

# Shorts' covering continues as US equities surge

The rally seen in US stocks from lows in February has not been felt evenly across large and mid-cap companies; these uneven effects have also been mirrored in shorting activity.

- Shorts cover a quarter of positions across the largest 200 US firms by market cap
- Midcap stocks see short sellers hold on despite their recent outperformance
- Demand to short Tesla at a three year high as Under Armour short interest approaches all-time high

## Shorts cover 10% of mid-rift

US equities have continued to rally after briefly touching recent lows in February. According to the performance of the iShares Russel Mid Cap ETF and the iShares Russel Top 200 ETF, midcap and large cap stocks have rallied by 21% and 14% respectively from their yearly lows.

### iShares Russell Top 200 ETF



Despite midcap stocks outperforming, short sellers have covered more than twice the percentage of positions across large cap names.

Average short interest of the constituents of the iShares Russel Top 200 has declined by 25% from 1.7% to 1.3% as of latest count. Meanwhile average short interest of the relatively high constituents of the iShares Russel Mid Cap ETF (the next 800 largest companies by market cap) has declined by relatively less, falling 11%, from 4.6% to 4.1%.

### iShares Russell Mid Cap ETF



Perhaps short sellers (on average) expect that large caps have more to run in order to 'catch up' to the performance of midcaps or alternatively that the midcaps have scope to moderate lower. A few key names however, have continued to see strong short demand and high levels of shorting activity.

### Tesla Motors Inc



The most shorted firm across the iShares Russel Top 200 ETF, which consists of the

largest 200 companies in the US, is Tesla Motors, which has in fact seen short sellers cover positions.

After reaching a **record high level** of short interest in March, shorts have covered 7% of Tesla positions year to date. The company is currently battling reactions to the first **self-driving car death**, and the firm has also come under scrutiny around the potential **acquisition** of SolarCity. Additionally, demand to short Tesla stock, as gauged by the benchmark fee or cost to borrow has surged to a three year high.

### Under Armour Inc



The ‘most shorted’ stock across the midcaps currently is ‘athleisure’ clothing retailer Under Armour with 28.1% short interest which has surged higher by almost double since the beginning of April. Short interest has risen and shares have plummeted on **slower growth concerns**.

Top ten most shorted

iShares Russell Mid-Cap ETF (13 July 16)

Name	Ticker	Short Interest	Change YTD	Quantity on loan (m)	Price chg YTD
Under Armour Inc	UA	28.1	113%	61	-49%
Intercept Pharmaceuticals Inc	ICPT	22.4	115%	6	-3%
Helmerich And Payne Inc	HP	22.3	8%	24	28%
Marriott International Inc	MAR	21.7	135%	55	5%
Tempur Sealy International Inc	TPX	20.9	1014%	13	-18%
Cypress Semiconductor Corp	CY	20.5	36%	64	11%
Carmax Inc	KMX	20.0	73%	38	1%
Acadia Pharmaceuticals Inc	ACAD	19.8	61%	22	-8%
Nordstrom Inc	JWN	19.7	223%	34	-17%
J C Penney Company Inc	JCP	19.6	-30%	60	27%

Source: Markit

iShares Russell Top 200 ETF (13 July 16)

Name	Ticker	Short Interest	Change YTD	Quantity on loan (m)	Price chg YTD
Tesla Motors Inc	TSLA	20.4	-7%	30	-7%
Visa Inc	V	8.1	-16%	194	0%
Deere & Co	DE	7.9	-13%	25	9%
Caterpillar Inc	CAT	7.8	4%	45	17%
Boeing Co	BA	5.0	107%	32	-10%
Target Corp	TGT	4.5	18%	27	1%
Netflix Inc	NFLX	4.4	-6%	19	-16%
Vmware Inc	VMW	4.2	36%	18	8%
Spectra Energy Corp	SE	4.1	-19%	28	54%
Thomson Reuters Corp	TRI	3.9	2%	30	5%

Source: Markit

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### Relte Stephen Schutte

Analyst  
 Markit  
 Tel: +44 207 064 6447  
 Email: [relte.schutte@markit.com](mailto:relte.schutte@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

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