

Securities Finance

Market Activity Review Q2 2023

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Securities Finance

19th / 20th July 2023



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Q2 2023

Artificial Intelligence leads to rising stock markets as inflation starts to fall



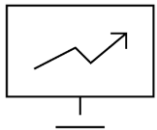
A divergence in monetary policy emerges as central banks start to move to local rhythms



US debt ceiling discussions go down to the wire



Return of the tech stocks – The NASDAQ experiences best H1 performance ever



Global equity markets push higher, leading to short covering and a decline in balances



Securities finance revenues continue to push ever higher

Market revenues – Q2 2023

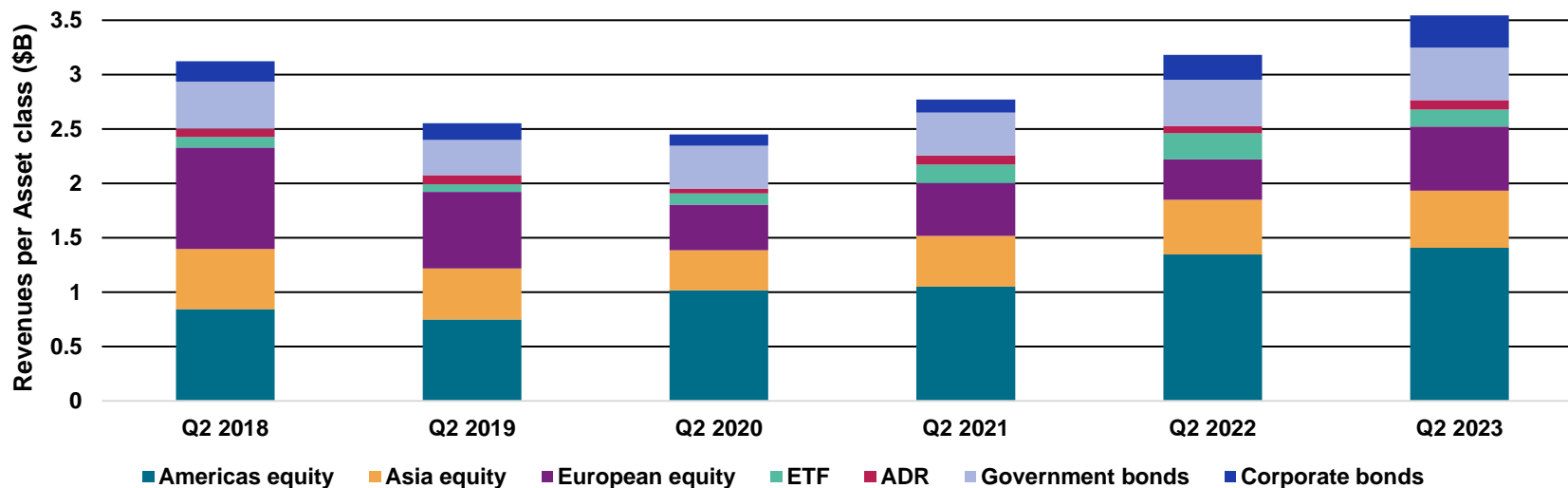
Global Securities Finance Snapshot - Q2 2023

Asset Class	Q2 Revenue (\$M)	Rev YoY %Chg	Rev YTD	Avg Balances (\$B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Utilization	Util YoY %Chg
All Securities	\$3,605	7%	\$7,020	\$2,600	-11%	0.56%	20%	6.1%	-14%
All Equity	\$2,798	5%	\$5,394	\$1,245	-6%	0.90%	11%	3.7%	-7%
Americas Equity	\$1,408	13%	\$2,825	\$654	-2%	0.86%	16%	2.9%	-3%
Asia Equity	\$525	4%	\$1,038	\$211	4%	1.00%	0%	4.7%	-2%
EMEA Equity	\$590	3%	\$966	\$250	-16%	0.93%	22%	5.6%	-19%
ADR	\$87	27%	\$189	\$28	0%	1.25%	27%	8.5%	0%
ETP	\$155	-35%	\$316	\$96	-17%	0.64%	-22%	10.3%	-17%
Government Bond	\$484	9%	\$967	\$1,065	-18%	0.18%	33%	20.0%	-25%
Corporate Bond	\$296	28%	\$594	\$265	-6%	0.45%	37%	5.8%	0%

