

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.

- Continuing from a trend we observed last week, small scale producers firms make up the majority of the top 20 shorted companies announcing earnings
- FLSmith is the most shorted company ahead of earnings in Europe
- Tech firms continue dominate the sectors seeing high short interest ahead of earnings

North America

The third quarter earnings season continues next week, and we see 21 firms with more than 21% of shares out on loan prior to announcing earnings next week.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Swift Energy Co	Oil, Gas & Consumable Fuels	SFY	06/11/2014	45.5	10%
Myriad Genetics Inc	Biotechnology	MYGN	04/11/2014	37.4	3%
Approach Resources Inc	Oil, Gas & Consumable Fuels	AREX	05/11/2014	32.8	15%
Allied Nevada Gold Corp	Metals & Mining	ANV	03/11/2014	31.7	-1%
Zoe'S Kitchen Inc	Hotels, Restaurants & Leisure	ZOES	04/11/2014	31.1	18%
Quebecor Inc	Media	QBR.B	06/11/2014	26.3	-2%
Encore Capital Group Inc	Consumer Finance	CEPG	06/11/2014	27.0	-8%
Rubicon Technology Inc	Semiconductors & Semiconductor Equ	RBCN	06/11/2014	27.2	15%
Keryx Biopharmaceuticals Inc	Biotechnology	KERX	06/11/2014	25.0	-10%
Textura Corp	Internet Software & Services	TXTR	05/11/2014	27.0	-5%
Ebix Inc	Software	EBIX	07/11/2014	25.4	4%
Pdl Biopharma Inc	Biotechnology	PDLI	06/11/2014	23.2	11%
Emerald Oil Inc	Oil, Gas & Consumable Fuels	EOX	03/11/2014	23.4	10%
Northern Oil And Gas Inc	Oil, Gas & Consumable Fuels	NOG	06/11/2014	21.3	8%
Goodrich Petroleum Corp	Oil, Gas & Consumable Fuels	GDP	04/11/2014	22.4	3%
Vvius Inc	Pharmaceuticals	VVUS	05/11/2014	21.1	-9%
Air Methods Corp	Health Care Providers & Services	AIRM	06/11/2014	22.1	8%
Cellidex Therapeutics Inc	Biotechnology	CLDX	07/11/2014	21.1	-3%
Energy Xxi (Bermuda) Ltd	Oil, Gas & Consumable Fuels	EXXI	06/11/2014	21.6	22%
Exelixis Inc	Biotechnology	EXEL	04/11/2014	21.5	-11%
Generac Holdings Inc	Electrical Equipment	GNRC	06/11/2014	21.0	-7%

Most shorted ahead of earnings this week in is oil and gas producer Swift Energy. The company has 45% of shares outstanding on loan. Swift is joined in the podium of the most shorted firms by Approach Resources, another oil and gas producer whose share price is down 48% this year to date and currently has 32% of shares are out on loan.

Swift Energy Co



Both firms reported solid production growth in the second quarter with increased volumes, however the circa 25% decline in oil price and cost pressures for smaller producers has come under increasing investor scrutiny.

Joining the firms from the oil and gas sector with more than 20% of shares out on loan short is Emerald Oil, Northern, Oil, Goodrich Petroleum and Energy Xxi (Bermuda).

Biotech firm Myriad Genetics, whose shares are up 75% so far this year, is the second most shorted stock ahead of earnings with 37% of shares out on loan. This represents a decrease from 46% at the beginning of the year, as the company has proven to be an expensive short in the last few months.

Myriad Genetics Inc



Allied Nevada Gold, a gold mining site explorer and developer, has seen its share price fall 62% this year, half of which was seen last week. According to the SEC, the firm has fallen victim to a fraudulent takeover

bid with the perpetrator thought to have fled to China. Shorts look to have familiar with the recent ruling as the current short interest represents nearly the entirety of what can be borrowed from lending programs.

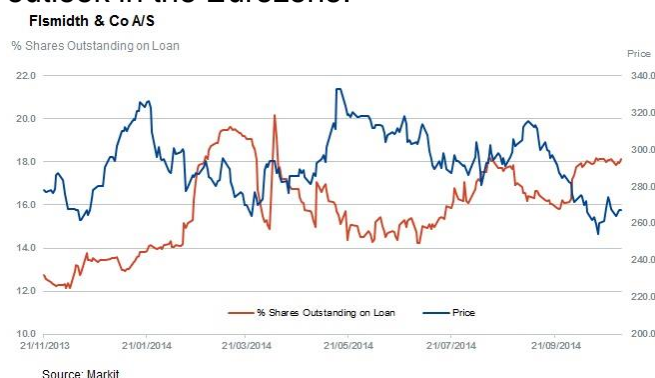
Finally casual Mediterranean restaurant chain Zoe's Kitchen has attracted increasing short interest since its April IPO. Currently there are 31% of shares out on loan while the share price is up 35% since listing.

