



**Short Sales on the New York Stock Exchange:
Their Share of All Trades and the Types of Companies Most Likely to be Sold Short**

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Summary:

We analyzed the extent and focus of short sales of New York Stock Exchange (NYSE) companies over a six-month period, February - July 2006.

- More than one-fourth of all NYSE shares traded are sold short, or about 330 million shares out of 1.3 billion shares traded daily.
- The proportion of shares traded that are sold short is inversely related to a company's share price: Among NYSE companies selling for \$20 or less per share, short sales account for about 30 percent of all shares traded, compared to about 23 percent of all shares traded in companies selling for \$40 or more per share.
- The proportion of shares traded that are sold short is inversely related to a company's total market capitalization: Among NYSE companies with market caps of \$3 billion or less, short sales account for more than 29 percent of all shares traded, compared to 23 percent of the shares traded in companies with market caps of over \$10 billion.
- The proportion of shares traded that are sold short varies by industry. Short sales account for nearly 29 percent of all shares traded in companies that produce discretionary consumer goods and services, including automobiles, appliances, textiles and apparel, hotels and restaurants – compared to less than 23 percent of all shares traded in companies in health care and consumer staples, including food, beverages, tobacco and household products.

Procedure:

These findings are based on data from the NYSE covering all trades transacted through the Super Designated Order Turnaround System (SDOT) from February 1, 2006 to July 31, 2006. The SDOT system captures more than 85 percent of all orders executed on the NYSE. The sample consists of 1,947 NYSE-listed operating companies, excluding closed-end funds and exchange traded funds, between February and July 2006. The short sale ratio is here defined as the volume of short sales divided by total selling volume.

Short Sales as a Share of All Sales: From February 2006 to July 2006, sell ratio between February and July is around 25.5 percent, ranges from 0 percent to 100 percent. Each month, about 1,291 million shares were sold via the SDOT system and about 330 million were short selling (Table 1).

Table 1: Daily Short Sales and All Sales (millions), NYSE, February 2006 – July 2006

	Feb	March	April	May	June	July	Ave.
Shares Sold Short	285 m.	255 m.	345 m.	368 m.	417 m.	314 m.	330 m.
Total Shares Sold	1,221 m.	1,100 m.	1,320 m.	1,439 m.	1,469 m.	1,198 m.	1,291 m.
Short Sale Ratio	23.3%	23.2%	26.1%	25.6%	28.4%	26.2%	25.5%

	Feb	March	April	May	June	July	Ave.
Short Sales / Total Sales	23.3%	23.2%	26.1%	25.6 %	28.4%	26.2%	25.5%
Shares Sold Short	285	255	345	368	417	314	330
Total Sales	1,221	1,100	1,320	1,439	1,469	1,198	1,291

Table 2 breaks down the short sell ratio by stock price on August 17, 2006. The short sale ratio is inversely correlated with stock prices. The short sale ratio was as high as 33.7 in April 2006 percent for less than \$10 stocks and was as low as 20.1 percent in March 2006 for \$50+ stocks.

**Table 2: Monthly Short Sell Ratio, February – July 2006
By Stock Price**

	February	March	April	May	June	July	Average
< \$10	27.5	28.8	33.7	29.9	33.6	29.3	30.4
\$10 - < \$20	28.1	27.4	28.5	29.6	32.3	29.3	29.2
\$20 - < \$30	24.1	22.8	25.0	24.7	29.7	25.7	25.3
\$30 - < \$40	22.1	22.6	27.3	25.6	28.4	27.2	25.5
\$40 - < \$50	21.7	21.2	23.7	23.8	24.4	24.9	23.3
At least \$50	20.2	20.1	23.6	24.1	23.5	23.7	22.5

Table 3 breaks down the short sell ratio by market capitalization by year-end 2005. The short sell ratio tends to be higher for lower market capitalization companies than higher market capitalization companies. The short sale ratio was as high as 36.9 percent in June 2006 for less than \$2 billion market capitalization companies and was as low as 20.5 percent in February 2006 for companies with more than \$10 billion market capitalization.

**Table 3: Monthly Short Sell Ratio, February – July 2006
By Market Capitalization**

	February	March	April	May	June	July	Average

< \$1 bil.	25.2	29.1	30.9	29.1	31.4	29.0	29.1
\$1 < \$2 bil.	29.1	27.3	29.7	29.7	36.9	29.4	30.3
\$2 < \$3 bil.	28.6	26.7	26.8	27.9	35.3	27.4	28.8
\$3 < \$4 bil.	27.1	27.5	29.0	23.6	26.6	27.8	26.9
\$4 < \$5 bil.	24.6	26.4	28.9	23.6	26.3	29.3	26.5
\$5 < \$6 bil.	22.7	25.9	29.9	27.0	27.7	29.5	27.1
\$6 < \$7 bil.	26.9	27.0	26.5	25.6	30.3	28.8	27.5
\$7 < \$10 bil.	25.9	24.0	25.7	28.3	23.5	26.3	25.6
Over \$10 bil.	20.5	19.9	24.1	24.0	25.2	24.1	23.0

Table 4 breaks down the short sell ratio by 10 Global Industry Classification Standard (GICS). It appears that the short sell ratio is highest in consumer discretionary sector (GICS 25 -- automobile, household durable, textiles & apparel, leisure equipment, hotels, restaurants, media production and consumer retail services). An average short sale ratio of consumer discretionary sector is 28.6 percent, at 32 percent in June 2006. Sectors with low short sell ratio include consumer staples (GICS 30 – food, beverage, tobacco, household & personal products) and healthcare companies (GICS 35 – healthcare equipment, pharmaceuticals and biotechnology).

**Table 4: Monthly Short Sell Ratio, February – July 2006
By Global Industry Classification Standard (GICS)**

	February	March	April	May	June	July	Average
Energy	23.3	27.0	27.0	26.3	27.8	26.3	26.3
Materials	21.4	24.9	27.9	29.6	26.6	27.0	26.2
Industrials	21.7	19.6	24.4	23.3	28.9	23.1	23.5
Consumer Discret.	26.1	25.7	28.5	29.3	32.0	30.1	28.6
Consumer Staples	22.3	18.8	23.8	23.6	23.9	23.0	22.6
Health Care	21.0	20.6	22.3	20.9	25.0	23.6	22.3
Financials	22.6	23.1	26.6	24.5	27.1	24.7	24.8
Information Tech.	24.3	23.8	26.8	26.1	29.4	28.3	26.5
Telecommunication	22.5	18.7	25.2	22.4	31.4	29.0	24.8
Utilities	27.0	23.5	24.2	25.2	28.5	26.1	25.7