



The Cut

Edition 9

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IRF works with 96 Independent Research Providers covering multiple geographies, asset classes, industry sectors and methodologies.

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Please note the next edition of The Cut will focus entirely on equity short recommendations

Events associated with IRF

- **London Value Investor Conference, 25 May, Queen Elizabeth II Conference Centre, Westminster** - Our subscribers are entitled to £180 discount per standard ticket price; enter discount code **LVIC17-THECUT** through the [buy tickets](#) page; discount valid until 12 May

Researchers visiting London in the near future

- **Aliya Capital** - Calls with senior management, Technology Companies, Activision Blizzard, Arista Networks, MercadoLibre, Nintendo, Trivago, Expedia and Electronic Arts, **11-18 May**
- **Storm Research** - Japanese Stocks, Rowan Ewart-White, Director, **17 May**
- **Insight Investment Research** - Global Infrastructure, Robert Crimes, Founder and Senior Analyst, **18 May**
- **Customer Growth Partners** - US Retail, Craig Johnson, President, **22-23 May**
- **Mithra Forensic Research** - European Forensic Accounting Expertise & Short Ideas, Melvin Glapion, initiated a short thesis on BTG, **24-25 May**
- **Boyar Research** - US Stocks, Jon Boyar, MD, **22-24 May**
- **J Capital Research** - China Macro, Asian Stocks & Global Shorts, Tim Murray, Managing Partner, available to discuss Harvey Norman, Snap On, Kone & China Steel/Iron Ore, **25-26 May**
- **Asianomics** - Global Macro with an emphasis on Asia, Sharmila Whelan, Deputy Chief Economist, **31 May-1 June**
- **Summit Redstone Partners** - US Semiconductors, Software & Hardware, Srin Nandury and Jagadish Iyer, Senior Analysts, **5-6 June**
- **Enodo Economics** - China Macro, Diana Choyleva, Founder & Chief Economist, and Seamus Keaveney, CEO, **8-9 June**

Macro Research

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Macro Research Snippets:

- **OM Research** - Extracts from their 'World Events Summary', Turkey-EU relations and increasing property bubble concerns in Australia, as well as LNG exports being curbed
- **TrimTabs Investment Research** - The results of the first round of the French presidential election have energised investors; In April, Europe was the most popular destination for equity investment

Company Research

1. **BWS Financial** - **BUY Shenandoah Telecommunications** (SHEN US); this year is the turning point in the investment story
2. **Cha-Am Advisors** - **BUY** Chinese sportswear company, **Li Ning** (2331 HK) on improving financials and favourable sector backdrop through Government initiatives
3. **GARP Research** - Initiates **Nvidia Corp.** (NVDA US) with a **BUY**; recent share price weakness is an opportunity to buy into the semiconductor company, with a market leading position and the most direct beneficiary of AI
4. **Insight Investment Research** - **SELL Abertis** (ABE SM) on concerns over short toll road duration; the company is 'running to standstill'
5. **Spin-Off Research** - Why spin-offs make effective investments; **Yum China Holdings** (YUMC US) being a prime example
6. **Two Rivers Analytics** - Full report on short interest in US stocks; strongest short activity seen in Consumer Services, including **Wingstop** (WING) and Technology Services, including **Twilio** (TWLO)

Company & Sector Research Snippets:

- **Gimme Credit** - Brazilian aircraft manufacturer, **Embraer** (EMBR BZ), features on their recently updated EM 'Bottom 10' Report
- **Huber Research Partners** - **Upgrades S&P Global** (SPGI US) PT to \$150 after strong Q1 results
- **Stockcube Research** - Technical analysis highlights strength of **European banks**; favoured stocks include, **Unicredit** (UCG IM), **Santander** (SAN SM) and **Deutsche Bank** (DBK GR)
- **Summit Redstone Partners** - **BUY** rating maintained on **Mellanox Technologies** (MLNX US), supplier of computer networking products, despite large deal slippage, product story remains intact

