

Most shorted ahead of earnings

Wednesday, August 30th 2017

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

- Canadian Western still heavily shorted despite its recent rally
- Petrofac short sellers come back for another bear raid ahead of earnings
- Australian short sellers continue to favor mining firms

North America

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Canadian Western Bank	Banks	CWB	Thursday	27.3	6%
Jinkosolar Hldg Adr Rep 4 Ord	Semiconductors & Semiconductor Equ	JKS	Wednesday	23.5	3%
G-iii Apparel Group Ltd	Textiles, Apparel & Luxury Goods	GIII	Thursday	15.4	-4%
Ollie'S Bargain Outlet Holdings Inc	Multiline Retail	OLLI	Tuesday	13.4	-12%
Ciena Corp	Communications Equipment	CIEN	Thursday	12.0	27%
Ship Finance International Ltd	Oil, Gas & Consumable Fuels	SFL	Tuesday	11.6	5%
Five Below Inc	Specialty Retail	FIVE	Wednesday	11.0	-18%
Zumiez Inc	Specialty Retail	ZUMZ	Thursday	10.3	-6%
Ambarella Inc	Semiconductors & Semiconductor Equ	AMBA	Thursday	10.3	-6%
Chico'S Fas Inc	Specialty Retail	CHS	Wednesday	9.8	18%
Tech Data Corp	Electronic Equipment, Instruments & C	TECD	Thursday	9.0	-6%
Nutanix Inc	Internet Software & Services	NTNX	Thursday	8.3	-1%
H & R Block Inc	Diversified Consumer Services	HRB	Tuesday	7.6	22%
Golar Lng Ltd	Oil, Gas & Consumable Fuels	GLNG	Thursday	7.5	-12%
Rex American Resources Corp	Oil, Gas & Consumable Fuels	REX	Tuesday	6.2	0%

Canadian Western is the high conviction short among North American firms announcing earnings this week. After fellow lender Home Capital Group was forced to seek emergency liquidity, the Canadian lender's shares have come under intense scrutiny.

Although Canadian Western shares fell significantly on fears that Home Capital troubles could wreak havoc on the Canadian financial system, the slump turned out to be temporary.

Canadian Western Bank



Source: IHS Markit

Short sellers, who were already highly active in Canadian Western before April, don't seem to be buying this rally. This skepticism has driven a sharp increase in the demand to borrow Canadian Western shares in the last few months. Canadian Western bears have been wrong before, but their tenacity in light of the recent rally indicates all may not be well with Canadian mortgage lenders.

On the tech front, we've seen short sellers cover more than two thirds of their positions in HD video chip manufacturer Ambarella over the last 18 months. Interestingly, this despite the fact that the company's biggest customer, action camera maker GoPro, is keen to design Ambarella's chips.

In addition, communication equipment firm Ciena and tax adviser H&R block have seen the demand to borrow their shares jump by more than a fifth over the last month.

Retailers, which have all eyes watching this earnings season, again feature in our screen of the most shorted companies. Ollie's bargain outlet, whose shares have managed to escape the woes of its retail peers, is this week's high conviction retail short. It has more than 13% of shares out on loan, a fifth more than the second-most shorted, Five Below.

Europe

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Bertrandt Ag	Professional Services	BDT	Wednesday	13.8	10%
Petrofac Ltd	Energy Equipment & Services	PFC	Wednesday	10.6	16%
Immofinanz Ag	Real Estate Management & Development	IIA	Tuesday	9.8	5%
Carrefour Sa	Food & Staples Retailing	CA	Wednesday	8.1	10%
Gemalto Nv	Software	GTO	Friday	5.7	-9%
Restaurant Group Plc	Hotels, Restaurants & Leisure	RTN	Thursday	4.9	-2%
Metro Ag	Food & Staples Retailing	B4B	Thursday	4.1	-22%
Avance Gas Holding Ltd	Oil, Gas & Consumable Fuels	AVANCE	Tuesday	3.9	-13%
Pernod Ricard Sa	Beverages	RI	Thursday	3.7	-13%
Ladbrokes Coral Group Plc	Hotels, Restaurants & Leisure	LCL	Thursday	3.6	13%

The big short in Europe this week is German mid cap Bertrandt Group, which helps automobile and aviation firms with design solutions. Short sellers, who have been targeting Bertrandt for much of the year, should feel vindicated for their tenacity.

Bertrandt Ag



Source: IHS Markit

Several weeks ago, sellside analysts slashed their guidance on Bertrandt, citing a lack of demand from its top customers, and shares fell heavily as a result. Bertrandt is trading at a five-year low, but short sellers think there may still be an opportunity. Thus, the company's short interest has climbed to an all-time high.

UK short sellers hoping to enjoy a quiet bank holiday week will be disappointed. Several of the country's most shorted firms are due to release trading updates in the coming week.

The most shorted of this week's UK lot is Petrofac, which has 10.6% of its shares out on loan. Petrofac shares have suffered heavily since May, when the UK's serious fraud office announced the firm was under investigation for bribery claims.

Petrofac short sellers were eager to take profit off the table immediately, and the demand to borrow its shares nearly halved in a few weeks. This restraint proved to

be temporary, and Petrofac's short interest increased to the highest level in 18 months.

The other notable UK short targets this week include Restaurant Group and Ladbrokes Coral.

Retail bears have also started to target continental firms. French grocer Carrefour has seen the demand to borrow tick up to 8% of all outstanding shares.

