Big Short Activity in These 5 Canadian Stocks

## Description

Want to avoid buying the next stock dud? It can pay to watch the activities of short-sellers.

Short sellers tend to be highly sophisticated hedge funds and institutions who are skilled at processing information and adept at identifying troubled companies. And ample research has shown that increased short-selling activity is a bad indication for a stock's prospects.



No, short sellers don't always get it right. But flies usually hover over rotten eggs.

So how can you track bearish bets? The TMX Group publishes the 20 largest short-positions in the Canadian market twice a month. The following five stocks saw the biggest change in the amount of shares bet against them since the beginning of the year.

| Company | Jan 15 | Dec 31 | Change |
|---|---|---|---|
| Kinross Gold | 37,865,222 | 17,998,088 | 110% |
| TransCanada | 26,193,006 | 19,533,293 | 34% |
| Bank of Nova Scotia | 22,319,871 | 18,076,145 | 26% |
| Power Financial | 26,778,350 | 22,229,187 | 20% |
| CGI Group | 26,782,093 | 24,629,593 | 9% |

*Source: TMX Group*

It should be no surprise to see **Kinross Gold** (TSX:K) at the top of this list. The company along with its industry peers have been battered by falling metal prices. Kinross has already been forced to slash its capital spending budget, cut its dividend, and delay its flagship Tasiast gold mine.

But short sellers don't think the worst is behind the company. In December Moody's Investors Service cut its gold price forecast for the year. Another leg down in metal prices could result in massive writedowns, reduced mine life expectancy, and a credit downgrade to junk.

However, it's worth noting Kinross wasn't singled out by short-sellers. Bears were stepping up their bets against other gold miners including **New Gold**, **Osisko Mining**, and **Detour Gold**.

Two financial names also made the list. This is most likely a valuation bet. **Power Financial Corp.** (TSX:PWF) and **Bank of Nova Scotia** (TSX:BNS, NYSE:BNS) are each up 30% and 19% respectively over the last two years. Higher interest rates and a slowing economy could put a halt to growth.

Finally, short sellers are also skeptical of **TransCanada** (TSX:TRP, NYSE:TRP) and **CGI Group** (TSX:GIB.A). What do these two companies have in common? They're both in trouble with the U.S. government.



The Centers for Medicare and Medicare Services recently fired Obamacare website contractor CGI Federal after a botched rollout that began in November. Not only does this threaten CGI's ability to land future government contracts, but the public nature of this fiasco could permanently damage the reputation of the consulting firm.

And of course the debate over TransCanada's Keystone XL pipeline rolls on. If approved the project would ship 830,000 barrels of Alberta bitumen to refineries on the U.S. Gulf coast. However, comments from U.S. Secretary of State John Kerry earlier this month suggest that Obama Administration approval of the pipeline is far from a sure-thing.

**Foolish bottom line**
To be clear, bearish positions sometimes only represent one part of a bigger trade. Short selling is also often used as a method to mitigate risk rather than outright bets against a company. However, big changes in short-selling activity can suggest something is amiss.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. TSX:BNS (Bank Of Nova Scotia)
2. TSX:GIB.A (CGI)
3. TSX:K (Kinross Gold Corporation)
4. TSX:TRP (TC Energy Corporation)

**Category**

1. Investing

**Date**
2025/09/12
**Date Created**
2014/01/30
**Author**
rbaillieul