



## Short Sellers Are Targeting These 5 Canadian Stocks

### Description

An old Chinese proverb says that flies usually hover over rotten eggs. The same could apply to investing.

More often than not, the next stock market dud attracts the attention of short sellers long before fundamentals start to deteriorate. These sophisticated investors sell shares they don't own hoping to profit when a stock falls.

A number of academic studies show that an increase in short activity is a big red flag. But how can you follow these money maven's?

Fortunately, the **TMX Group** publishes its *Top 20 Largest Consolidated Short Position Report* twice a month. It's like a window into the minds of these traders. The table below summarizes the biggest increases of short activity in the latest report.

Company Name	Feb 15	Jan 31	Net Increase
New Gold Inc.	33,968,090	31,140,066	2,828,024
Crescent Point Energy Corp.	14,786,224	12,031,999	2,754,225
Enerplus Corp.	7,460,262	5,088,104	2,372,158
Potash Corp.	23,777,191	22,016,868	1,760,323
Bank Of Montreal	13,383,782	11,972,152	1,411,630

Source: TMX

What happens when you combine expensive shale plays and lower energy prices? Big losses. The doldrums in the oil patch have crushed energy stocks. But drillers focused on high-cost shale plays like **Enerplus Corp.** ([TSX:ERF](#))([NYSE:ERF](#)) and **Crescent Point Energy Corp.** ([TSX:CPG](#))([NYSE:CPG](#)) have been hammered worst of all.

That said, the industry is taking the tough medicine needed to weather the storm — i.e., layoffs,

spending cuts, etc. But what these companies really need is a big rally in oil prices. Short sellers don't see a turnaround anytime soon.

Weak oil prices are also rippling through the financial industry. Short sellers are betting against the **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) on worries that falling energy prices could result in higher loan defaults. Even worse, investors fear that low oil prices could prick the bubbly Canadian housing market. Needless to say, that would result in big losses for lenders like Bank of Montreal.

Gold miners are also under pressure in the face of low metal prices. Companies are being forced to cut costs, slash dividends, and shutter mines with less cash coming in the door. Many are resorting to diluting shareholders with equity issues just to keep the lights on. Junior and mid-tier miners like **New Gold Inc** ([TSX:NGD](#))(NYSE:NGD) are particularly exposed.

Of course, before you panic and bail on any of these stocks, it's important to note that these positions might not represent outright bets against a company. Short sales may only be one leg of a bigger trade.

That said, a big change in short activity is a red flag. Investors should take note.

## CATEGORY

1. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:ERF (Enerplus Corporation)
3. NYSE:VRN (Veren)
4. TSX:BMO (Bank Of Montreal)
5. TSX:ERF (Enerplus)
6. TSX:NGD (New Gold Inc.)
7. TSX:VRN (Veren Inc.)

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