Note: Includes only transactions with positive fees

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Source: S&P Global Market Intelligence Securities Finance

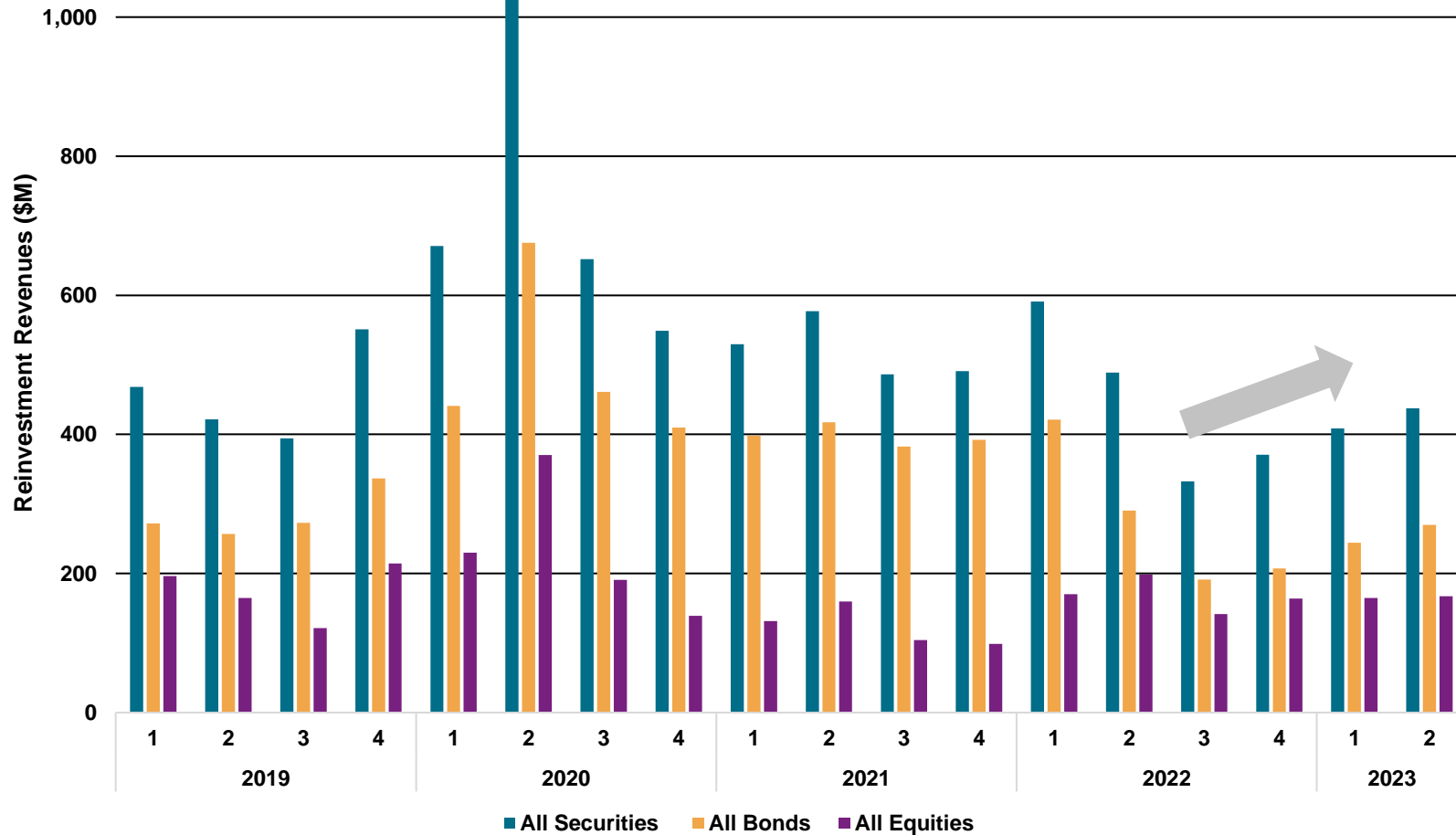


Q2 revenues
of \$3.605B

H1 revenues
of \$7.020B

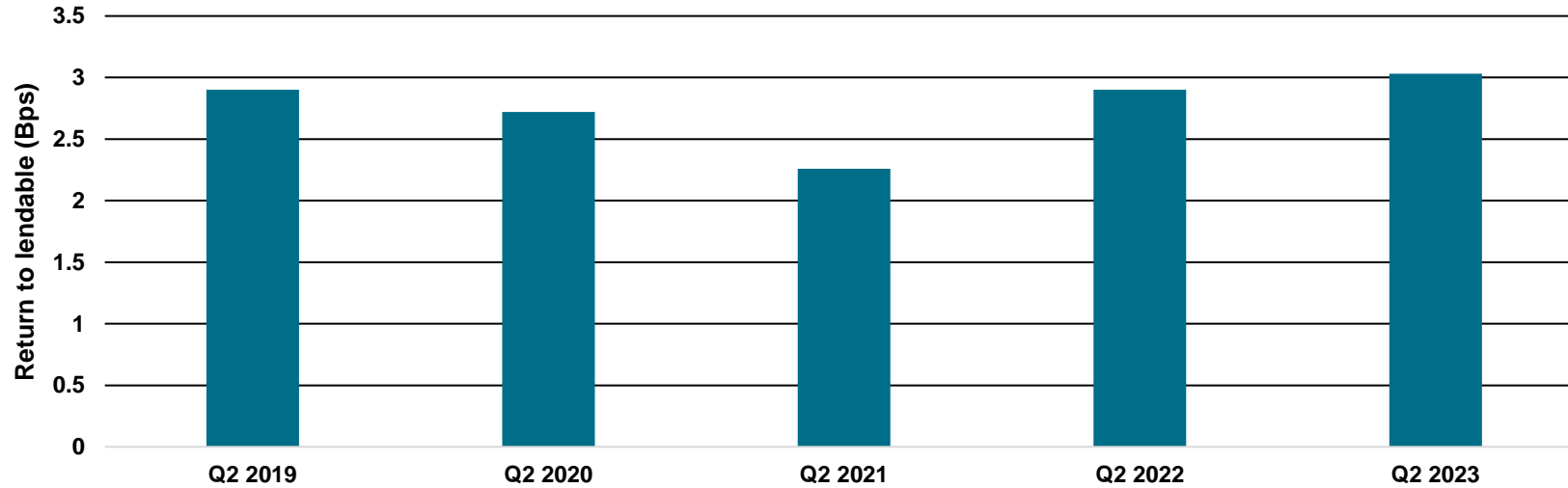
+16% on H1
