

20/11/2012

Most shorted shares ahead of earnings

In the midst of the U.S. Earnings season, we look at shares with high and rising short interest ahead of earnings this week.

Stocks covered include: ITT Corporation (NYSE:ITT); Meredith Corporation (NYSE:MDP); Media General, Inc. (NYSE:MEG); Lam Research Corporation (NASDAQ:LRCX); Mellanox Technologies, Ltd. (NASDAQ:MLNX); Netflix, Inc. (NASDAQ:NFLX); US Airways Group, Inc. (NYSE:LCC); JetBlue Airways Corporation (NASDAQ:JBLU)

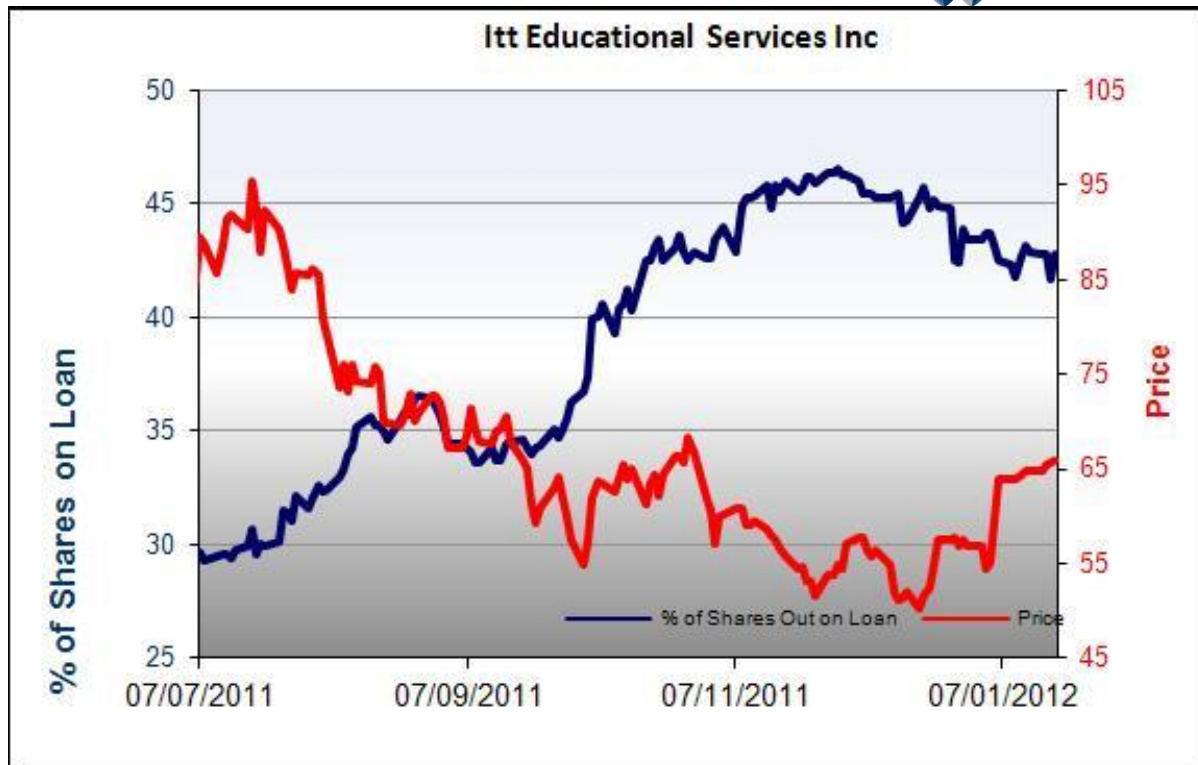
We are halfway through the fourth quarter earnings season and the results so far have been mixed. Whilst established Tech giants IBM, Intel and Microsoft all beat expectations, relative newcomer Google did not. Using FactSet's equity screening tool we identified the 554 US listed shares announcing results to see how short sellers have positioned themselves coming into earnings.

Most Shorted Shares

The table below highlights the 15 most shorted shares which are due to report earnings next week.

Most Shorted Companies Ahead of Earnings				
	Ticket	Sector	Short Interest as % of Shares Outstanding	1 Month Change
Itt Educational Services Inc	ESI	Consumer Services	41.7	-7%
Meredith Corp	MDP	Media	31.3	3%
United Rentals Inc	URI	Capital Goods	26.4	3%
Vistaprint Nv	VPRT	Software & Services	25.7	19%
Media General Inc	MEG	Media	20.4	-14%
Us Airways Group Inc	LCC	Transportation	20.2	-4%
Microchip Technology Inc	MCHP	Semiconductors & Semiconductor Equipment	19.6	2%
Jetblue Airways Corp	JBLU	Transportation	18.1	8%
Federated Investors Inc	FII	Diversified Financials	17.4	24%
Pss World Medical Inc	PSSI	Health Care Equipment & Services	17.3	-2%
Greenhill & Co Inc	GHL	Diversified Financials	17.2	-9%
Usg Corp	USG	Capital Goods	16.6	20%
United Bankshares Inc	UBSI	Banks	15.7	-7%
Ryland Group Inc	RYL	Consumer Durables & Apparel	15.7	-2%
Callaway Golf Co	ELY	Consumer Durables & Apparel	14.8	-14%

For profit higher education firm ITT Educational Services tops the list with a massive 41.7% of its shares out on loan. Although short interest has been high and rising over the last year, short sellers have been covering their positions slightly from the November highs of 46.6%. This latest round of short covering could be driven by recalls as Beneficial Owners who lend their shares have decreased their holdings from 46% of shares outstanding to 41.3% of shares. The demand to borrow represents over 90% of the available supply.