Macro Research

1. **AAS Economics** - Impact of proposed tax cuts on US economy

IRF Note – AASE have employed their global macro econometric model to assess the impact of the Trump tax plan on key US economic data. They have assumed that the cut in taxes will begin in September this year. According to their model, if the plan were to be implemented it is likely that it would prevent the US economic slowdown that is likely during 2018-2019. All figures in brackets () represent the base case scenario of no lowering of taxes. Key points include (see attachment for charts):

- Real GDP. As a result of the lowering in tax rates RGDP growth is forecast at 2.15% p.a. by December this year (2.12%). By December 2018 this is 2.4% (1.4%) and December 2019 real GDP growth is forecast as 2.7% p.a. (1%).

- Budget deficit. By December this year the 12mma of the budget is forecast at \$115bn (\$104bn). By 2018 this increases to \$190bn (\$140bn) and by December 2019 is expected to close at \$210bn (\$170bn).
- Money Supply growth rate. The increase in the budget deficit provides a boost to the growth rate of AASE's key money supply measure, AMS. By December this year the yearly AMS growth rate is forecast to close at 5% (4.7%), by 2018 at 8.3% (6.6%) and by 2019, 9.7% (8.2%).
- CPI. Due to the long time lag between changes in money supply and its effect on the CPI the model expects hardly any effect from the tax cuts until 2019. But by December 2019 the yearly growth rate is forecast to rise to 2.2% (1.8%).
- S&P500/10-yr T-Note yields. The increase in AMS growth provides significant stimulus to the stock market through to December 2019. December next year's 10yr T-Note yield is forecast to close at 1.47% (1.6%) and by December 2019 this should be 1.22% (1.2%) – see charts for more details.

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2. Andrew Hunt Economics - Will UK households ignore the squeeze on their incomes?

IRF Note – *There has been a marked slowdown in nominal (as well as real) household disposable income growth. Households seem to have 'ignored' this weakness, continuing to increase their expenditure, resulting in a sharp decline in the household income savings ratio. But is there too much complacency and will this continue? Key points include:*

- UK households were able to spend more than they earned thanks to 'mega flows' from China.
- With the 'genuine' UK resident household sector therefore under-levered within the housing market and UK banks with capital available, the scene could be being set for a new credit cycle that pushes the savings rate ever lower – perhaps even into negative territory.
- However, the latest credit data suggests that even the UK's households are not prepared to be quite this aggressive – maybe the practical problems of BREXIT are dawning on them?
- It appears UK households are not prepared to lower their savings rate materially further and that economic activity is therefore in the process of slowing quite rapidly (at a time in which there are no policy tools 'left' to address the slowdown).
- The credit data will be fundamental to determining the near-term outlook for consumer spending and GDP growth but AHE senses that this data is more likely to slow than accelerate in the near term.
- AHE expects UK inflation rates to rise towards ~3% but growth to slow to below 1% as 2017 continues. The GBP may also become weak enough to ignite speculation that UK interest rates could rise sooner than the markets currently expect.

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3. Connolly Insight - Draghi spills the bubble beans

IRF Note – Draghi’s recent speech, which disappointed some market expectations that stronger growth may bring forward the removal of some monetary accommodation, was actually very revealing about his underlying tactics. Key points include:

- The ECB’s sole motivation is to save the euro – that was made explicit by the “whatever it takes” speech. The so-called inflation target is only relevant to the extent it puts the survival of the euro at risk.
- Draghi’s “four criteria to confirm a sustained adjustment” are essentially discretionary. They will be met if and only if the ECB decides - as a political calculation - that it is no longer politically possible for the ECB to claim that they are not met.
- It is extremely convenient for the ECB to claim that these four criteria are not met and therefore claim that full-blast monetary support is still needed. The decision to extend asset purchases at least until the end of 2017 was undoubtedly intended to take the programme beyond the German elections.
- The true aim of asset purchases is maintaining the credit bubble, not hitting the so-called inflation target. Again, Draghi seems confident that this bubble can be sustained until post-German elections.
- It is all he can do, since adjustment via austerity is self-defeating, structural reform is impractical, euro depreciation cannot go far enough to save southern Europe without causing roaring inflation in Germany and an explicit transfer union cannot yet be contemplated by Germany.
- If Macron wins the French election, Merkel or Schulz will likely say, “Carry on, Mario”, and that will create new political problems further down the line, but fighting to live another day will be imperative for the ECB, as it has been ever since 2010.