2022

Market revenues – Reinvestment returns



Quarterly cash reinvestment returns continue to increase

Market revenues - Return to lendable

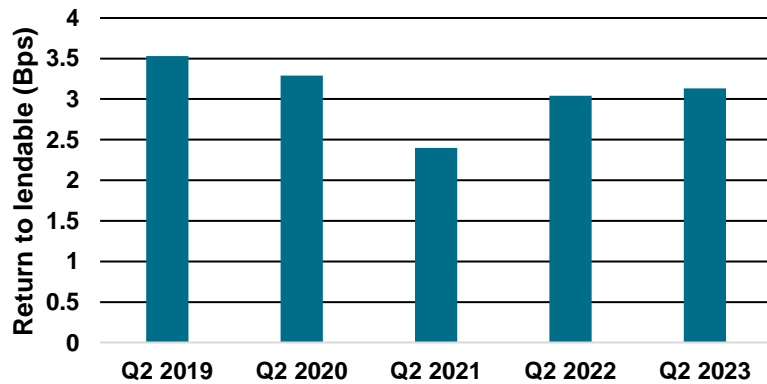


All securities
3.03bps

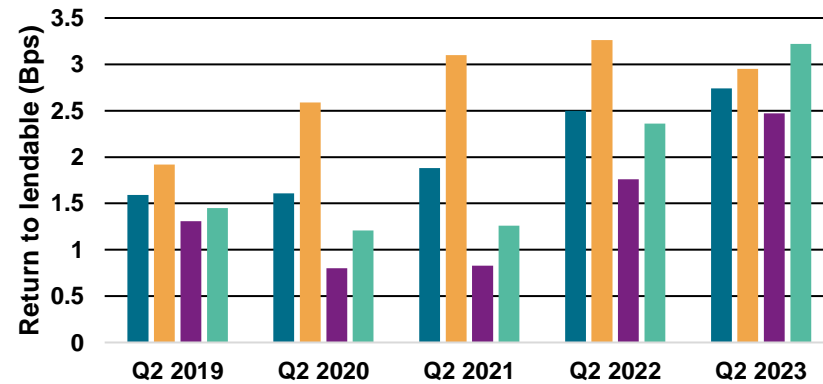
All equity
3.13bps

Fixed income
2.74bps

All Equities (Bps)

