

28/01/2012

European oil and steel firms shorted ahead of earnings

European companies are in the midst of reporting their earnings. Results so far have been as mixed in Europe as the other side of the Atlantic. Buffeted by the ever present sovereign credit risk and the looming prospects of a double dip recession consumer spending has remained anemic, stifling growth. European bellwethers Siemens and Ericsson both reported lower than expected earnings and revenue forecasts, whilst Nokia managed to beat analyst expectations on stronger than expected handset demand. In the midst of such a contentious earnings season, we look to see which companies are being targeted by short sellers ahead of earnings.

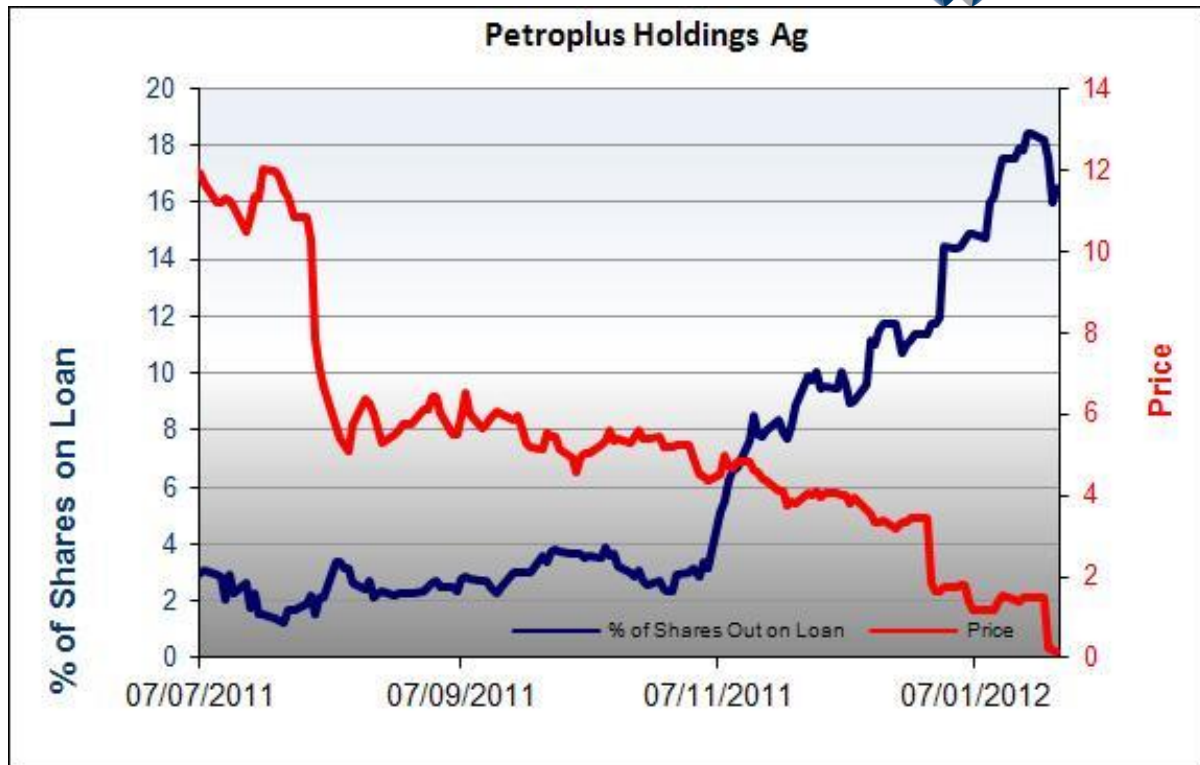
High Short Interest

The Table below highlights the shares with upcoming earnings which have a high short interest as measured by having a current short interest higher than the Stoxx 600 average which stands at 2.5% of shares outstanding.

Share with Higher Than Average Short Interest With Upcoming Earnings				
	Ticker	Industry	Short Interest as % of Shares	1 Month Change
Petroplus Holdings Ag	PPHN	Oil, Gas and Consumable Fuels	17.57	21%
Core Laboratories Nv	CLB	Energy Equipment and Services	12.09	9%
Konecranes Abp	KCR1V	Machinery	10.21	45%
Ocado Group Plc	OCDO	Internet and Catalog Retail	10.12	7%
Fiat Spa	F	Automobiles	9.79	-12%
Outokumpu Oyj	OUT1V	Metals and Mining	9.68	-1%
Autoliv Inc	ALV	Auto Components	9.24	-2%
Ab Electrolux	ELUX B	Household Durables	6.44	-5%
Atlas Copco Ab	ATCO A	Machinery	6.28	3%
Rautaruukki Oyj	RTRKS	Metals and Mining	5.97	-1%
Infineon Technologies Ag	IFX	Semiconductors and Semiconductor Equipment	5.08	28%
Unibail Rodamco Se	UL	Real Estate Investment Trusts (REITs)	5.03	13%
Fiat Industrial Spa	FI	Machinery	3.86	-21%
Holmen Ab	HOLM B	Paper and Forest Products	3.78	-23%
Qiagen Nv	QGEN	Life Sciences Tools and Services	3.70	19%
Yit Oyj	YTY1V	Construction and Engineering	3.54	-18%
Alkermes Plc	ALKS	Biotechnology	3.54	-2%
Ncc Ab	NCC B	Construction and Engineering	2.88	-33%
Elisa Oyj	ELI1V	Diversified Telecommunication Services	2.52	1%

Topping the list of shares targeted by short sellers are 2 companies with heavy exposure to the oil sector.

