

Most shorted ahead of earnings

Friday, September 30th 2016

A review of how short sellers are positioning themselves in companies announcing earnings in the coming week

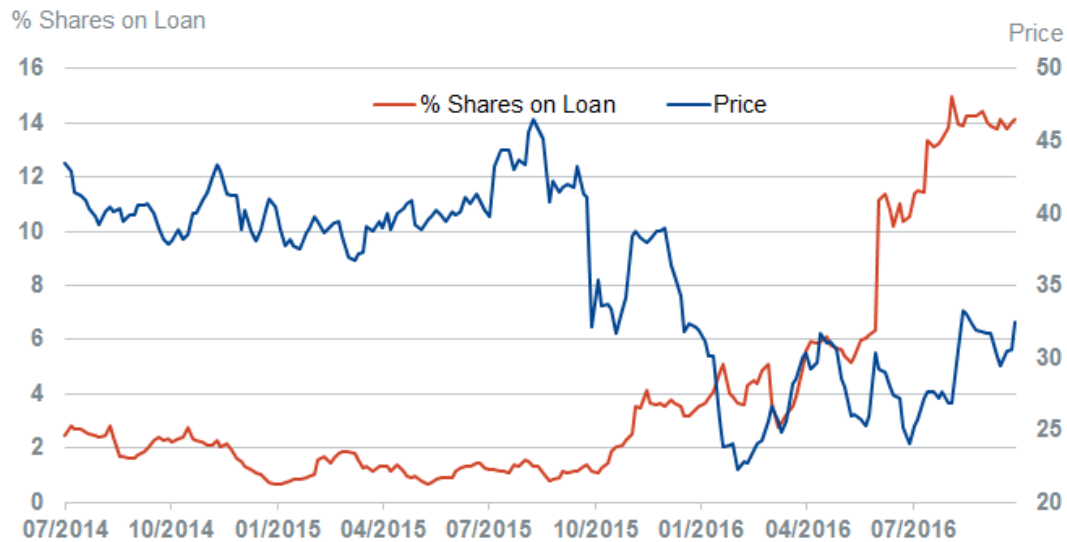
- Team Inc has 14% of shares out on loan ahead of earnings
- Tesco short interest approaching recent highs after a post Brexit surge
- Japan home to 12 of the 14 heavily shorted Asian companies announcing earnings this week

North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Team Inc	Commercial Services & Supplies	TISI	10/6/2016	14.1	1%
Acuity Brands Inc	Electrical Equipment	AYI	10/5/2016	4.8	2%
Aerojet Rocketdyne Holdings Inc	Aerospace & Defense	AJRD	10/7/2016	4.5	5%
Novagold Resources Inc	Metals & Mining	NG	10/4/2016	4.6	33%
Jean Coutu Group Pjc Inc	Food & Staples Retailing	PJC.A	10/5/2016	3.8	56%
Darden Restaurants Inc	Hotels, Restaurants & Leisure	DRI	10/4/2016	3.7	-12%
Micron Technology Inc	Semiconductors & Semiconductor Equ	MU	10/4/2016	3.4	-12%
Advanced Drainage Systems Inc	Building Products	WMS	10/6/2016	3.4	-55%

The most shorted company announcing earnings this week is US listed Team Inc, which inspects high pressure pipes and pressure vessels commonly found in oil refineries and chemical plants. The company announced [disappointing numbers](#) in its last set of earnings as a lack of demand combined with currency headwinds led the company to announce a surprise loss. Short sellers have latched on to these lackluster numbers as Team's short interest more than doubled in the last three months to the current all-time high of 14% of shares outstanding.

Team Inc



Source: IHS Markit

The largest jump in shorting activity leading up to earnings was seen in Canadian pharmacy operator Jean Coutu group whose short interest has jumped by 56% in the last month. Jean Coutu's CEO bemoaned Quebec's challenging regulatory environment in his last earnings statement in July, which could be a headwind for the company's [growth ambitions](#) in the near term. These comments have resonated with short sellers as the proportion of Jean Coutu shares out on loan has more than doubled since.

