Fleetmatics currently has 23% of shares out on loan despite the fact that the stock is down just 6% over the past 12 months.

InvenSense Inc, the Intelligent Sensor Solutions company, which provides micro-electromechanical gyroscopes for consumer devices such as smart phones, remotes and even screwdrivers, has 36% of its shares currently out on loan. One of the most heavily

shorted non-SaaS stocks this week , the shares are up 11% over the last 12 months. The company is currently dealing with a legal dispute with Swiss company STMicro over alleged sensor patent infringement.

Invensense Inc



Other highly shorted stocks in the US this week include Iron ore producer Cliffs Natural Resources which is trading 63% down over the past year and currently has 34% of its shares out on loan. Iron ore prices continue to face pressure from subdued demand expectations coming out of China and increased supply due to come on line during the course of the year.

Rayonier Advanced Materials has 29% of its shares out on loan. The company recently announced a fourth quarter cash dividend and is the "leading supplier of higher purity, cellulose specialities natural polymers for the chemical industry".

Other highly shorted companies include Ultra Petroleum and Arch Coal with 22% and 20% of shares out on loan respectively.

Europe

Weak European growth has been a theme in recent weeks and the current batch of heavily shorted shares ahead of imminent earning plays on this theme, with several capital goods firms featuring prominently among the 18 firms seeing over than 4% of shares out on loan ahead of earnings.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Nokian Tyres Plc	Automobiles & Components	NRE1V	10/31/2014	15.9	8%
Ssab Ab	Materials	SSAB A	10/27/2014	15.0	30%
Draegenwerk Pwf	Health Care Equipment & Services	DRW3	10/30/2014	14.9	-10%
Yit Oyj	Capital Goods	YTY1V	10/30/2014	13.9	13%
Air France Klm Sa	Transportation	AF	10/29/2014	10.1	39%
Alcatel Lucent Sa	Technology Hardware & Equipment	ALU	10/30/2014	10.1	-4%
Outotec Oyj	Capital Goods	OTE1V	10/30/2014	9.4	-5%
Aixtron Se	Semiconductors & Semiconductor Equ	AIXA	10/28/2014	8.1	-13%
Schibsted Asa	Media	SCH	10/30/2014	8.1	19%
Banco De Sabadell Sa	Banks	SAB	10/30/2014	6.6	14%
Vossloh Ag	Capital Goods	VOS	10/30/2014	6.6	52%
Fred Olsen Energy Asa	Energy	FOE	10/28/2014	5.5	11%
Saipem Spa	Energy	SPM	10/28/2014	5.4	16%
Sandvik Ab	Capital Goods	SAND	10/27/2014	4.9	-6%
Deutsche Lufthansa Ag	Transportation	LHA	10/30/2014	4.4	10%
Indra Sistemas Sa	Software & Services	IDR	10/30/2014	4.2	18%
Viscofan Sa	Food Beverage & Tobacco	VIS	10/28/2014	4.2	-14%
Tnt Express Nv	Transportation	TNTE	10/27/2014	4.0	105%

Among the capital goods firms seeing the most shorted include Yit in Finland with 13.9% of shares out on loan, Outotec with 9.4% and Vossloh with 6.3%. These firms have all seen their shares fall since the start of the year, as the growth situation in Europe continues to deteriorate.

The title of the most shorted company announcing earnings this week goes to Finnish tyre manufacturer Nokian Tyres which has just under 16% of its shares out on loan. The company has a heavy exposure to the Russian market and the devaluating rouble, combined with the threat of recession in its biggest market, has seen shorts double their positions in the firm from the start of the year.

Airlines also feature prominently among the shares seeing heavy short interest prior to earnings, as increasing competition across long distance routes looks set to trim profits for legacy carriers. These airlines have also been constrained in their efforts to trim costs due to a series of recent labour actions. As a result, both Air France and Deutsche Lufthansa have seen their share prices tumble and shorts circle in recent weeks, despite the recent fall in oil prices.



While airline shorts have not reacted much to the recent moves in oil prices, the same can't be said for oil rig leasing firms, two of which have seen heavy short interest ahead of earnings announcements next week. Both Fred Olsen and Saipem have seen shorts increase by more than 10% in the last months as falling oil prices make oil exploration less attractive.

Asia

In Asia, tech firms dominate the most shorted sector, with software, component and hardware firms all featuring within the 14 firms with a high 8% or more of their shares out on loan ahead of earnings.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Wacom Co Ltd	Technology Hardware & Equipment	6727	10/31/2014	13.3	-2%
Weichai Power Co Ltd	Capital Goods	2338	10/30/2014	13.2	-9%
Sanrio Co Ltd	Retailing	8136	10/31/2014	13.0	-8%
Casio Computer Co Ltd	Consumer Durables & Apparel	6952	10/30/2014	12.7	-8%
Net One Systems Co Ltd	Software & Services	7518	10/31/2014	10.6	27%
China Cosco Holdings Co Ltd	Transportation	1919	10/30/2014	10.5	-2%
Nippon Yakin Kogyo Co Ltd	Materials	5480	10/30/2014	10.5	-1%
Aluminum Corp Of China Ltd	Materials	2600	10/30/2014	10.4	-7%
China Shipping Container Lines C	Transportation	2866	10/30/2014	9.7	-6%
Endo Lighting Corp	Capital Goods	6932	10/31/2014	9.6	32%
Acer Incorporated	Technology Hardware & Equipment	2353	10/30/2014	9.3	1%
Gigastorage Corp	Technology Hardware & Equipment	2406	10/30/2014	9.1	2%
Motech Industries Inc	Semiconductors & Semiconductor Equ	6244	10/30/2014	8.7	-11%
Gintech Energy Corp	Semiconductors & Semiconductor Equ	3514	10/31/2014	8.6	-1%

This weeks' list of heavily shorted Asian firms is led by tablet manufacturer Wacom which has 13.2% of share out on loan. Wacom has seen its share price fall by 46% since the start of the year as weak demand for tablets impacts both its branded equipment and component businesses. The company missed earnings expectations last time around and

shorts don't look to have much high hopes for its coming results; a sentiment that has been mirrored across the sector.



Also joining Wacom among heavily shorted firms are computer manufacturers Casio and Acer, with 13 and 9.3% of shares out on loan respectively.

Software firm Net One System and semiconductor companies Motech and Gintech all see a high proportion of their shares out on loan ahead of earnings.

The weak demand for Asian goods has seen shorts continue to add to their positions in the shipping sector, with China Costco and China Shipping Container both making the heavily shorted list.

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