

Most shorted ahead of earnings

Friday, October 28th 2016

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

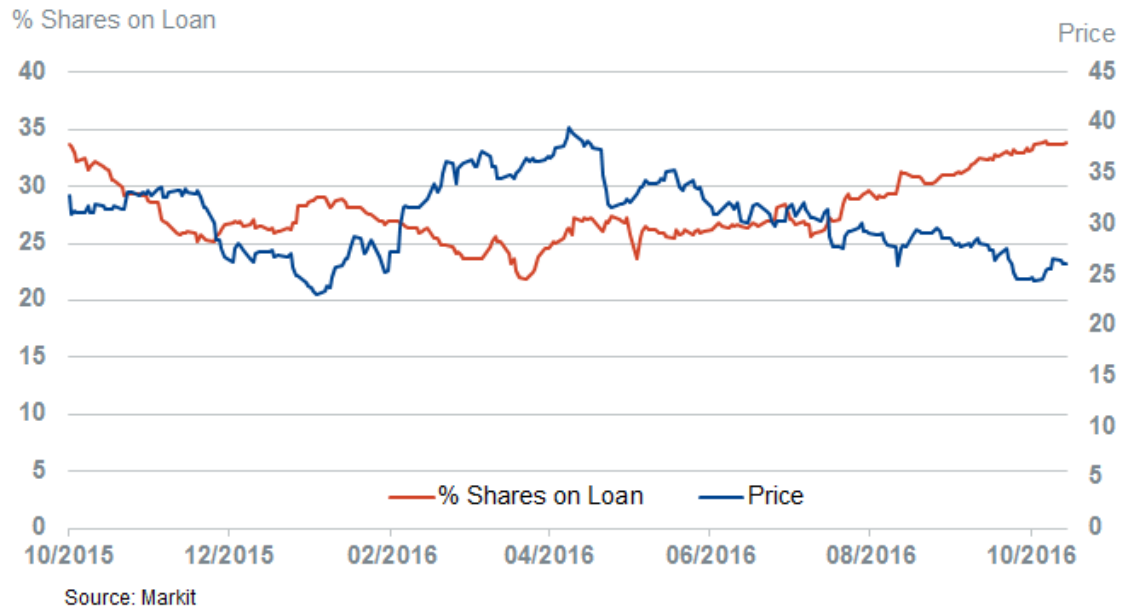
- Fitbit and GoPro on list of heavily shorted stocks ahead of earnings
- Short sellers rush to cover airline shorts after better than expected preliminary earnings
- Neo Solar sees large jump in short interest after challenging sales numbers

North America

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Home Capital Group Inc	Thriffs & Mortgage Finance	HCG	11/2/2016	33.8	4%
Lumber Liquidators Holdings Inc	Specialty Retail	LL	10/31/2016	32.4	-6%
California Resources Corp	Oil, Gas & Consumable Fuels	CRC	11/3/2016	32.1	-3%
Air Methods Corp	Health Care Providers & Services	AIRM	11/3/2016	31.9	4%
Heron Therapeutics Inc	Biotechnology	HRTX	11/4/2016	29.5	36%
Lgi Homes Inc	Household Durables	LGIH	11/2/2016	28.3	0%
Adeptus Health Inc	Health Care Providers & Services	ADPT	11/1/2016	27.8	-1%
Ligand Pharmaceuticals Inc	Biotechnology	LGND	11/3/2016	27.0	-8%
Synergy Resources Corp	Oil, Gas & Consumable Fuels	SYRG	11/3/2016	24.9	31%
Lannett Company Inc	Pharmaceuticals	LCI	11/3/2016	24.8	13%
Labrador Iron Ore Royalty Corp	Metals & Mining	LIF	11/4/2016	23.8	-12%
Amsurg Corp	Health Care Providers & Services	AMSG	11/1/2016	23.1	15%
Quebecor Inc	Media	QBR.B	11/3/2016	22.4	-24%
Keryx Biopharmaceuticals Inc	Biotechnology	KERX	11/2/2016	22.4	-3%
Frontier Communications Corp	Diversified Telecommunication Services	FTR	11/1/2016	22.3	2%
Endologix Inc	Health Care Equipment & Supplies	ELGX	11/1/2016	22.2	-5%
Diplomat Pharmacy Inc	Health Care Providers & Services	DPLO	11/2/2016	21.8	17%
United States Steel Corp	Metals & Mining	X	11/1/2016	21.2	24%
Bluebird Bio Inc	Biotechnology	BLUE	11/2/2016	21.1	0%
Ebix Inc	Software	EBIX	11/4/2016	21.0	2%
Fitbit Inc	Electronic Equipment, Instruments & CFIT	FIT	11/2/2016	20.7	8%
Flotek Industries Inc	Chemicals	FTK	11/2/2016	20.7	-4%
GoPro Inc	Household Durables	GPRO	11/3/2016	20.4	2%

Canadian mortgage lender Home Capital Group is the most shorted company announcing earnings this week with 33.8% of the company's shares out on loan. Home Capital and its Canadian mortgage peers have been popular short plays in recent months as investors look to express a view on the Canadian housing market. Home Capital's short interest has also been stoked following [revelations](#) that some of its third party brokers falsified borrower income in origination documents.