Europe

This week ahead of earnings in Europe, 14 firms have over 7% of shares out on loan with an overall average of 11%.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Flsmidth & Co A/S	Construction & Engineering	FLS	07/11/2014	18.2	2%
Tag Immobilien Ag	Real Estate Management & Developm	TEG	06/11/2014	14.4	-19%
Telecom Italia Spa	Diversified Telecommunication Service	TIT	06/11/2014	14.4	6%
Aperam Sa	Metals & Mining	APAM	06/11/2014	13.5	2%
Yoox Spa	Internet & Catalog Retail	YOOX	05/11/2014	12.7	12%
Nexans Sa	Electrical Equipment	NEX	05/11/2014	10.9	66%
Melia Hotels International Sa	Hotels, Restaurants & Leisure	MEL	07/11/2014	10.7	-4%
Cgg Sa	Energy Equipment & Services	CGG	06/11/2014	10.4	-19%
Oriflame Cosmetics Sdr	Personal Products	ORI SDE	04/11/2014	10.3	13%
Sma Solar Technology Ag	Semiconductors & Semiconductor Eq	S92	06/11/2014	9.0	4%
Kuka Ag	Machinery	KU2	05/11/2014	8.6	11%
Dufry Ag	Specialty Retail	DUFN	03/11/2014	7.9	20%
Akastor Asa	Energy Equipment & Services	AKA	06/11/2014	7.9	89%
Rheinmetall Ag	Industrial Conglomerates	RHM	06/11/2014	7.3	27%

FLSmidth holds the top spot with 18% of shares out loan. The company supplies minerals and cement industries with “everything” and its share price is moderately down by 6% this year to date. This no doubts reflect the uncertainty around economic outlook in the Eurozone.



CGG Sa, a manufacturer and provider of geophysical equipment for onshore and offshore oil and gas clients has 10% of its shares out on loan. This has proven to be another successful short as its shares are down sharply year to date.

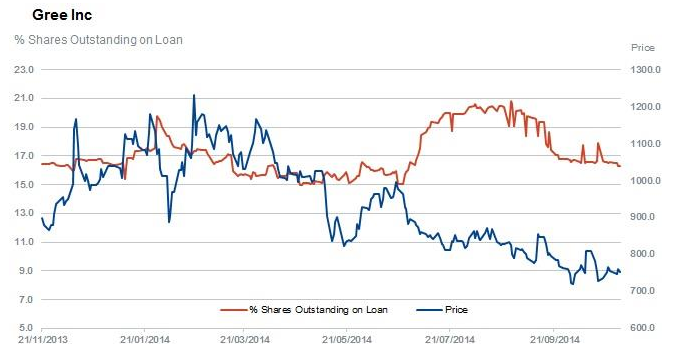
Another notable short ahead of earnings in Europe is Telecom Italia with 14% of shares outstanding on loan. The share price is flat so far this year, but is up 25% over 12 months. The heavy demand to borrow comes as Telecom Italia comes up against its effort to consolidate its Brazilian business, which represents about a third of TIT's, revenue and recently suffered a setback when it lost out to Spanish rival Telefonica on a bid for Brazilian broadband telecoms and TV firm GVT.



Asia

In Asia, last week's heavy presence of tech companies among the most shorted firms continues with ten of the 13 firms with heavy short interest coming from the sector. The non tech names reporting earnings this week also have a heavy exposure to the sector, as two of the three remaining firms are electronics retailers.

Name	Industry	Ticker	Earnings Date	% Shares Outstanding On Loan	1 Month % Change
Yamada Denki Co Ltd	Specialty Retail	9831	11/6/2014	25.9	12%
Gree Inc	Internet Software & Services	3632	11/7/2014	16.3	-3%
Dena Co Ltd	Internet Software & Services	2432	11/7/2014	14.4	-8%
Sumco Corp	Semiconductors & Semiconductor Equ	3436	11/7/2014	12.4	2%
Nikon Corp	Household Durables	7731	11/6/2014	11.3	-10%
Edion Corp	Specialty Retail	2730	11/7/2014	9.9	23%
Gigastorage Corp	Technology Hardware, Storage & Perip	2406	11/6/2014	9.1	2%
Motech Industries Inc	Semiconductors & Semiconductor Equ	6244	11/6/2014	9.1	1%
Swcc Showa Holdings Co Ltd	Electrical Equipment	5805	11/7/2014	8.0	8%
Tai Tung Communication Co Ltd	Communications Equipment	8011	11/6/2014	7.7	1%
Japan Steel Works Ltd	Machinery	5631	11/4/2014	7.6	-3%
Crooz Inc	Internet Software & Services	2138	11/7/2014	7.4	-5%
Aac Technologies Holdings Inc	Electronic Equipment, Instruments & C2018		11/7/2014	7.0	-4%



Source: Markit

The title of the most shorted Asian company announcing earnings this week goes to white goods retailer Yamada Denki which has just under 26% of shares out on loan. Yamada’s short interest has climbed to new recent highs in the last few months as Japanese consumers cut back on spending in a wake of a sales tax hike. This trend is reflected in Yamada’s results as the company saw its last quarterly revenues fall by over a fifth in the wake of the tax hike. The story is also reflected in Edion, which has just under 10% of shares out on loan ahead of its earnings announcement.



Source: Markit

In the tech space, social media firms Gree and Dena continue to make popular shorts as analysts brace themselves for another year of falling revenue.

Semiconductor wafer manufacturer Sumco rounds out the top five, with 12.4% of the firms shares out on loan. Short interest in the Nikkei 225 constituent has jumped six folds since the start of the year as the firm’s shares have doubled.

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