

Most shorted ahead of earnings

Wednesday, September 13th 2017

We reveal how short sellers are positioning themselves in companies announcing earnings this week

- Untied Natural foods targeted by shorts since the Whole Food acquisition
- Morrison short sellers head for the door after a series of good results
- Short sellers double down on Syrah Resources ahead of earnings

North America

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Cracker Barrel Old Country Store	Hotels, Restaurants & Leisure	CBRL	Wednesday	19.2	-3%
United Natural Foods Inc	Food & Staples Retailing	UNFI	Wednesday	13.2	-11%
Liberty Health Sciences Inc	Software	LHS	Thursday	11.9	-53%
Layne Christensen Co	Construction & Engineering	LAYN	Monday	6.9	29%
Park City Group Inc	Software	PCYG	Wednesday	6.8	-3%
Student Transportation Inc	Road & Rail	STB	Thursday	6.7	-4%

The most shorted company announcing earnings is restaurant firm Cracker Barrel which has just under a fifth of its shares out on loan. Cracker Barrel shares disproportionately benefited from the post-election rally, but short sellers stayed the course and demand to borrow its shares climbed in the subsequent months.

Cracker Barrel Old Country Store Inc



Source: IHS Markit

This willingness to double down is now starting to reward short sellers – Cracker Barrel shares started to give back much of their recent gains after some disappointing trading updates.

Short sellers will also be keeping a close eye on United Natural Foods which also reports on Wednesday. Demand to short the company’s shares surged in the last few months as short sellers ponder the fallout of Amazon buying Whole Foods.

This strategy was largely vindicated in the last few weeks; Untied Natural shares fell heavily on news that Amazon was aggressively cutting prices in its newly acquired division.

Europe

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Wm Morrison Supermarkets Plc	Food & Staples Retailing	MRW	Thursday	11.9	-9%
Newron Pharmaceuticals Spa	Pharmaceuticals	NWRN	Thursday	6.5	-1%
Next Plc	Multiline Retail	NXT	Thursday	5.8	-17%
J D Wetherspoon Plc	Hotels, Restaurants & Leisure	JDW	Friday	5.2	-10%
Gerry Weber International Ag	Textiles, Apparel & Luxury Goods	GW11	Thursday	4.4	1%
Dunelm Group Plc	Specialty Retail	DNLM	Wednesday	3.7	0%

The high conviction short among firms in Europe is Wm Morrison Supermarkets. Morrison’s current shorting activity represents a large improvement in investor sentiment – demand to borrow its shares was nearly twice that level 12 months ago. Falling short interest can be attributed to Wm Morrison’s string of better than expected earnings, which have propelled its shares to the highest level in more than three years.

Wm Morrison Supermarkets Plc



Source: IHS Markit

Fellow UK firms Next and J D Wetherspoon make up two of the three other European shares with more than 5% of their shares out on loan ahead of earnings this week.

Asia

Name	Industry	Ticker	Report Day	% Shares Outstanding On Loan	1 Month % Change
Syrah Resources Ltd	Metals & Mining	SYR	Wednesday	17.0	10%
Gumi Inc	Software	3903	Monday	15.4	46%
Myer Holdings Ltd	Multiline Retail	MYR	Thursday	14.6	-8%
Ardepro Co Ltd	Real Estate Management & Development	8925	Thursday	11.4	-3%
Enigmo Inc	Internet Software & Services	3665	Wednesday	6.2	-5%
Torikizoku Co Ltd	Hotels, Restaurants & Leisure	3193	Wednesday	4.8	-32%
Seobu T&D Co Ltd	Specialty Retail	006730	Tuesday	4.1	54%

Graphite miner Syrah sees the most demand to borrow. Short sellers first started to target the firm after a delay in its Balama project sent shares crashing down. Syrah shares rallied in the last few weeks after it announced some progress on the Mozambique-based project – however, short sellers still remain sceptical and demand to borrow its shares increased to a new all-time high.

Syrah Resources Ltd



Source: IHS Markit

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