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4. CrossBorder Capital - China tightening - has the PBoC really hit the brakes?

IRF Note - The World’s biggest Central Bank continues to add liquidity. According to CBC, there is no evidence of deliberate tightening moves, but there are signs that the earlier heady pace of Chinese monetary stimulus has slowed. CBC retains their upbeat view on EM. Key points include (see attachment for charts):

- Chart 1 reports data on Chinese liquidity inflows and the Li Keqiang index of Chinese industrial activity. The correlation is strong and predictive.
- The pick-up in the Chinese economy has also underpinned flows back into EM and helped their Central Banks to ease. The earlier rise in EM liquidity from early 2016 (flagged at the time), is now underpinning strong economic gains across these economies.
- While the growth rate has slowed, there is no evidence of a deliberate policy tightening. Renewed net capital flows into China have taken pressure off the PBoC, thus ending three years of large-scale capital drain (orange area of chart 2) - the data attempts to remove the distorting effects of the changing Lunar New Year.
- The PBoC embarked on a significant easing of policy from early 2016, based on the jump in the size of its balance sheet. This saw a renewed blip upwards in late-2016, which translated into the recent spike in shadow bank lending.

- This spike likely worried policy-makers because much Chinese shadow bank lending is channelled into unproductive spending and real estate. Consequently, repo rates were allowed to drift higher to discipline the shadow banks.
- Investors should watch the size of the PBoC balance sheet and not money market interest rates. Structural policy moves are reflected by changes in the size of the PBoC balance sheet, whereas tactical fine-tuning moves are signalled by repo rates. China is continuing to add precious liquidity to markets.

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5. Enodo Economics - China: Domestic liquidity, the yuan and the interaction between the two are the prime candidates to trigger financial market distress

IRF Note – *The following was taken from an in-depth report by Diana Choyleva, Chief Economist at Enodo Economics. Key points include:*

- Interbank borrowing and lending has almost quadrupled over the past three years, reaching 300% of GDP in 2016.
- An even bigger danger is the dramatically changed composition of China's interbank market. Non-bank financial institutions (NBFIs) have increasingly had to fund themselves in the wholesale money markets. They accounted for 78% of total borrowing in China's repo market in 2016 (62% in 2013). Other financial institutions (OFIs) have increased to 54% of the total (14% in 2013).
- Deteriorating OFI asset quality will eventually prompt lenders to reduce risk and extend credit for ever shorter periods, heightening the danger of a mismatch of maturities. The PBoC is playing a tough game in trying to wean NBFIs and smaller banks off cheap financing. The key test will be whether the PBoC allows a bigger workout in the non-bank financial sector.
- This is made even harder considering the yuan remains expensive - by up to 10% in real effective exchange rate terms, sapping export income. The yuan is set to continue to decline on a trade-weighted basis while the authorities guide interest rates higher. If Beijing opts for fully fledged financial liberalisation, the depreciation of the currency can overshoot.
- A yuan decline would restore export competitiveness, it would conserve China's foreign exchange reserves for use in recapitalising its banks, and it could well stabilise capital outflows. Higher domestic interest rates would help consumers by boosting their income and wealth.
- China can only be successful at rebalancing its economy if the RoW is prepared to accept the consequences, which includes a weaker currency – something neither Japan nor the US seems ready to do.

