

Shorts cover ahead of vote, avoid squeeze

A review of how short positions have changed ahead of the UK's referendum vote this week. The tight vote sees short sellers unwilling to take a clear path as the market rally sees continued covering as uncertainty climaxes ahead of the vote.

- Rally sees shorts cover since February, clouding names possibly targeted for Brexit/remain
- Miners lead covering, while Costa Coffee parent sees significant short interest in past weeks
- 30% of positions covered in UK new home builder Berkeley

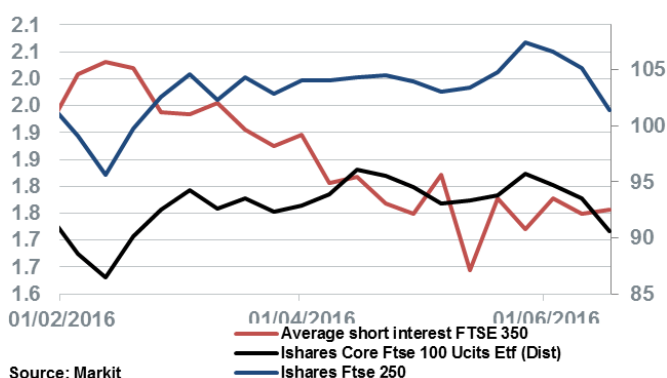
Finding referendum shorts

Polls are **split** on the UK's referendum outcome this week and while bookies now have the Remain campaign in **the lead**, short sellers have continued to cover positions on average.

Developing **trading strategies** based on the binary outcome to the UK's referendum vote this week, has proven easier than distilling down the ultimate views of short sellers across the UK's largest 350 stocks.

Average short interest

% of Shares Out on Loan



However, since February 20th, the date on which the referendum was first announced (June 23rd), average short interest across the FTSE 350 has declined by 13% with the FTSE 100 and 250 rallying some 6.6 and 7.6% respectively reaching highs in mid-April and early May.

Subsequently, the indices have lost ground erasing almost all of these gains. However, news on June 20th regarding new found Remain momentum, has seen the FTSE 100 rally, looking set to post its largest **one day gain** in almost four years.

These elevated levels of price volatility coupled with uncertainty could explain the reluctance from short sellers to take clear positions on the upcoming vote. This has seen substantial covering across heavily shorted and targeted names in the past few months with commodity miners seen leading the retreat. In total over \$17bn in short positions have been covered since February.

Name	Ticker	% Shares Outstanding On Loan	% Change since 19 Feb 2016	Value covered/shorted since 19 Feb 2016
Anglo American Plc	AAL	5.0	-71%	(894,531,200)
Glencore Plc	GLEN	3.9	-52%	(887,548,544)
Astrazeneca Plc	AZN	0.6	-65%	(826,878,304)
Tesco Plc	TSCO	4.9	-27%	(588,291,136)
J Sainsbury Plc	SBRY	16.0	-28%	(619,636,864)
Shire Plc	SHP	1.3	11%	302,090,304
Arm Holdings Plc	ARM	4.0	69%	341,342,080
Vodafone Group Plc	VOD	1.0	89%	382,812,640
Whitbread Plc	WTB	4.9	316%	373,050,944
Rexam Plc	REX	8.1	1993%	505,768,962
Source: Markit				(1,911,821,118)

Shorts have covered over \$1.7bn in Anglo American and Glencore as both stocks have recovered on higher commodity prices. Short sellers covered 71% and 53% of positions in Anglo and Glencore respectively.

Anglo American Plc



While UK beverage can maker **Rexam** leads in terms of new short positions by value with \$500m in new short positions and short interest of 8.1%. This is due to recent EU approval of the company's **merger with Ball Corporation**.

Berkeley Group Holdings Plc



After **returning** to UK new homebuilder Berkeley Group, short sellers have covered close to 30% of positions ahead of the referendum with short interest declining to 4.6%. Shorts have meanwhile held positions steady in Capital and County, with 6.2% of shares outstanding on loan.

Rising shorts

Costa coffee and Premier Inns owner Whitbread has seen short sellers increase positions by \$372m in the stock with short interest just shy of 5% currently. Whitbread is one the most **targeted stocks** and has been

since the referendum was confirmed with short interest surging since February.

Whitbread Plc



However, ahead of the referendum online retailer Ocado takes the lead as the most shorted stock across the FTSE 350. With 19.6% of shares outstanding on loan at Ocado, Carillion has slid from the top spot with short interest of 19.3% as short sellers trim positions.

Ocado Group Plc



Interestingly, while Ocado had been targeted since **'losing out'** to Morrisons with an Amazon food partnership, Morrisons and peer Sainsbury's do not trail far behind among the top five most shorted stocks in the UK ahead of the referendum.

Markit Equities Commentary

Top 10 Most Shorted FTSE 350 (17 June 16)

Name	Ticker	Sector	Short Interest	Change over Month	Quantity on loan (m)
Ocado Group Plc	OCDO	Retailing	19.6	6%	117
Carillion Plc	CLLN	Capital Goods	19.3	-5%	83
Wm Morrison Supermarkets Plc	MRW	Food & Staples Retailing	18.5	-2%	432
J Sainsbury Plc	SBRY	Food & Staples Retailing	16.0	5%	308
Mitie Group Plc	MTO	Commercial & Professional Services	9.3	-20%	33
Aggreko Plc	AGK	Commercial & Professional Services	9.2	-4%	24
Melrose Industries Plc	MRO	Capital Goods	9.2	-12%	13
Tullow Oil Plc	TLW	Energy	9.1	-6%	83
Hansteen Holdings Plc	HSTN	Real Estate	8.7	9%	64
Drax Group Plc	DRX	Utilities	8.4	-1%	34

To receive more information on **Securities Finance, Research Signals, Exchange Traded Products, Dividend Forecasting** or our Short Squeeze model please **contact us**

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