

Most shorted ahead of earnings

Monday, July 31st 2017

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

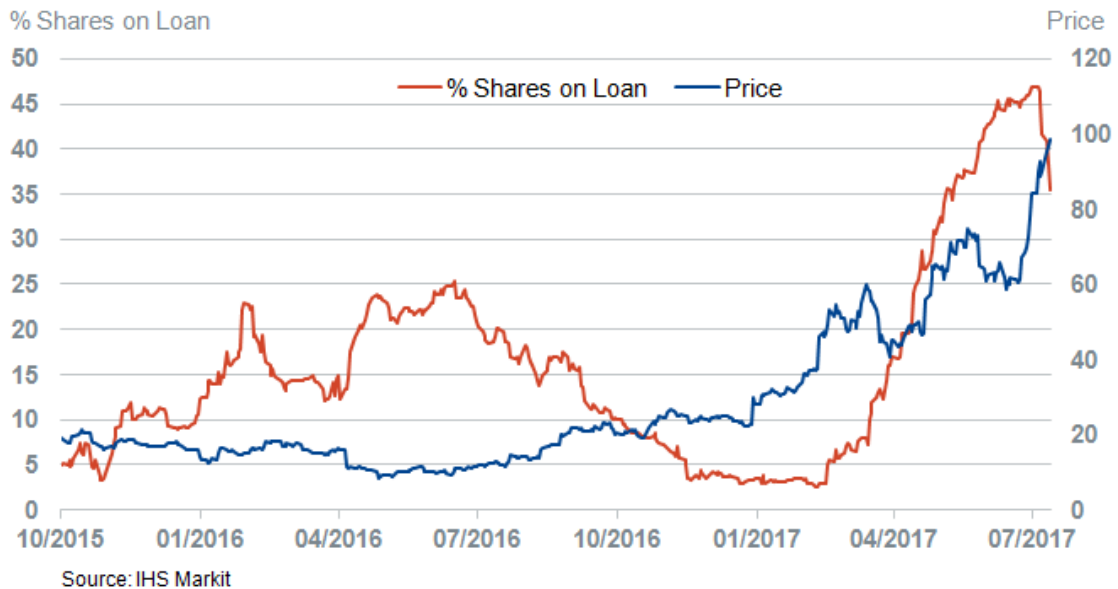
- Applied Optoelectronics sees shorts scramble to cover positions
- Short sellers target pure play European fashion firms
- Japanese retailer Edion most shorted among Asian firms

North America

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Applied Optoelectronics Inc	Technology Hardware & Equipment	AAOI	Thursday	38.5	-16%
Big 5 Sporting Goods Corp	Retailing	BGFV	Tuesday	33.6	9%
Wingstop Inc	Consumer Services	WING	Thursday	31.9	10%
Atwood Oceanics Inc	Energy	ATW	Thursday	31.1	66%
Cara Therapeutics Inc	Pharmaceuticals, Biotechnology & Life	CARA	Thursday	29.9	6%
Under Armour Inc	Consumer Durables & Apparel	UAA	Tuesday	28.0	-7%
Therapeuticsmd Inc	Pharmaceuticals, Biotechnology & Life	TXMD	Thursday	26.6	1%
Cbl & Associates Properties Inc	Real Estate	CBL	Thursday	26.3	-14%
Frontier Communications Corp	Telecommunication Services	FTR	Tuesday	25.2	-12%
Oclaro Inc	Technology Hardware & Equipment	OCLR	Wednesday	25.1	-4%
Pbf Energy Inc	Energy	PBF	Thursday	23.9	-3%
California Resources Corp	Energy	CRC	Thursday	23.5	8%
Bristow Group Inc	Energy	BRS	Thursday	23.5	-14%
Src Energy Inc	Energy	SRCI	Thursday	23.3	9%
Sturm Ruger & Company Inc	Consumer Durables & Apparel	RGR	Wednesday	23.3	9%
Pandora Media Inc	Software & Services	P	Monday	22.9	-6%
Seritage Growth Properties	Real Estate	SRG	Thursday	22.7	-8%

Short sellers start this week on the back foot – Applied Optoelectronics pre-announced better than expected earnings, sending its shares soaring to new all-time highs. Applied shares have more than tripled year-to-date, attracting a growing chorus of skeptics willing to bet that this momentum will reverse.