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6. Horizon Insights - China: Supply side reform will likely lift aluminium prices. Steel - supply curbs risks higher prices in May

IRF Note – *In a recent edition of their 'China Macro & commodities snapshot', HZ Insights*

examines both the aluminium industry, which faces significant excess capacity and environmental issues, and the steel industry, where HZ Insights are bullish on steel prices in May, believing a decline in supply may exceed market expectations. Key points include:

- Chinese aluminium industry - expect supply side reform to accelerate in 2017 by enforcing higher standards on aluminium production and cracking down on low efficiency production capacity.
- Recent measures show that the government is stepping up its efforts on the supply-side reform front. China unveiled an environmental plan (29/3) to curb air pollution in the North, a region that constantly suffers from electricity production linked smog in the winter.
- 28 cities in and around the Beijing-Tianjin-Hebei region are being put under tighter restrictions on processing and production in many industrial industries, including aluminium, that causes high levels of air pollution.
- In addition, the NDRC has halted three companies from moving forward with their construction projects that would add at least 2mn tones of capacity in Xinjiang Province. HZ Insights expects the clean-up and rectification of illegal construction projects of electrolytic aluminium will continue.

Steel - bullish for three reasons:

- Beijing will hold its high-profile summit on its New Silk Road plan in May. According to HZ Insights channel checks, the steel mills in the North China region will shut down their production during the period for 15-20 days for environmental concerns.
- Expect policy on cracking down on the production and capacity of scrap will significantly undermine the short-term supply of steel.
- Profits continue to decline - discouraging steel mills to increase output. If steel prices continue to rise in May, coke prices will surge again.

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7. Longview Economics - OPEC, Game Theory and the oil price

IRF Note – *Longview thinks a re-acceleration in global demand in the coming quarters should outpace production growth this year, with last quarter's supply deficit likely to increase (see attachment for charts). Considering global oil inventories having already started to roll over, they should continue to fall, underpinning an uptrend in the oil price. Longview anticipates that the OPEC/non-OPEC agreement will be extended into H2 2017 and compliance will remain relatively high. Key points include:*

- Global demand to re-accelerate in Q2-Q4 (as per normal seasonal patterns) - this is consistent with Longview's expectation of a re-acceleration in US economic growth.
- An analysis of the world's key supply variables – including: the net impact of OPEC/non-OPEC cuts, strong US production and decline rate challenges in other parts of the world.
- OPEC/non-OPEC agreement is expected to be extended for the following four reasons:
 1. If OPEC members had intended to 'cheat', it's unlikely they would have taken so long to reach their Nov '16 agreement. High compliance demonstrates their intention to commit and adds credibility to future agreements.

2. Analysis suggests that major OPEC producers need an oil price of ~\$70/barrel to balance fiscal books. Capital outflows and downward pressure on various currency pegs therefore remains ongoing. Unlike previous 'prisoner's dilemma' incentives to cheat, the consequences of overproducing are higher (compared to other periods in recent history).
3. The upcoming Saudi Aramco IPO incentivises Saudi to remain overly compliant and use its influence on other key producers to pursue policies that result in oil market rebalancing (and so higher prices).
4. OPEC policy to maintain market share has broadly failed (with efforts therefore likely to revert back to maximising revenue) as demonstrated by the resilience of US shale producers and how quickly shale can be 'turned on'.

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Macro Research Snippets:

OM Research - From their 'World Events Summary': Turkey-EU relations - after fiery rhetoric during the referendum campaign a new relationship is being contemplated between the EU and Turkey. There appears to be no appetite to abrogate the migration constraining deal but there is little interest, on either side, for full EU membership. Before formally cancelling accession talks some new variant is being created to stabilise the connection. In Australia - property bubble concerns increased as a new record price for an individual dwelling was reached. LNG exports were curbed on national interest grounds due to a domestic gas shortage. [Click here](#) for a short overview of this researcher

TrimTabs Investment Research - The results of the first round of the French presidential election have energised investors. Europe was by far the most popular destination for equity investment in April amid the strongest performance of any major region. Europe equity ETFs hauled in \$2.5bn (5.4% of assets) last month amid a big gain of 3.7%. The inflow of \$1.7bn (3.6% of assets) on the past seven days was the highest since July 2015, and it included inflows totaling \$300m (0.6% of assets) on the first two days of May. [Click here](#) for a short overview of this researcher