Petroplus Holdings is the most heavily shorted share reporting earnings next week. The bankrupt Swiss refiner has seen its short interest steadily increase in recent months from 2.5% of shares in October to 17.6% currently (See Chart). Institutional holders have also reduced their holdings by around a quarter to 11.2% of shares in recent months as the company's prospects have deteriorated.



Core Laboratories is the second most shorted company announcing earnings next week. The oil exploration services company has seen its short interest fluctuate over the last year from a high of 20% of shares in April to 10% a couple of weeks ago. Short interest has rallied in recent weeks however and currently stands at 12.1% of shares.

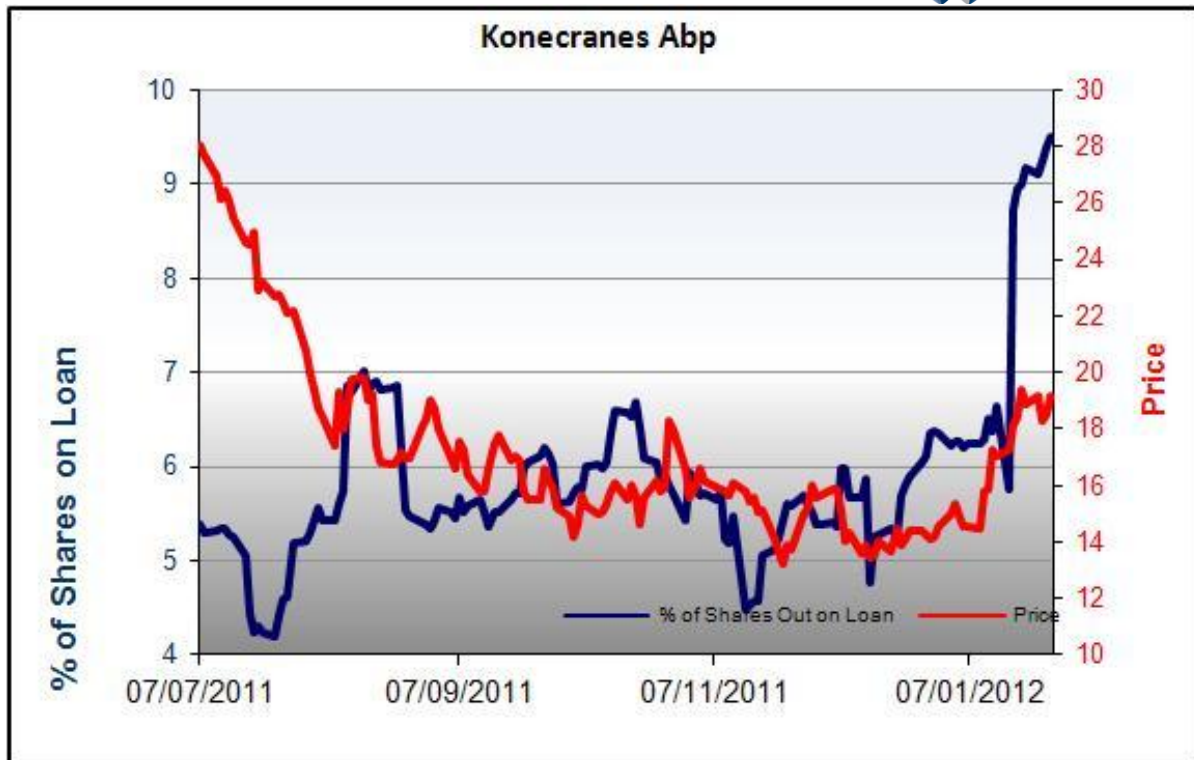
We also several steel firms in our screen with stainless steel maker Outokumpu coming in with short interest of 9.7% whilst fellow Finn Rautaruuki also targeted by short sellers with 6% of its shares currently out on loan.

Increases

The following table looks at the shares seeing an increase in demand to borrow ahead of earnings announcements next week.

Shares with Increases in Short Interest Ahead of Earnings				
	Ticker	Industry	Short Interest as % of Shares	1 Month Change
	KCR1V	Machinery	10.21	45%
	IFX	Semiconductors and Semiconductor Equipment	5.08	28%
	PPHN	Oil, Gas and Consumable Fuels	17.57	21%
	QGEN	Life Sciences Tools and Services	3.70	19%
	UL	Real Estate Investment Trusts (REITs)	5.03	13%
	CLB	Energy Equipment and Services	12.09	9%
	OCDO	Internet and Catalog Retail	10.12	7%
	ATCO A	Machinery	6.28	3%
	ELI1V	Diversified Telecommunication Services	2.52	1%

Construction equipment firm Konecranes has seen the greatest increase in short interest as short sellers increased their positions by 45% in the last month to 10.2% of the firm's shares (See Chart).



Second on the list and following on from the spate of mixed tech earnings is chipmaker Infineon. The company has seen its short interest rally to 5% of shares outstanding in recent months.

Also seeing an increase in its short interest is internet grocer Ocado whose short interest currently stands at 10.1% of shares outstanding; this on the heels of a disappointing Christmas season from UK retailers.

Conclusion

The ongoing global economic issues are still very much on investors' minds and the fact that steel, oil and construction firms are attracting the interest of short sellers should come as no surprise.