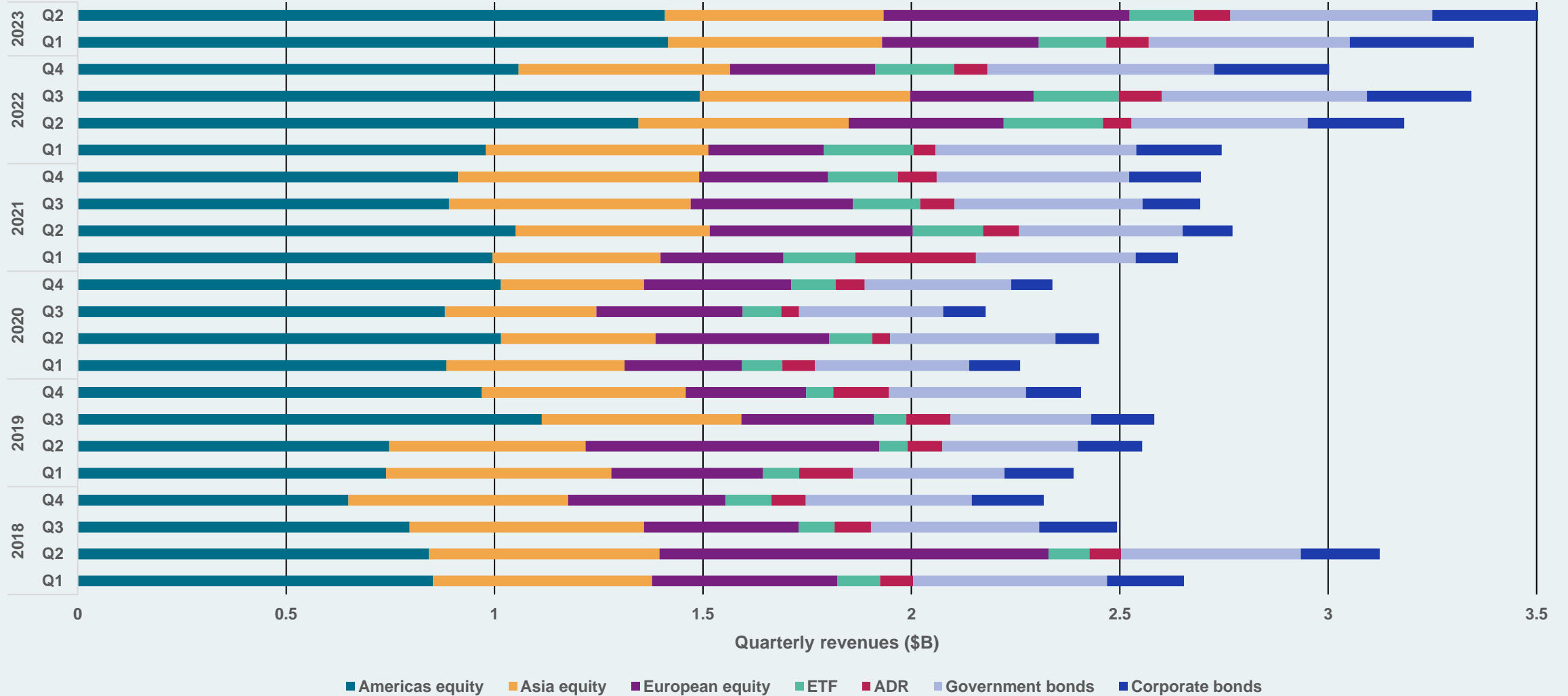


All bonds (Bps)