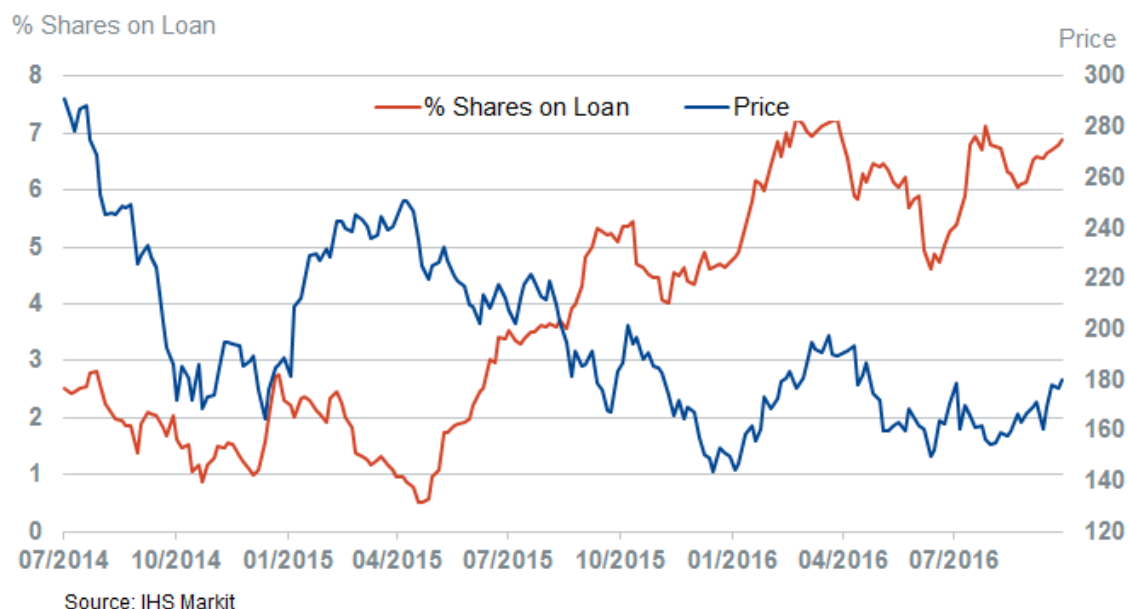
Another firm experiencing a material increase in short interest is Novagold Resources, whose short interest has jumped by a third in the last month. Short sellers have shown commitment to their Novagold plays over the last few months; staying in the trade despite losses incurred as the company's shares more than doubled as gold and precious metals rallied. Novagold's stocks are giving up some of their recent ground however, and short sellers have been busily adding to their positions.

Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Tesco Plc	Food & Staples Retailing	TSCO	10/5/2016	6.9	9%
Neopost Sa	Technology Hardware, Storage & Perip	NEO	10/5/2016	6.4	-23%
Bang & Olufsen A/S	Household Durables	BO	10/4/2016	4.7	-3%

Tesco is the most shorted out of a relatively small crop of earnings announcements in Europe this week, as just under 7% of its shares are out on loan. The recent spike in Tesco short interest puts it within touching distance of the all-time highs set earlier in the year as the "big four" domestic supermarket retailers continue to struggle with relentless competition from German discounters as well as the potential pressures faced by consumers as the pound continues its post Brexit slump.

