

Securities Finance Report



Japan – another stock market but the same old theme

While commentators fret over the strong Yen and its impact on Japan's export driven economy, I am instead depressed to see that investors are shorting the Nikkei's "green" companies such as Meidensha Corp (6508) and Ebara Corp (6361). We'll also look at Vestas Wind Systems (VWS).

It is well known that listed solar companies are currently heavily short sold, with names like **First Solar**, **Solarworld** and **Suntech Power** all featuring prominently on hard to borrow lists in the US, Germany and Canada. The backdrop tends to be a tale of cash strapped governments pulling back on their subsidies for energy solutions that can counter global warming.

In Japan, **Meidensha Corp**, has five business segments many of which strive to improve our environment by making us more efficient in our use of water, power, sewerage and offer solutions for energy saving and recycling. In other words, just the sort of company we'd like to see do well. The short base of 6508 is just under 10% while funds who lend, and whose aggregate ownership we can observe, used to own 7 million shares but now own more like 4 million. There has been some short covering in recent weeks but this has been profit taking since the shares have fallen from 350 jpy to 260 jpy.

Number 10 on our list of large cap Japanese companies showing negative investor sentiment is **Ebara Corp**. The company manufactures many things including nuclear equipment and "environmental improvement devices". Short sellers were alive to the chances of this firm suffering

hugely from the credit crisis but most shorts have since been covered. The price rebounded well in 2009 but has started to weaken and short sellers have returned, although only 1% of total shares are short. Funds who lend own more shares in Ebara than they did a year ago but their holdings appear volatile.

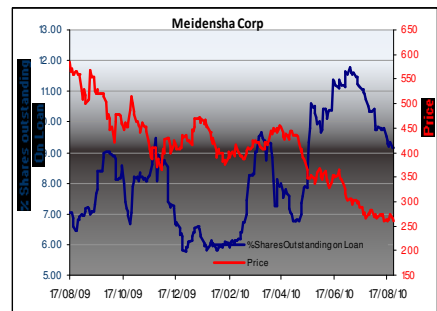
In Australia's recent election, the green party won Melbourne from the Liberals and had a very strong result. So even if politicians struggle to fund green initiatives, people want to see more in this area. Japan hosted the Kyoto conference that led to global emissions targets yet their progress in things like wind power is poor. In 2008 they were ranked 14th in terms of growth of wind capacity.

Danish listed **Vestas Wind Systems (VWS)** powers one of Tokyo's few wind turbines 20 miles to the south. Japan can't be the only nation struggling to stimulate wind power since VWS fell 20% on their results last week and this was anticipated by the short sellers (9% of total shares are short). **Hansen Transmissions (HSN)** make wind turbine gearboxes and they are on our list of top UK shorts this week so there appears a predicted global slowdown in wind energy.

Of course, investors need to identify who is going to win the battles rather than the war and it seems the cost cutting of governments extends to current pessimism about Japanese eco companies.

Will Duff Gordon

For more information on any of the stocks mentioned in this article, please contact news@dataexplorers.com

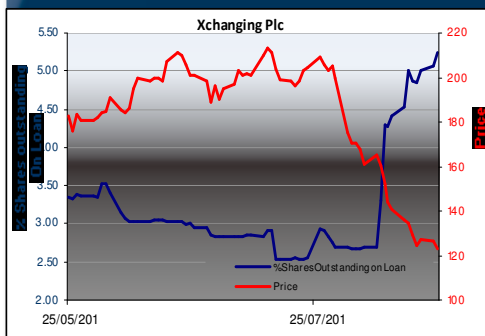


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Stock of the Day: Xchanging (XCH)

A huge rise in %SOOL following a big decrease in price.



% Total Shares Outstanding on Loan
Price

Long Short Ratio: All Global Securities



24 Aug 10	Chg	% Chg	Week % Chg	52 Week High	52 Week Low
7.20	-0.01	-0.17%	-0.64%	7.34 (10-Aug-10)	6.26 (07-May-10)

This is a very simple way to understand whether the market is getting more or less short. It is derived by taking the institutional longs that are made available to borrow through the securities lending programs and divides this by what has been put out on loan.

DXI Global 50



The DXI™ Data Explorers family of indices tracks the change in securities lending, a proxy for short selling, in relation to shares outstanding of the largest companies in each region. The advantage of the DXI™ methodology is that it is not impacted by changes in price or by changes in trade volume so securities lending activity is not obscured by cash market movements.

The region-specific DXI™ US, UK, Europe (ex UK), Japan, and Asia (ex Japan) 30 each cover the securities lending loan base for the 30 largest market capitalised companies in each region, respectively.

The DXI Global 50 is made up of the 50 largest companies from the five regional indices.