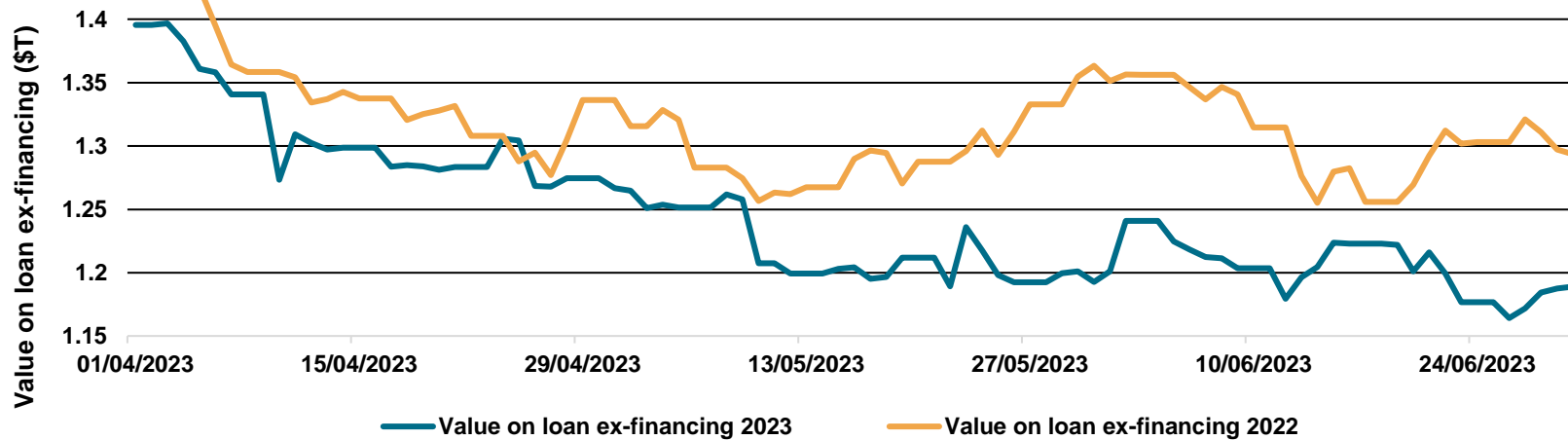
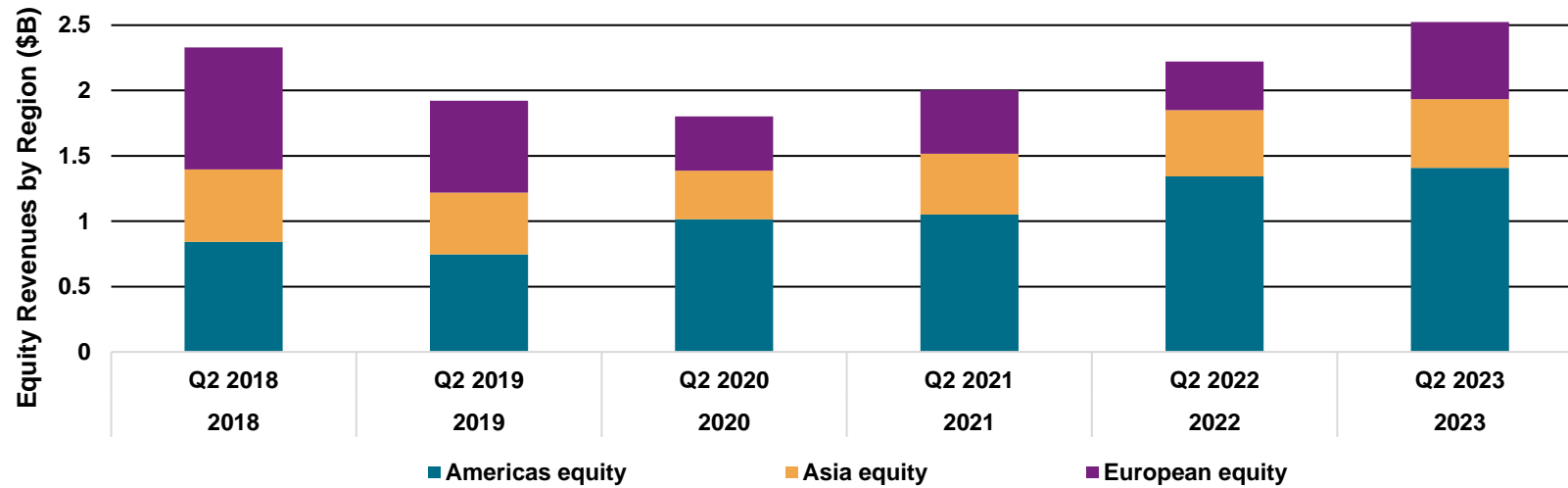