Also shorted ahead of earnings are media firms Meredith Corp and Media General which have 31.3 and 20.4% of their shares on loan respectively, although there has been some short covering in Media General which has seen its short interest fall 14% in the last month.

Airlines US Airways Group Inc and JetBlue Airways Corp also feature amongst the most shorted names announcing earnings this week with 20.2% and 18.1% of their respective shares out on loan, with the latter having increased 8% in the month running up to earnings.

Shares with the Biggest Increase in Short Interest

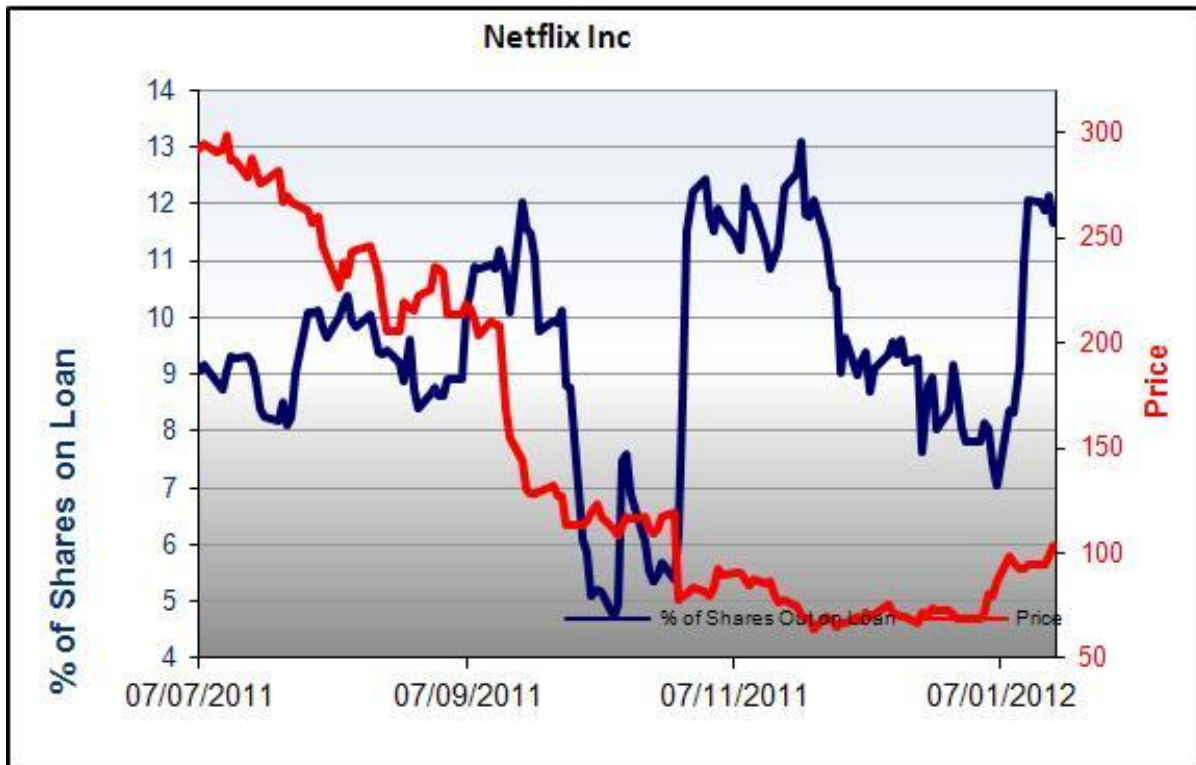
Looking at the 184 companies announcing results this week with short interest greater than 3% of their market cap, we highlight the shares which have seen the largest increase of short interest ahead of earnings.

Biggest Changes in Short Interest Ahead of Earnings				
	Ticket	Sector	Short Interest as % of Shares Outstanding	1 Month Change
Lam Research Corp	LRCX	Semiconductors & Semiconductor Equipment	4.94	348%
Mellanox Technologies Ltd	MLNX	Semiconductors & Semiconductor Equipment	4.62	129%
Computer Programs And Systems Inc	CPSI	Health Care Equipment & Services	3.39	116%
Bottomline Technologies De Inc	EPAY	Software & Services	3.73	41%
Netflix Inc	NFLX	Retailing	12.13	38%
Navios Maritime Partners Unt	NMM	Transportation	3.23	33%
First Busey Corp	BUSE	Banks	5.37	33%
Federated Investors Inc	FII	Diversified Financials	17.39	24%
Usg Corp	USG	Capital Goods	16.60	20%
Tcf Financial Corp	TCB	Banks	8.72	20%
Vistaprint Nv	VPRT	Software & Services	25.71	19%
Werner Enterprises Inc	WERN	Transportation	8.82	18%
Colonial Properties Trust Inc	CLP	Real Estate	9.95	17%
New York Community Bancorp Inc	NYB	Banks	5.78	17%
Medical Properties Trust Inc	MPW	Real Estate	3.72	16%

Semiconductor firm, Lam Research is the company seeing the greatest increase in short interest, with the percentage of its shares on loan increasing nearly 350% in the last month to 4.9% of total shares outstanding. This despite the fact that Lam's share price has rallied 17% in the last month off the back of several analyst upgrades and positive industry

earnings. Also in the same sector, Mellanox Technologies is second on the list with short interest more than doubling to 4.6% of its share outstanding.

Short interest has started to build again in Netflix, which appears in fifth place on the list. The percentage of shares outstanding on loan has risen by 38% over the past month to 12%. It is still half the level of two years ago, when short interest topped 30% of the market cap, but could denote a weight of increased bearish sentiment towards the online entertainment provider.



Large Caps

The four largest cap shares reporting earnings this week, Apple, Chevron, Procter & Gamble and AT & T, all have low short interest with less than 1% of their shares out on loan.