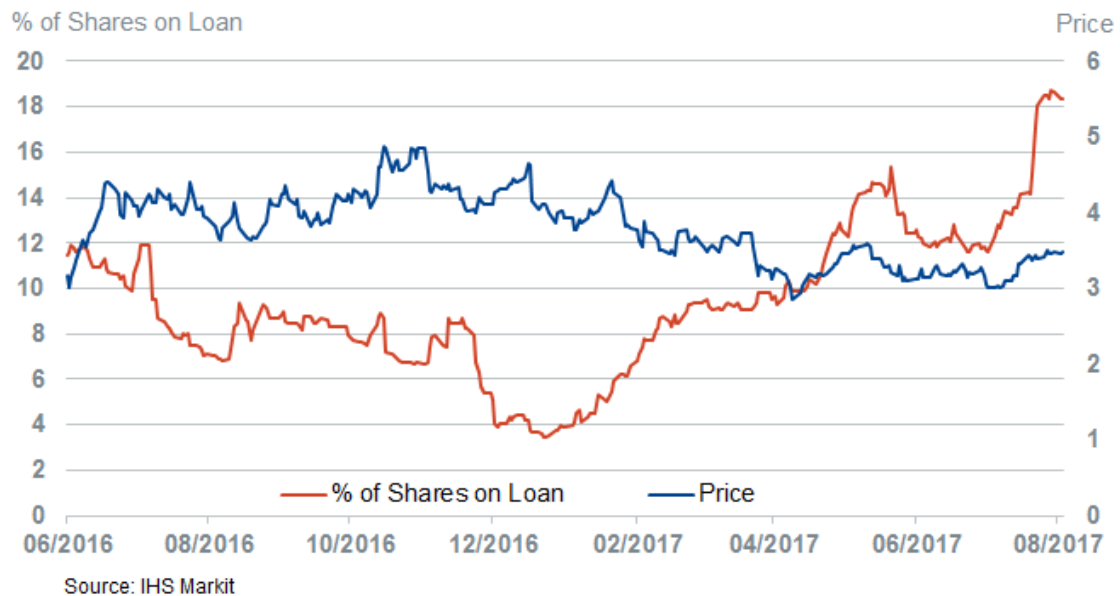
Asia

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Independence Group NI	Metals & Mining	IGO	Wednesday	18.4	57%
Harvey Norman Holdings Ltd	Multiline Retail	HVN	Thursday	10.3	4%
Blackmores Ltd	Personal Products	BKL	Tuesday	9.7	-1%
Japara Healthcare Ltd	Health Care Providers & Services	JHC	Monday	9.2	3%
Park24 Co Ltd	Commercial Services & Supplies	4666	Thursday	8.7	-1%
Gcl-Poly Energy Holdings Ltd	Semiconductors & Semiconductor Equ	3800	Wednesday	8.6	-6%
Byd Co Ltd	Automobiles	1211	Monday	7.6	-5%
Perseus Mining Ltd	Metals & Mining	PRU	Tuesday	7.5	0%
Nextdc Ltd	Internet Software & Services	NXT	Thursday	7.3	38%
Amaysim Australia Ltd	Wireless Telecommunication Services	AYS	Monday	7.7	4%
Weichai Power Co Ltd	Machinery	2338	Wednesday	6.5	-25%
Cabcharge Australia Ltd	Commercial Services & Supplies	CAB	Monday	5.8	22%
Reliance Worldwide Corporation	Building Products	RWC	Monday	5.4	10%
Westgold Resources Ltd	Metals & Mining	WGX	Thursday	5.6	6%
Tri Chemical Laboratories Inc	Semiconductors & Semiconductor Equ	4369	Thursday	5.2	-3%
Dacian Gold Ltd	Metals & Mining	DCN	Friday	5.0	-2%

Australia firms once again make up the majority of this week's screen of Asian firms seeing high short interest.

The vagrancies of the nickel market continue to be on short sellers' minds. Nickel and copper miner Independence Group sees the most short interest among these firms.

Independence Group NI



Short sellers are betting that nickel's recent slide would negatively impact shares of the commodity's miners. But Western Area, who topped last week's list of high conviction shorts, saw its shares trade significantly higher after it announced better than expected earnings.

Independence group isn't the only Australian miner to attract short seller scrutiny. Perseus Mining, Westgold Resources and Dacian all place on this week's screen too.

Australian short sellers are also profiting from the struggles felt by brick and mortar retailers. Department store operator Harvey Norman has a heavy demand to borrow shares leading up to Thursday's earnings announcement.

Carmaker Byd is the most significant short play outside of Australia. Its residual short interest is significant, with short sellers committing more than \$430m towards bearish bets.

Contacts:**Simon Colvin**

Analyst

+44 20 7260 7614

Simon.colvin@ihsmarkit.com

For further information, please visit www.ihsmarkit.co

Disclaimer

The intellectual property rights to this report provided herein is owned by Markit Group limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omission or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.

This report does not constitute nor shall it be construed as an offer by Markit to buy or sell any particular security, financial instrument or financial service. The analysis provided in this report is of a general and impersonal nature. This report shall not be construed as providing investment advice that is adapted to or appropriate for any particular investment strategy or portfolio. This report does not and shall not be construed as providing any recommendations as to whether it is appropriate for any person or entity to "buy", "sell" or "hold" a particular investment.