Applied Optoelectronics Inc



Until now, short sellers were more than willing to ride this painful trade: the demand to borrow Applied's shares climbed in lockstep with its share price. However, last week's pre-announcement – the fourth in a row – inspired some to rethink their strategy.

This week, 38% of Allied shares are out on loan, and while this is still an extremely high metric, it represents a sharp decline over the last month.

Short seller scrutiny in the fiber optic equipment space isn't limited to Applied Optoelectronics. Competitor Oclaro also makes this week's list of shares with elevated shorting activity.

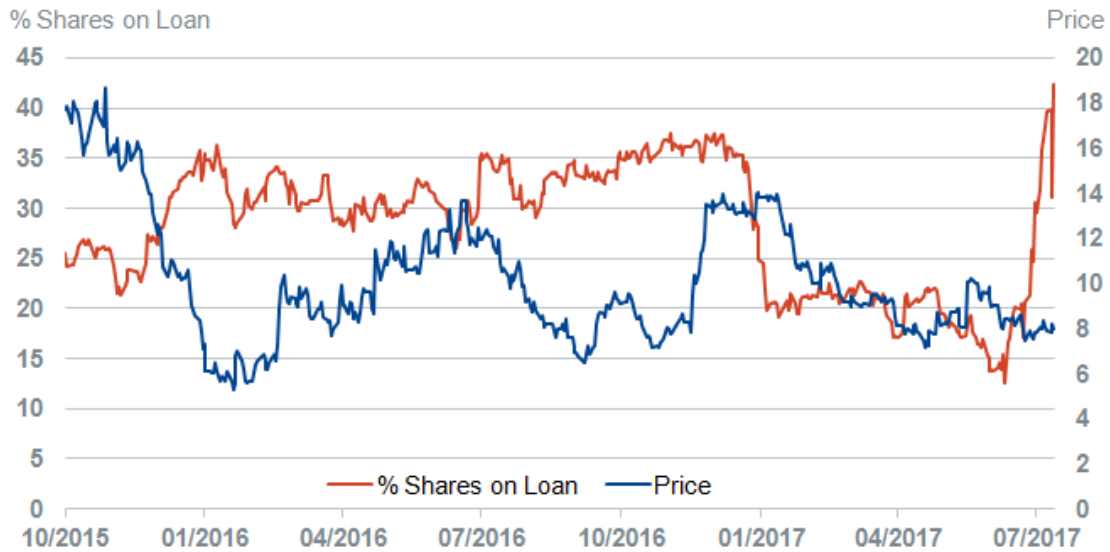
It's not all bad news for short sellers this week though – Big 5 Sporting Goods is a winning bet after Hibbett Sports announced disastrous earnings and its shares fell by a quarter. Short sellers profited handsomely and borrowed an all-time high of 33% of Big 5's outstanding shares.

Sportswear shorts aren't limiting themselves to retailers in the lead-up to earnings. Under Armour also makes the list of shares with heavy short interest, and it's worth noting that all this shorting activity isn't necessarily directional. Arbitrageurs may be looking to take advantage of pricing discrepancies in Under Armour's dual share classes.

The final highlight for this week is the significant buildup in shorting activity for offshore contract rig operator Atwood Oceanics. Short sellers had been scared off after the firm announced that it was to be taken over by Ensco; the deal has since been thrown into question, as Ensco bondholders announced their discomfort with the tie-up. This uncertainty caused short sellers to rush back into Atwood, and in the

last month, the firm's outstanding shares on loan surged by more than two thirds to 31%.