Company Research

1. BWS Financial - BUY Shenandoah Telecommunications (SHEN US), this year is the turning point in the investment story

IRF Note – Hamed Khorsand, founder of BWS, believes the acquisition of NTELOS was an inflection point in the growth prospects of SHEN. Investors will only begin to see the FCF from the deal this year and more so in 2018. The true profitable nature of the business is hidden. Their 12M target price is \$50 (offering ~75%). Key points include:

- Capital expenditure in 2017 is forecast to be ~\$30m less than 2016. In 2017, integration costs of having additional headcount and two networks are expected to be lower, allowing SHEN to pay down its debt at a rapid pace.
- These integration costs are trending lower at a faster rate than initially modelled - BWS have upgraded their forecasts with adjusted OIBDA of \$274.2m (2017E), up from their previous estimate of \$259m.
- The wireless business is still not 100% integrated - 4G network in all areas is pending, perhaps explaining why some subscribers are opting not to renew with SHEN. But in the areas where the upgrade has already been completed they are experiencing a large increase in data traffic on the network; while BWS expects some of these 'lost' subscribers to return once the upgrades are complete.
- Cable broadband subscriber count continues to rise – up 20% in c.2 years and each customer is opting for higher priced service, deciding to have faster speeds to stream video at home.
- Sprint deal also offers more long-term growth possibilities - it expands SHEN's network coverage and immediately adds 20,000 new subscribers.
- Risks include - a slowdown in post-paid subscriber adds/net decrease, as well as investor concern relating to SHEN servicing its debt.

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2. Cha-Am Advisors - BUY Chinese sportswear company, **Li Ning** (2331 HK) on improving financials and favourable sector backdrop

IRF Note – *David Scott, founder of Cha-Am Advisors, says the bear story surrounding Li Ning concerned a massive spend on A&P, that just expanded inventory and eventually resulted in big-write offs and weak growth. However, since then working capital has improved and can continue to do so. With improving financials and a Chinese Government keen to see its citizens become fitter, Li Ning is considered a Buy at HKD 4.88. Key points include (see attachment for charts):*

- Inventories are down and still falling – but as the chart shows (*see attachment*) there is further room for improvement.
- It's unusual for a retailer with a relatively fast stock turn to bleed cash like this company did from 2011 to early 2015. The problem wasn't a big pick-up in capex, but an inventory build. With cash-flow turning positive once again, momentum is building and it is slowly revealing a business model that really works again.
- Online sales almost doubled in 2016 (15% of revenue) - to keep this going Li Ning is collaborating with Xiaomi, one of China's largest smartphone vendors, to develop "smart" athletic shoes for sale online. Li Ning is also switching to self-run shops, allowing better control of stock levels and therefore of prices and brand equity.
- Huge labour productivity gains – The number of employees has been falling, although they are better paid, they are far more productive. While the balance sheet is stronger with gearing down and ROE up.
- China Sportswear is still a growth story - China's sports industry spending is slated to be 1% of GDP by 2020 (US that ratio is now 3%). By 2025 China's sports and fitness market is predicted to exceed \$725bn in annual value, triple its 2016 worth.
- The stock is cheap relative to peers (*see attachment*).

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3. GARP Research - Initiates **Nvidia Corp.** (NVDA US) with a **BUY**; recent share price weakness is an opportunity to buy into the semiconductor company, with a market leading position and the most direct beneficiary of AI

IRF Note – *It is uncharacteristic of GARP to publish on a company above \$10bn in market value, but Bill Baker, founder of GARP Research, believes that the secular trends in favour of Nvidia are too hard to ignore. Key points from GARP's extensive 34-page report include:*

