Warning: These Stocks Are Targeted by Short Sellers

Description

When short sellers attack, it can lead to prolonged downwards pressure. It's therefore worth monitoring where short sellers are making their bets. These are bearish bets that can weigh heavily on a company's stock.

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On the flip side, should the company outperform these bearish expectations, it can lead to what is called a "short squeeze," which are short, upwards spikes as short sellers scramble to cover their positions.

As of the most recent short report, cannabis stocks dominated the list, which is hardly surprising. The industry has had a tough go of it and the **Canadian Marijuana Index** has lost 59% of its value over the past year.

Given the hefty number of shorts, it appears that the market is expecting a continued downtrend.

Apart from the ill-fated pot stocks, two other companies stand out: **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) and **Tucows** (TSX:TC)(NASDAQ:TCX).

Can investors expect further downwards pressure or is a short squeeze on the way? Let's take a look.

Canada Goose Holdings

In 2019, Canada Goose has been everybody's favourite high-growth stock to hate. I've written about the company several times before. At the heart of the company's issues is the current Hong Kong unrest and the trade tensions with China. Year to date, the company's stock price has lost approximately 18% of its value.

As of the latest short report, 26.70% of the company's shares are sold short, which is up from 19.2% in July and a clear sign that short sellers are doubling down.

It is important to note however, that these headwinds are temporary and that the company is still very much a high-growth stock with significant potential.

Analysts expect revenue and earnings to grow by approximately 25% over the next few years. They have a one-year target of $58.47 per share. This implies approximately 20% upside from today's share price of $49.04 per share. Goose is the perfect candidate for a short squeeze.

Tucows

If you asked fellow contributor Vishesh Raisinghani, Tucows' appearance on the short report is not surprising. The company has lost approximately 12% of its value in 2019, and has traded sideways for the better part of the past six months. The company hasn't been exactly been a strong performer.

In the past year, it has missed on earnings in three of the past four quarters. In fact, the last time it met or beat on both the top and bottom lines was approximately three years ago. For this reason, analysts remain lukewarm on the company's prospects.

Despite an average price target of $100, which implies 30% upside, analysts are unanimous in their coverage: Tucows is a "hold."

Two of its legacy businesses, Ting mobile and its Domain Name segment haven't seen much growth. Given that they account for more than 95% of revenue and profit, this is quite concerning.

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This is especially true when one takes a look at the company's current valuation. It's trading at an expensive 55 times earnings and eight times book value, neither of which are worthy valuations for a company expected to grow at a low, single-digit pace.

It's thus far more likely that its stock will suffer from continued downward pressure, and it would take a pretty significant surprise catalyst for a short squeeze to take place.

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2. NYSE:GOOS (Canada Goose)
3. TSX:GOOS (Canada Goose)
4. TSX:TC (Tucows)

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