Atwood Oceanics Inc



Source: IHS Markit

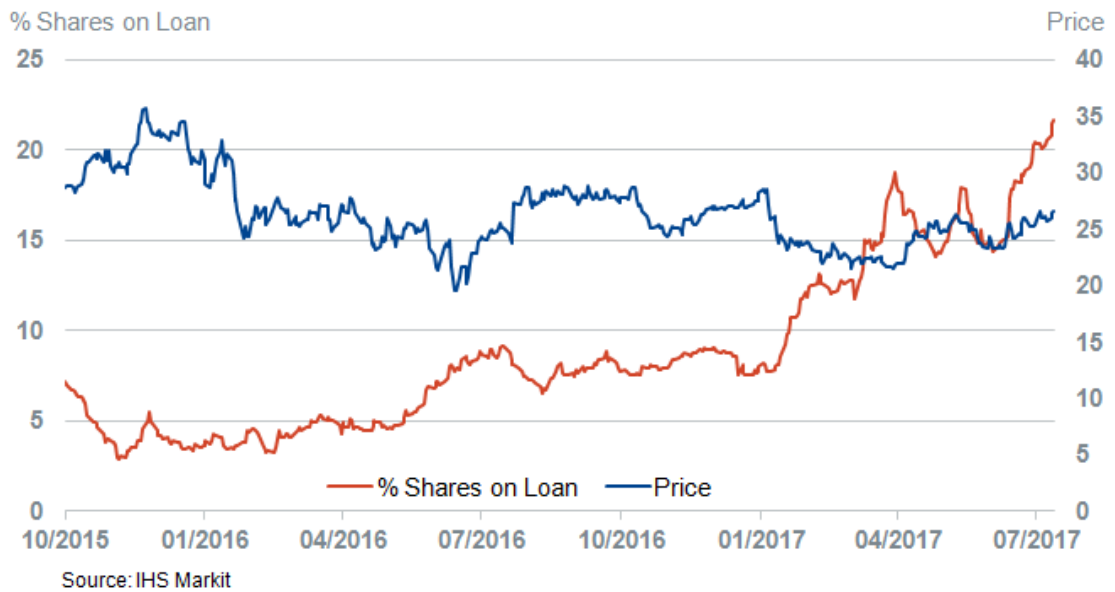
Europe

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Yoox Net-A-Porter Group Spa	Retailing	YNAP	Wednesday	21.4	20%
Aggreko Plc	Commercial & Professional Services	AGK	Wednesday	14.7	2%
Stada Arzneimittel Ag	Pharmaceuticals, Biotechnology & Life SAZ		Thursday	13.9	154%
Nordex Se	Capital Goods	NDX1	Thursday	13.5	11%
Cobham Plc	Capital Goods	COB	Thursday	10.8	6%
Banca Piccolo Credito Valtellinese	Banks	CVAL	Friday	9.3	-8%
Morphosys Ag	Pharmaceuticals, Biotechnology & Life MOR		Thursday	9.3	13%
Nyrstar Nv	Materials	NYR	Wednesday	8.7	-22%
Dufry Ag	Retailing	DUFN	Monday	8.2	-2%
Gam Holding Ag	Diversified Financials	GAM	Thursday	8.0	-2%
Astaldi Spa	Capital Goods	AST	Wednesday	7.6	-9%
Rib Software Se	Software & Services	RIB	Monday	7.4	-3%
Travis Perkins Plc	Capital Goods	TPK	Wednesday	7.0	-17%
Pearson Plc	Media	PERSON	Friday	6.8	-5%
Salvatore Ferragamo Spa	Consumer Durables & Apparel	SFER	Monday	6.8	12%
Inmarsat Plc	Telecommunication Services	ISAT	Thursday	6.6	43%
Buzzi Unicem Spa	Materials	BZU	Thursday	6.0	4%
Tod'S Spa	Consumer Durables & Apparel	TOD	Thursday	6.0	-9%

Online luxury retailer Yoox Net-A-Porter is the highest conviction European short announcing earnings this week. Short sellers have always had an eye for the firm, however, and now that fashion conglomerate LVMH [is entering](#) the online high-end

fashion distribution game, short sellers have tripled their bets to the current all-time high.

