



Investor Alert: Big Short Activity in These 5 Stocks

Description

Twice a month, **TMX Group** ([TSX: X](#)) publishes its Top 20 Largest Consolidated Short Positions report, a running tally of the most heavily shorted stocks on the Toronto Stock Exchange.

For regular investors, it provides a rare glimpse into the minds of short-sellers. These are some of the most sophisticated investors on the planet, who sell shares of stocks they don't own in a bet that the price will drop. A number of academic studies have shown that increased short activity often precedes big declines in stock prices.

That's why I always pay attention to the names that pop up on this list. The table below details the stocks with the biggest change in short activity in the recently released, mid-July report.

Company Name	As of July 15	As of June 30	% Change
Talisman Energy	32,198,050	12,077,862	166.59%
Bank of Nova Scotia	31,238,043	22,486,813	38.92%
Rogers Communications	24,862,639	18,213,282	36.51%
Manulife Financial	24,862,639	36,497,550	-31.88%
Barrick Gold	23,183,753	30,884,769	-24.93%

Source: *TMX Group*

These are dark days at **Talisman Energy** (TSX: TLM)(NYSE: TLM). The Canadian energy giant has struggled under the weight of low natural gas prices and a sprawling asset base.

Chief Executive Hal Kvisle has been trying to engineer a turnaround at the troubled firm by selling off unprofitable assets and refocusing the company's operations around a few core plays. However, obligations to debt holders have impeded its progress.

During the period that encompassed this report, the federal government also announced that it would bar Canada's major telecom companies from participating in upcoming spectrum auctions.

Clearly, some investors are worried that more competition could dampen wireless margins at **Rogers** ([TSX: RCI.B](#))([NYSE: RCI](#)).

A number of financial companies also showed up in the report this week. Short-sellers have been stepping up their bets against **Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)) and **Toronto Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)). Given that these two stocks have rallied significantly over the past two months, valuations are looking stretched.

However, there was some good news in this report. **Manulife Financial** ([TSX: MFC](#))([NYSE: MFC](#)) is continuing to build its business in Asia's fast-growing emerging markets, and this earnings boost has sent shares to fresh 52-week highs. Short-sellers are now scrambling to cover their bets as the stock marches higher.

Short-sellers are also scaling down their bets against gold miner **Barrick Gold** ([TSX: ABX](#))([NYSE: ABX](#)). No doubt this is largely due to higher metal prices. However, there's growing optimism in investment circles that extensive cost-cutting efforts and asset sales may have finally put a bottom underneath the stock.

To be clear, short positions may only represent one leg of a much larger trade. Short sales don't always represent outright bearish bets against a stock. However, investors should take note when they see such large swings in activity.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:RCI.B (Rogers Communications Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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