Tesco Plc



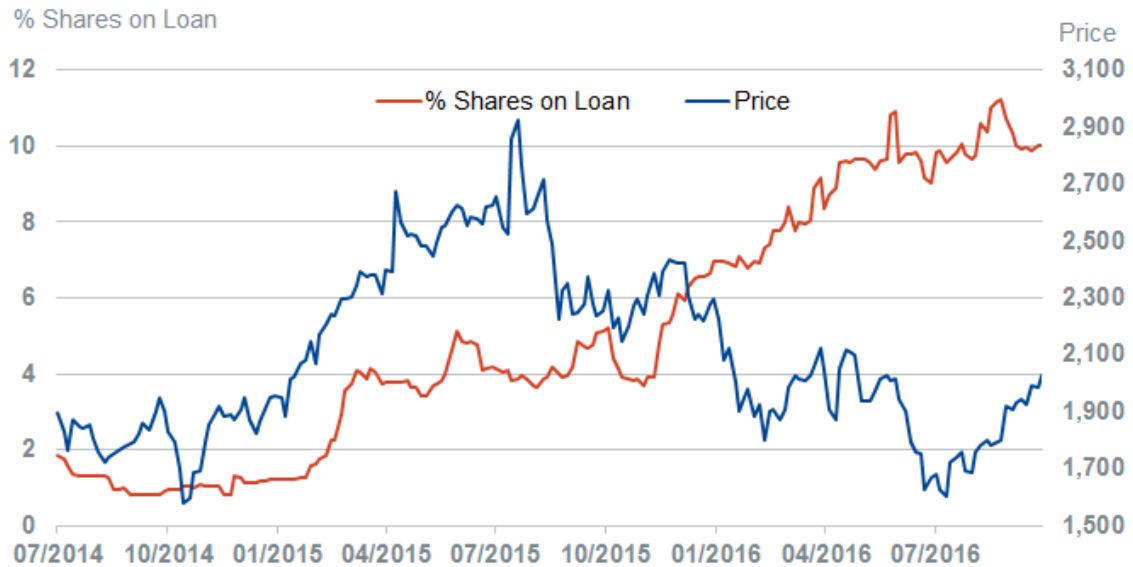
The other two relatively heavily shorted companies announcing earnings this week, Bang and Neopost, have seen covering in the last month with the latter seeing shorts close out nearly a quarter of their positions.

Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Osg Corp	Machinery	6136	10/6/2016	10.0	-4%
Silicon Studio Corp	Software	3907	10/7/2016	7.7	8%
Aeon Co Ltd	Food & Staples Retailing	8267	10/5/2016	6.3	-7%
Htc Corp	Technology Hardware, Storage & Perip	2498	10/5/2016	6.0	4%
Yoshinoya Holdings Co Ltd	Hotels, Restaurants & Leisure	9861	10/7/2016	5.7	-12%
Nachi-Fujikoshi Corp	Machinery	6474	10/3/2016	5.1	-14%
Paradise Co Ltd	Hotels, Restaurants & Leisure	034230	10/4/2016	4.9	1%
Pasona Group Inc	Professional Services	2168	10/6/2016	4.4	-6%
Samty Co Ltd	Real Estate Management & Developm	3244	10/7/2016	4.4	-1%
Keiyo Co Ltd	Specialty Retail	8168	10/4/2016	4.0	-22%
Zojirushi Corp	Household Durables	7965	10/3/2016	3.8	-8%
Takashimaya Co Ltd	Multiline Retail	8233	10/7/2016	3.7	75%
Ryohin Keikaku Co Ltd	Multiline Retail	7453	10/5/2016	3.2	7%
Sankyo Tateyama Inc	Building Products	5932	10/5/2016	3.2	2%

Japan is home to the majority of heavily shorted Asian companies announcing earnings next week. Industrial machinery firm OSG leads the pack of 12 Japanese firms which have more than 3% of shares outstanding on loan ahead of imminent earnings, with a tenth of its shares now shorted. OSG's short interest has surged over the last 12 months as the Japanese central bank's efforts to weaken the yen and kick start economic activity started to lose ground. This slowing economic momentum has taken a third off the value of OSG shares.

Osg Corp



Source: IHS Markit

Retailers are also feeling the pinch of Japan's spendthrift consumers and short sellers are looking to profit from this with relatively large short positions in retailers Aeon, Keiyo, Takashimaya and Ryohin. Fast food operator Yoshinoya also sees relatively high short interest as 5.7% of its shares are out on loan.

Taiwanese cell phone manufacturer HTC is most shorted non-Japanese company announcing earnings this week with 6% of its shares out on loan. HTC shares have lost more than half their value in the last few months, but the company is still experiencing heavy demand to borrow, with more than 4% of its shares out on loan over the last 12 months.

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