Yoox Net-A-Porter Group Spa

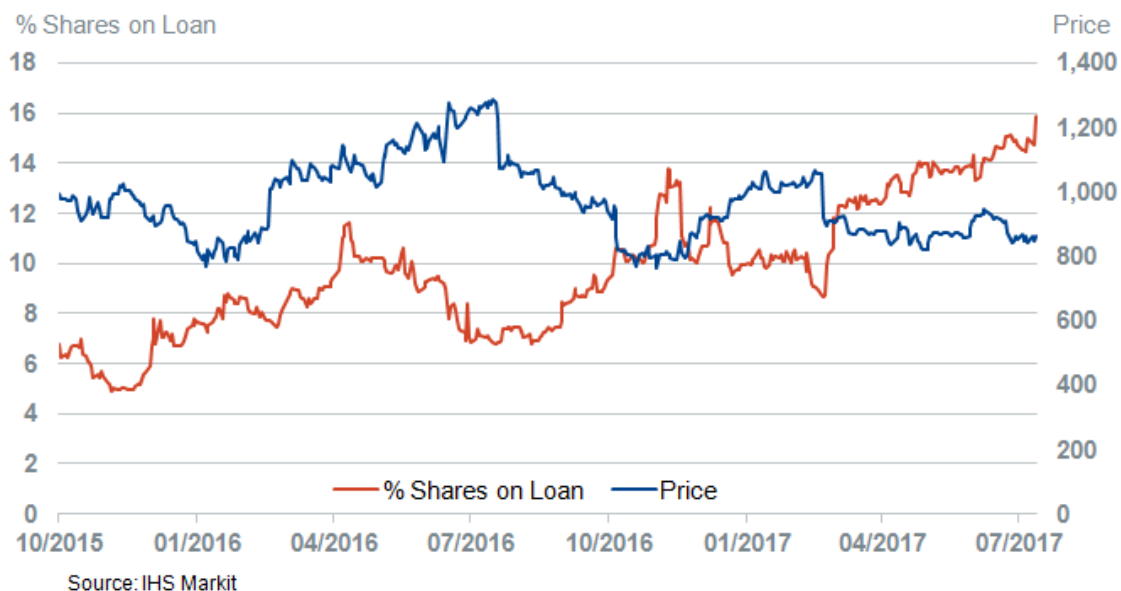


Short sellers also played the hypercompetitive nature of the fashion business by taking positions in boutique high-end fashion houses that don't enjoy economies of scale and conglomerate-backed peers. Italian firms Salvatore Ferragamo and Tod's, whose combined market cap is less than a twentieth of industry titan LVMH, have seen short sellers take significant positions.

UK firms are the second most shorted on this week's list of firms announcing earnings.

With approximately 15% of its shares out on loan, UK generator rental firm Aggreko is the most shorted of this week's British bunch. Aggreko's shares are reeling from a profits warning back in March, which knocked more than 20% off its share value. Short sellers think that more bad news may be in the offing, and they have nearly doubled their positions in the last four months.