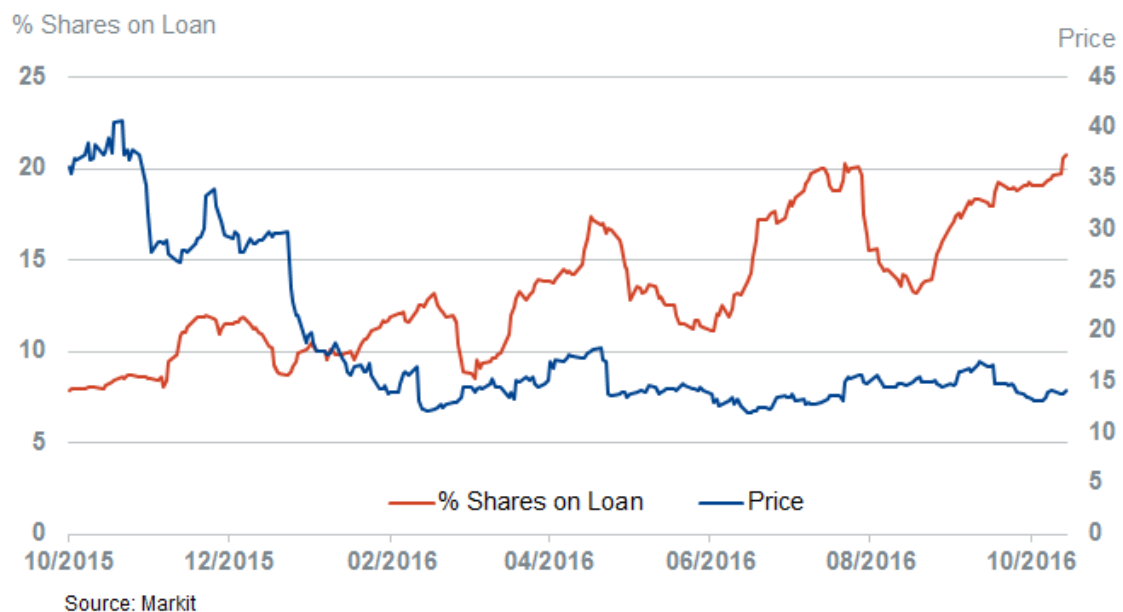
Home Capital Group Inc



The second most shorted company announcing earnings in North America this week, Lumber Liquidator, is also no stranger to scandal as it [faced charges](#) of excessive formaldehyde in some of its laminate flooring. Lumber Liquidator's shares have been in short seller's crosshairs ever since as the fallout from the scandal hit footfall in its stores.

Wearables are another key focus for short sellers this week with both GoPro and Fitbit making the most shorted ahead of earnings list with 20% of each firm's shares now out on loan. Current shorting activity in both stocks stands at an all-time high after a string of disappointing earnings and product releases took the shine off these once high flying shares.

Fitbit Inc



One firm seeing a large increase in short interest in the run-up to earnings is United States Steel whose demand to borrow has increased by a quarter in the last four weeks. The large tariffs imposed on imported Chinese steel had sent US Steel shares up sharply from the lows set in February which in turn saw short sellers cover nearly two thirds of their position. Spot steel prices have started to [fall](#) from their post tariff highs and short sellers have returned to both US Steel and its steel producing peers.