- Gross margin has risen every year since 2009 to 59% - comparing favourably to competitor, Advanced Micro Devices, whose margin is in the low 20s. This allows Nvidia to leverage a similar sized operating base while selling c.5x as many GPU chips/cards. Operating margin jumped 10 percentage points in FY17 to 28%! Its position has strengthened because its software ecosystem provides a moat around the business.
- Clear leadership in the field it invented, graphics processing units (GPUs) - 80% share in gaming, and pretty much free latitude to operate in a vacuum of growth elsewhere.
- Main growth drivers are datacentres (GARP forecasts this segment to see sales of \$2.5bn by FY2020 (currently \$530m), mostly driven by the adoption of AI, and subject to further technological advances, the impact of VR upon gaming and professional applications.
- Remarkable progress has been seen in neural networks (AI) for object recognition, natural language speech, and other fundamental tasks. Nvidia, with its dominant position in GPUs holds the key to this enabling technology.
- Self- and assisted- driving automobiles also require AI, and GARP believes Nvidia has developed a model for the world's leading automakers to follow, thus accelerating their market arrival. The sale price of automotive GPU cards is more than 25x the usual gaming card!
- The stock has corrected over 20% due to increased concerns of an oversupply in premium GPU cards in Asia, but these only make up a small percentage of Nvidia's mix; Buy for the long term.

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4. Insight Investment Research - **SELL Abertis** (ABE SM) on concerns over short toll road duration; the company is 'running to standstill'

IRF Note – *Robert Crimes, founder of Insight, argues that duration is often overlooked by the market. In a 15-page report, Insight compared estimates across the whole sector and found that Abertis' duration has remained broadly flat since 2013. This is despite significant investment in new assets and minority buyouts as each year it loses a higher proportion of its duration than its peers. Given its low starting point and size of toll road assets they consider it will be very challenging for Abertis to raise duration, with full deployment of investment capacity needed just to maintain it. Key points include:*

- Significantly lower duration than peers - Abertis' toll roads have a 13.5 year concession duration vs. European toll road peer average of 19 years, due to expiries in Spain of Aumar in 2019 (2% SOTP) and Acesa in 2021 (24% SOTP).

- Toll road duration has remained broadly constant at c.13 years with €3.7bn of acquisitions in 2015-17 (87% minority buyouts), offset by losing a year's duration each year; this is a higher proportion than for its peers. Given a low starting point and sheer size of its toll roads, if Abertis invests its €7.5bn of investment capacity in 2017-20E it will slightly less than maintain its existing duration with only a 12 year duration in 2020E.
- Most of the recent minority buyouts will not meet the company target - IRR>Ke of 250-400bps. With few sizeable minorities left to acquire and given limited opportunities elsewhere, intense competition and historically high valuations, there is an increasing over payment risk.
- Acesa's expiry is not a credit issue, but flat dividends are expected (2020-25E).
- The share price is largely pricing in a potential offer from Atlantia, which may or may not materialise.
- SOTP based TP reduced to €15.5 with an IRR estimate of 7.7% and cost of equity of 6.2%.

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5. Spin-Off Research - Breaking up is good to do

IRF Note – Joe Cornell, founder of Spin-Off Research, recently wrote an article for 'Modern Trader', outlining why spin-offs often make successful investments. The Bloomberg Spin-Off Index has significantly out-performed the S&P 500 over one, five and ten years. Key points include (the full article can be read [here](#)):

Additionally, to read Joe's article regarding the successful spin-off of **Yum China Holdings (YUMC US)** [click here](#)

- Main reason for firms spinning off units is the belief that the deal will unlock value, believing the market will value the sum of the company's parts greater than it has valued the whole company.
- Companies will also spin-off non-core businesses to clean up their image in the marketplace. This is a convenient way to dispense of underperforming units, but these spins are generally not well received by the market. However, with independence from a parent that has failed to provide the capital or management focus to nourish it, these businesses can substantially improve their prospects and turn a bargain priced investment into a big winner.
- Firms may also spin-off assets to gain regulatory approval for a merger, focus on their core business or to remove a slow-growth or capital intensive operation.
- One reason for the strength of these spin-offs is the power of independence - set free from a larger corporation the company can flex its entrepreneurial muscles. Management typically has extra incentives regarding stock options in the new entity.
- Spin-offs tend to outperform because they are often inefficiently priced to begin with. The new-borns are frequently sold by investors or under-followed by analysts for reasons unrelated to the investment merit of the company.
- Mutual funds that track an index are usually forced to sell because the new stock is not included in the index. Similarly, a large-cap portfolio manager may discard a spin-off because the market capitalisation of the company is too small.

