

Short sellers target gun makers

After missing sales targets in their latest quarterly revenue forecasts, both US listed gun makers have seen a revival in short selling activity.

- Short interest in Sturm Ruger is up by a quarter since its last results
- Smith and Wesson has also seen shorts circle as its shares fell by a quarter
- Shorts doubled their positions in Taser after the shares rallied following the Ferguson unrest

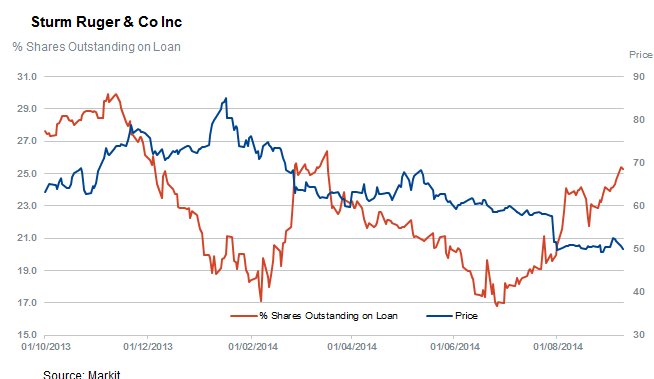
American have stocked up on firearms over the last year amid fears of possible restrictions. However, appetite for firearms seems to have receded if the latest results update from the country's two main listed gun makers are anything to go by.

The combination of market saturation and Barack Obama's inaction on gun control have contributed to Smith & Wesson having reported a 67% fall in demand for long guns, which gun enthusiasts had been the most eager to stock up on.

This recent brace of poor results has seen short sellers return to the sector in earnest after a tough 2013.

Shorts prefer Sturm

Out of the two main listed gunmakers, Sturm Ruger is the firm seeing the largest amount of short interest owing to the fact it has a greater proportion of its shares out on loan. Short sellers currently have borrowed just over a quarter of the company's shares which represents a new six month high, in the wake of its disappointing second quarter earnings announcement.

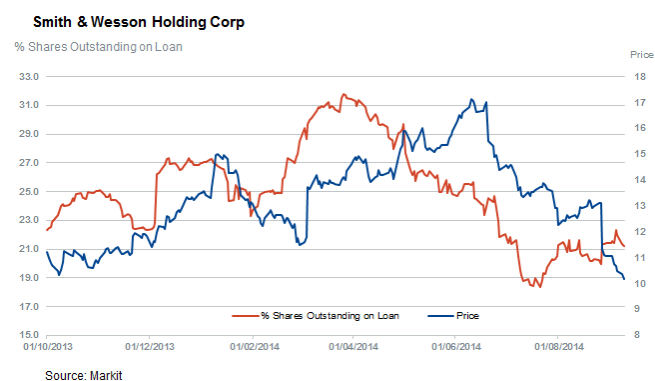


This recent high in demand to borrow comes despite the fact that RGR shares are down by a third year to date.

Looking ahead, short sellers will no doubt feel emboldened by the fact that analysts are not expecting for the firm to post an increase in year on year sales until the second quarter of next year, at which point sales will have fallen by 15% from 2013's bumper year.

Smith & Wesson also targeted

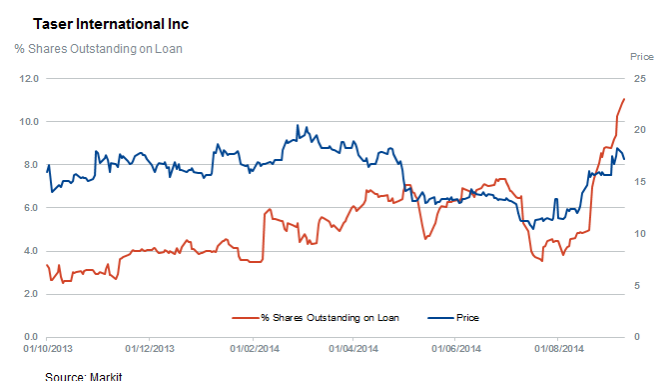
Smith & Wesson has also seen a surge in shorting activity after missing its revenue forecast two weeks ago. While shorts have not been as enthusiastic in borrowing the shares, cash investors have been less forgiving as the share price has fallen by a quarter since results. This is twice the fall seen in Sturm Ruger shares.



Taser also targeted

Another interesting development has been a surge in shorting activity in Taser shares following the 40% share price increase over in the last month. This price rise was driven by expectations that demand for Taser's Evidence.com video and evidence capture service would increase after recent unrest stemming from a spate of controversial police shootings. Analysts remain to be convinced, as the forecasted revenue figure for fiscal 2015 has stayed flat in the last few weeks.

Short interest has more than doubled in the last two weeks to 11%, its highest level in over three years.



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