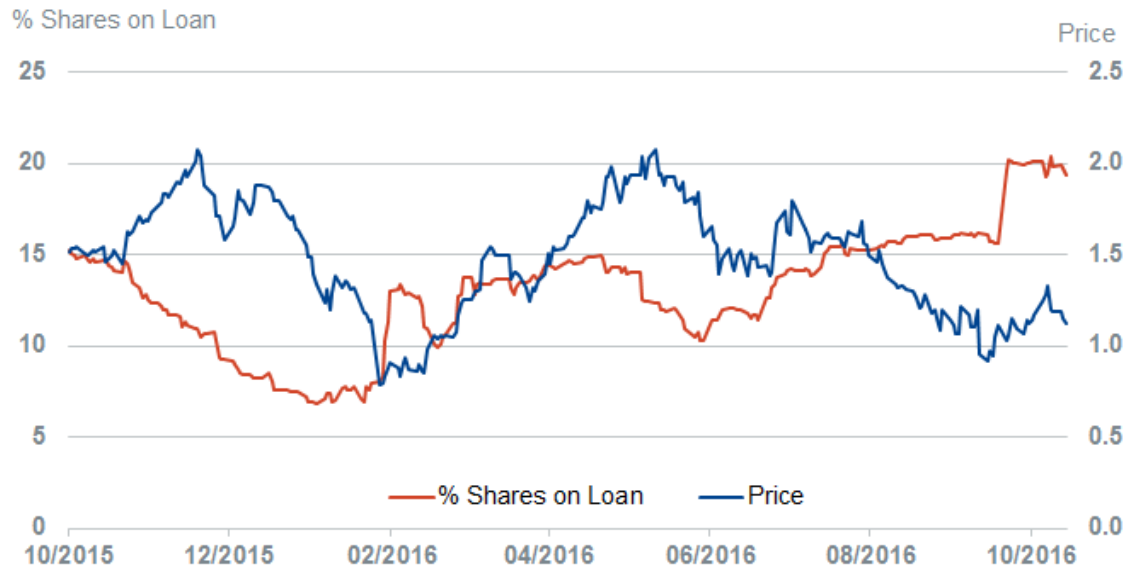
This increased bearish sentiment towards steel firms has yet to be rewarded however as AK Steel short sellers were caught out last week when the company announced some better than expected earnings which sent its shares up sharply.

Europe

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Rec Silicon Asa	Semiconductors & Semiconductor Equ	REC	11/2/2016	19.3	23%
Deutsche Lufthansa Ag	Airlines	LHA	11/2/2016	12.6	-24%
Telecom Italia Spa	Diversified Telecommunication Services	TIT	11/4/2016	12.4	35%
Air France Klm Sa	Airlines	AF	11/3/2016	11.0	-10%
Banco Comercial Portugues Sa	Banks	BCP	10/31/2016	9.4	14%
Marine Harvest Asa	Food Products	MHG	11/2/2016	9.1	13%
Dufry Ag	Specialty Retail	DUFN	11/3/2016	8.9	-8%
Fraport Frankfurt Airport Services	Transportation Infrastructure	FRA	11/3/2016	8.8	6%
Lancashire Holdings Ltd	Insurance	LRE	11/3/2016	8.3	7%
Compagnie Financiere Richemont	Textiles, Apparel & Luxury Goods	CFR	11/4/2016	8.0	-8%
Metsa Board Oyj	Paper & Forest Products	METSB	11/2/2016	7.4	7%
Commerzbank Ag	Banks	CBK	11/4/2016	7.3	40%
Ubisoft Entertainment Sa	Software	UBI	11/3/2016	6.5	-13%
Rib Software Ag	Software	RIB	10/31/2016	6.0	32%

Norwegian silicon manufacturer Sec Silicon is the most shorted European stock announcing results this week as 19.3% of its shares are now out on loan. Rec downplayed expectations for the coming quarter last month when it [announced](#) that its third quarter polysilicon sales will not meet guidance due to ongoing issues in the photovoltaic market. This announcement saw short sellers pounce on the firm as demand to borrow its shares has surged by 23% in the last four weeks to the highest level in over three years.

Rec Silicon Asa



Source: Markit

Another firm seeing short interest hover at multi year highs is luxury conglomerate Richemont which has 8% of its shares shorted following a sustained downturn in the demand for luxury watches. The current demand to borrow Richemont shares is four times the level seen at the same time last year.

Short sentiment in European legacy airlines has gone the other way in the last four weeks with short sellers rushing to cover positions in Lufthansa over the last four weeks as the firm posted better than expected preliminary results which sent its shares up sharply. Fellow legacy carrier Air France has also seen a wave of short covering with demand to borrow its shares falling by a tenth in the last month.