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6. Two Rivers Analytics - Short interest in US Stocks

IRF Note – Eric Fernandez, founder of Two Rivers Analytics, provides a report on short interest in US stocks by sector as well as stocks showing the largest spikes and drops in short interest. The chart numbers below refer to charts in the report – [click here](#) for the full report. Key points include:

- The market value of short interest was flat over the past 30 days. Net new active shorting decreased by \$10.4bn.
- The strongest short activity was seen in Consumer Services, Technology Services and Consumer Durables.
- The weakest short activity was seen in Health Technology, Finance and Producer Manufacturing (*Chart 2*).
- Consumer Durables, Non-Energy Minerals and Distribution Services have the highest short interest to shares outstanding ((SISO) *Chart 3*).
- Short interest spikes in Consumer Services include - Red Robin Gourmet Burgers (RRGB), Hyatt Hotels (H), Wingstop (WING) and Shake Shack (SHAK).
- In Technology Services spikes include - Twilio (TWLO), TrueCar (TRUE) and Synchronoss Technologies (SNCR).
- Stocks at risk of short squeeze include - Mimedx Group (MDXG), Straight Path (STRP), Gogo Inc (GOGO), Iridium Communications (IRDM), Sturm Ruger (RGR), GATX Corp (GATX), Lannett (LCI) and Herbalife Ltd (HLF).

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Company & Sector Research Snippets -

Gimme Credit - Interest in EM bonds has grown significantly and inflows from investors have been strong. The asset class remains attractive, but some businesses are likely to suffer more than others. **Embraer** (EMBR BZ) is one of the bonds identified to underperform the market, having reported a slowdown in deliveries, and its order backlog is shrinking. This is a trend also seen at direct competitor - Bombardier. With deteriorating credit metrics, the company needs to keep the development of its E190-E2 series under control, which is now entering a critical phase. 5.05% 06/2025s yield 4.5% (z-spread: 230bp). [Click here](#) for a short overview of this researcher

Huber Research Partners - Post strong Q1 2017 results, raises **S&P Global** (SPGI US) 12-month PT to \$150 (from \$144 - based on averaging a sum-of-parts analysis, 10-year DCF analysis, and 13.5x 2018E EBITDA). Businesses are performing well with S&P Ratings off to a good start in 2017 with strong debt issuance so far (and strong 2017-2020 debt refinancing calendar). S&P Indices continues to benefit from long-term secular move to ETFs and passive investing, and Capital IQ and SNL revenue and margins provide ongoing upside. Over time SPGI should trade at a 40-50% P/E premium to the S&P 500 (currently 20%/17% premium on 2017/18 estimates). [Click here](#) for a short overview of this researcher

Stockcube Research - Since recent moves have been bullishly configured, they anticipate further gains in the **European banks** sector. In respect of the shorter term targets (see

attachment), Santander and Unicredit (see attachment regarding Stockcube's long position) appear to have the most upside. The average move across Stockcube's selection is around 10%, excluding, in general, Scandinavian banks which are near or at medium term highs. The more medium term targets again favour Santander, as well as UBI and Unicredit in Italy, and Commerzbank and Deutsche Bank in Germany. [Click here](#) for a short overview of this researcher

Summit Redstone Partners (SRP) – Maintains **BUY** rating (\$60PT) regarding **Mellanox** (MLNX US), despite second consecutive quarter of disappointing results/guidance, arguing it still has one of the best product stories in the interconnect business. Large deal slippage makes the stock even more attractive than before and it remains one of their favourite ideas for 2017. SRP do not believe Omnipath is the reason why the deals slipped. Given the company's solid product pipeline and Skylake and Bluefield introduction in H2 2017, they expect the company to finish 2017 with double digit revenue and operating income growth. [Click here](#) for a short overview of this researcher

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