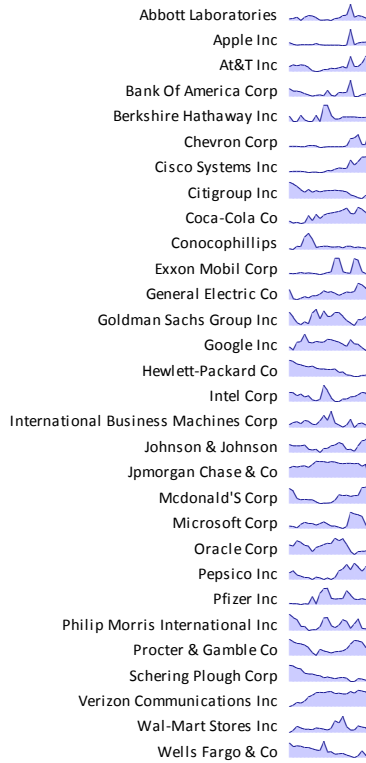
A rising DXI™ index represents a relative increase in quantity on loan (i.e. short selling) while a falling index highlights a decrease in the quantity on loan (i.e. short covering).

Each index has a base as of 6 January 2010 and is rebalanced quarterly. The indices are not weighted.

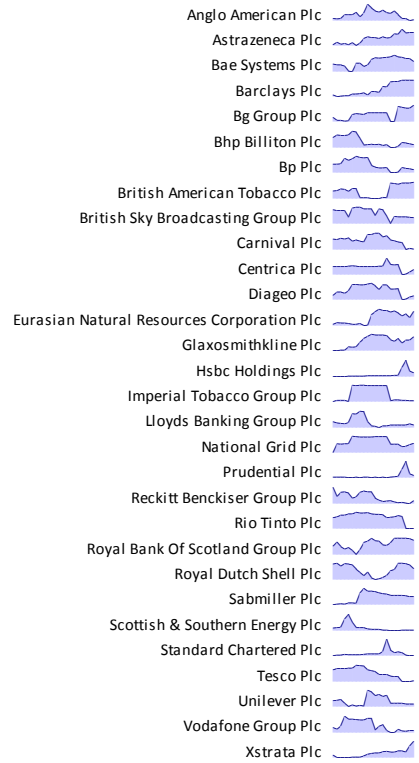
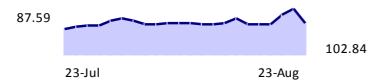
The chart for each index component shows the percent shares outstanding on loan for each company. *Note: this is not to a common scale but rather shows the trend over the past 22 trading days.*

For more information please contact Data Explorers.

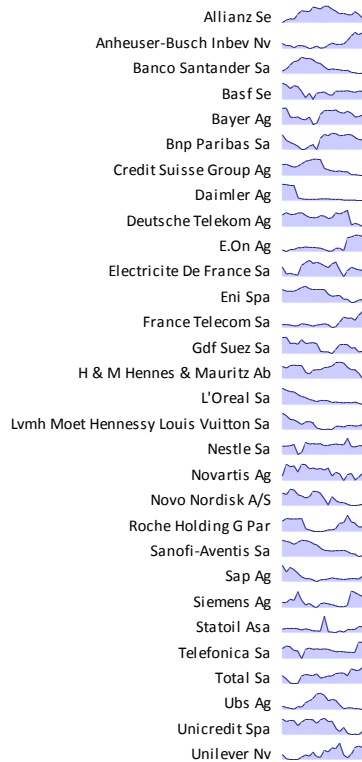
DXI US 30



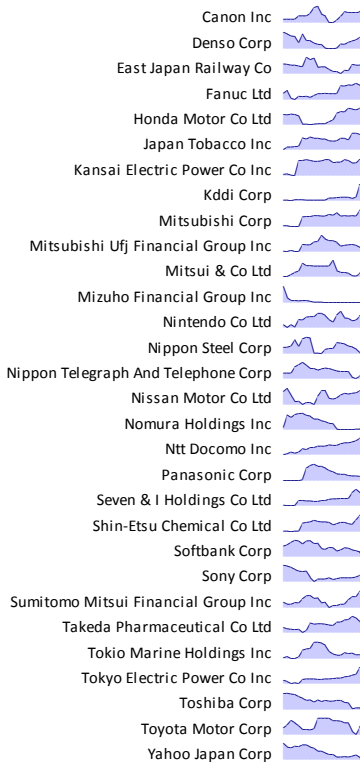
DXI UK 30



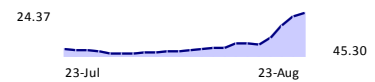
DXI EU xUK 30



DXI Japan 30



DXI Asia xJP 30



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