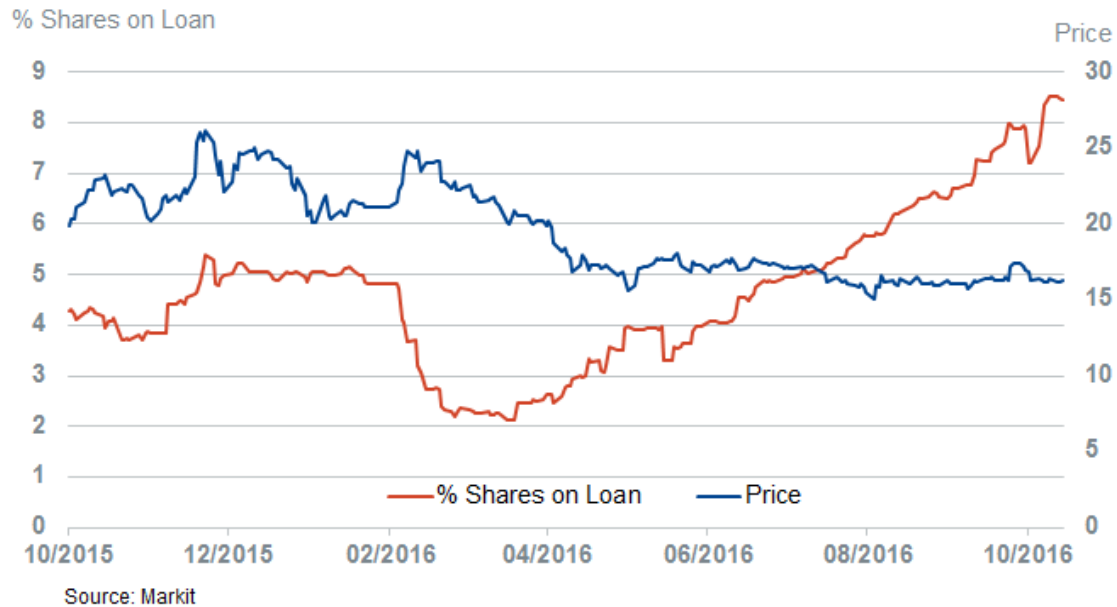
Asia

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Marvelous Inc	Software	7844	10/31/2016	13.7	0%
Kawasaki Kisen Kaisha Ltd	Marine	9107	10/31/2016	13.5	4%
Mitsumi Electric Co Ltd	Electronic Equipment, Instruments & C	6767	11/2/2016	10.9	-41%
Istyle Inc	Internet Software & Services	3660	11/2/2016	10.1	-7%
Cosmax Inc	Personal Products	192820	10/31/2016	9.9	81%
Advanced Wireless Semiconducto	Semiconductors & Semiconductor Equ	8086	10/31/2016	9.4	-5%
Hanatour Service Inc	Hotels, Restaurants & Leisure	039130	11/2/2016	9.0	2%
Casio Computer Co Ltd	Household Durables	6952	11/2/2016	8.7	-24%
Neo Solar Power Corp	Semiconductors & Semiconductor Equ	3576	11/2/2016	8.4	13%
Adways Inc	Media	2489	11/4/2016	8.4	-14%
Umn Pharma Inc	Biotechnology	4585	10/31/2016	8.4	-1%
Osaka Titanium Technologies Co I	Metals & Mining	5726	10/31/2016	7.9	2%
Calbee Inc	Food Products	2229	11/2/2016	7.9	-3%
Tokai Holdings Corp	Industrial Conglomerates	3167	10/31/2016	7.9	3%
Sun Corp	Leisure Products	6736	11/4/2016	7.8	33%
Nippon Ceramic Co Ltd	Electronic Equipment, Instruments & C	6929	11/4/2016	7.5	-6%
Paradise Co Ltd	Hotels, Restaurants & Leisure	034230	11/1/2016	7.5	39%
Nippon Paper Industries Co Ltd	Paper & Forest Products	3863	11/2/2016	7.3	3%
Yamada Denki Co Ltd	Specialty Retail	9831	11/4/2016	7.2	5%
Orica Ltd	Chemicals	ORI	11/4/2016	7.1	-2%
Okuma Corp	Machinery	6103	10/31/2016	7.0	-22%

Japanese video game developer Marvelous leads the heavily shorted Asian stocks announcing earnings this week with 13.7% of shares out on loan. Marvelous shares have more than halved in the last 18 months as the firm posted declining revenue figures. Short sellers aren't showing any signs of backing down as over 80% of the Marvelous shares that currently sit in lending programs have already been spoken for.

The tough market for photovoltaic, which energised European short sellers, is also driving bearish sentiment in Asia solar panel manufacturer Neo Solar also make the list of heavily shorted stocks ahead of earnings with 8.4% of the firm's shares now out on loan. Neo reported a larger than expected loss in its last set of earnings and analysts aren't forecasting the firm to return to profitability anytime soon as the firm's sales [more than halved](#) in August.

Neo Solar Power Corp



The sole Australian firm making this week's most shored ahead of earnings list is Orica which has 7% of its shares out on loan to short sellers. Demand to borrow Orica shares is down significantly over the last few months as the stabilisation in commodities prices has lifted its shares from the previous multi year lows.

Contacts:

Simon Colvin

Analyst

+44 20 7260 7614

Simon.colvin@ihsmarkit.com

For further information, please visit www.ihsmarkit.com

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