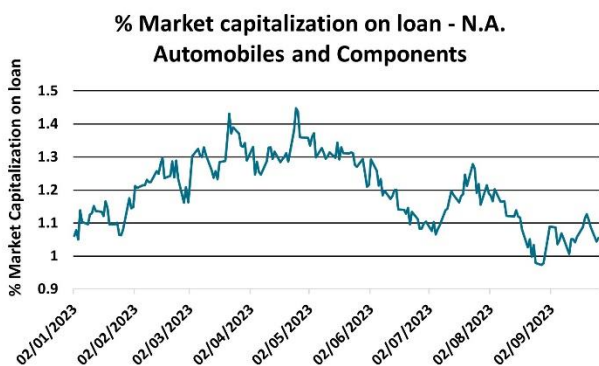


The EV sector and the securities lending market. Fasten your seatbelts.

EV stocks continue to be a favorite amongst short sellers as profit generation and cost base remain in focus.

The importance of the electric vehicle (EV) sector continues to grow. As governments look towards the automobile industry to help the world reach its net zero target, the EV sector is taking center stage across numerous geopolitical forums. The industry is quickly becoming synonymous with industrial policy and international relations as governments strive to preserve both manufacturing and jobs. Despite the recent growth seen in this important part of the automobile industry, many questions still remain regarding charging points, battery power and fabrication, technology and semi-conductor processing power, profitability, and the capability to raise the capital needed to fund this transition across manufacturing plants and supply chains. All of these issues coupled with the recent strikes by the UAW (Union of Autoworkers) have led to investor uncertainty which has been reflected in the securities finance markets.

Tesla was the original high value special that characterized the EV sector within the securities finance markets for many years. During 2023, borrowing activity in Tesla has been muted (the percentage of shares outstanding on loan peaked at 2.4% during April) and Lucid Group (LCID), is now the most borrowed name in the sector with over 14% of its free float currently on loan (currently the fourth highest revenue generating stock of 2023). As it stands, EV stocks constitute three out of the top ten highest revenue generating stocks of the year so far. The EV sector, both manufacturers and charging point providers, continue to be an important focal point for all securities finance market participants as ongoing challenges continue to impose themselves on the profitability and success of the sector.



The share prices of electric vehicle makers have remained under pressure throughout the year. As a result, the automobile and component sector's short interest (calculated as a percentage of its market capitalization) in North America increased to 1.44% during April and the sector was the third most shorted across North American equities during August.

Lucid Group (LCID) was the highest generating stock of 2022, earning over \$267m for lenders. Other common EV names included Fisker Inc

(FSR) (\$74m), Faraday Future Intelligent Electric Inc (FFIE) (\$45.7m) and Polestar Automotive Hld Cl A

ADR (PSNY) (\$45.6m). EV stocks were particularly prevalent borrows in the ADR market and several foreign companies have successfully raised capital from US investors through their use. One example of this, Xpeng (XPEV), was one of the top five ADR borrows of 2022 generating over \$9m in revenues. The automobile and component sector produced over \$731m in global securities finance revenues throughout 2022.

The agreement made at COP26 by both automobile makers and 30 countries worldwide, to phase out petrol car sales by 2030 means that momentum in this important part of the automobile industry continues to grow. According to S&P Global Market Intelligence's mobility team, 2026 will be the tipping point for the industry when the adoption of electric vehicles is expected to rapidly increase. By the year 2030, over one in every four cars sold globally is expected to be an electric vehicle. This fact alone will no doubt offer hope to the industry after a challenging 2022. The US Inflation reduction Act (IRA) offers additional support for electric vehicle makers as it contains provisions to help boost EV adoption and on-shore EV and battery manufacturing. Whether this will provide a greater level of confidence for securities finance market participants, however, remains to be seen.

[Mike Wall](#), who serves as the Executive Director of Automotive Analysis for S&P Global Mobility will be discussing the future of the EV sector as the Keynote speaker at our upcoming **Securities Finance Forum** at 1345 6th Avenue, New York, NY 10105 on **November 9th, 2023**, between 1:00pm – 7:00pm.

To register and to see the agenda please click [HERE](#).

We look forward to seeing you there.

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