Aggreko Plc



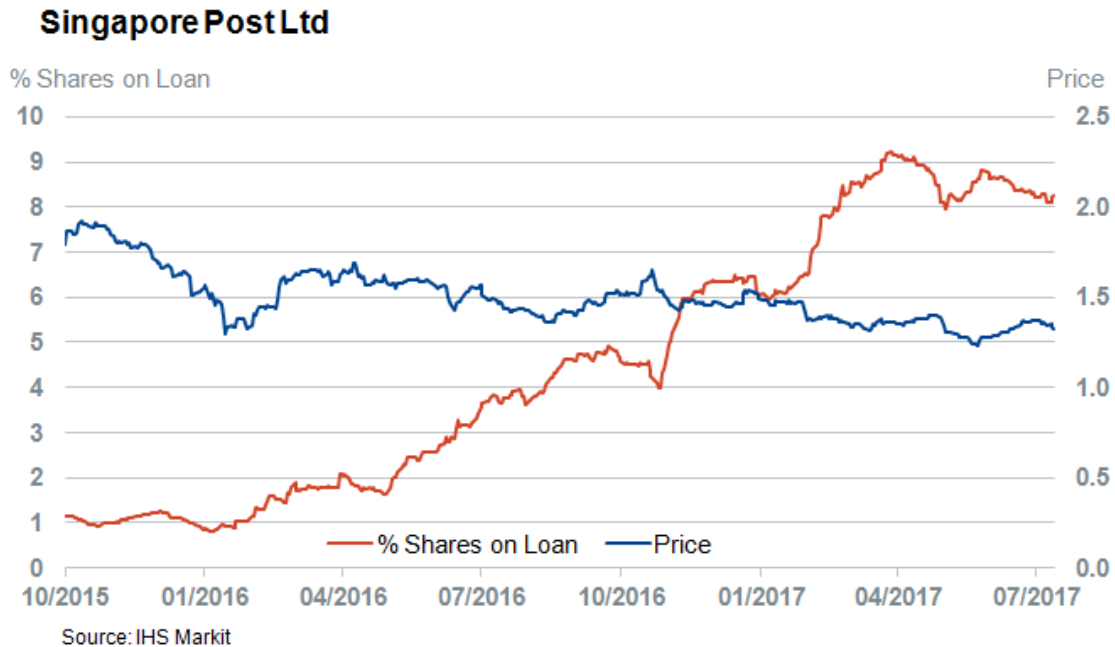
Building merchant Travis Perkins and publisher Pearson, which issued profits warnings in the last few months, are also among the firms targeted by short sellers.

Asia

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Edion Corp	Retailing	2730	Friday	17.3	4%
Nippon Carbon Co Ltd	Capital Goods	5302	Friday	11.3	47%
Erex Co Ltd	Utilities	9517	Tuesday	10.5	1%
Kawasaki Kisen Kaisha Ltd	Transportation	9107	Monday	10.1	-12%
Megachips Corp	Semiconductors & Semiconductor Equ	6875	Wednesday	9.6	-6%
Marvelous Inc	Software & Services	7844	Monday	9.4	-11%
Outsourcing Inc	Commercial & Professional Services	2427	Tuesday	8.9	17%
Septeni Holdings Co Ltd	Media	4293	Tuesday	8.7	14%
Anges Inc	Pharmaceuticals, Biotechnology & Life	4563	Monday	8.7	22%
Calbee Inc	Food Beverage & Tobacco	2229	Thursday	8.7	-1%
Wavelock Holdings Co Ltd	Materials	7940	Monday	8.7	110%
Istyle Inc	Software & Services	3660	Friday	8.6	6%
Colopl Inc	Software & Services	3668	Wednesday	8.3	-6%
Singapore Post Ltd	Transportation	S08	Friday	8.2	-4%
Oncolys Biopharma Inc	Pharmaceuticals, Biotechnology & Life	4588	Friday	8.2	-16%
Colowide Co Ltd	Consumer Services	7616	Friday	8.0	46%

Japan continues to be a fertile ground for Asian short sellers this earnings season. All but one of the most shorted firms in the region come from the land of the rising sun. This week's list is replete with tech, media and biotech names. These high flying sectors have attracted a disproportionate amount of shoring activity over the last few months, despite the fact that few of these names have paid off for short sellers so far.

The one non-Japanese firm seeing high short interest is Singapore Post, which has an all-time high of more than 8% of its shares out on loan. The Singaporean postal operator has had to contend with the fallout from its acquisition of US web portal Trade Global back in 2015, which has led some to question its corporate governance procedures. Tough operating conditions compounded Singapore Post's problems that culminated back in May, when the firm announced it was halving its dividend.



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