■ All Bonds ■ Government Bonds ■ Corporate Bonds ■ Emerging Bonds

Quarterly revenues by asset class

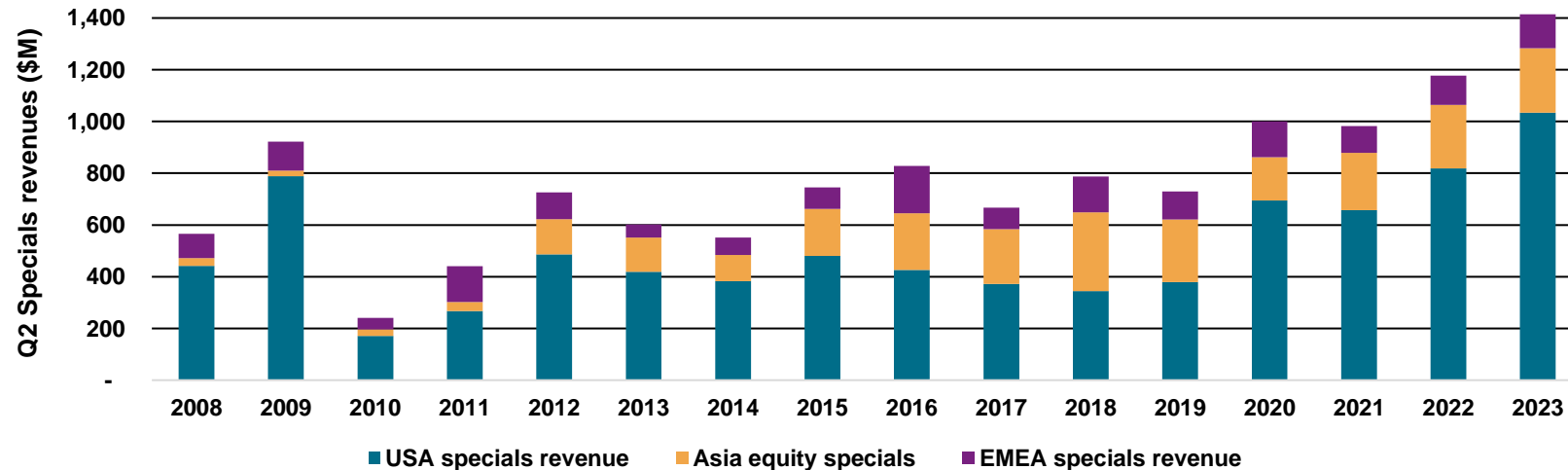
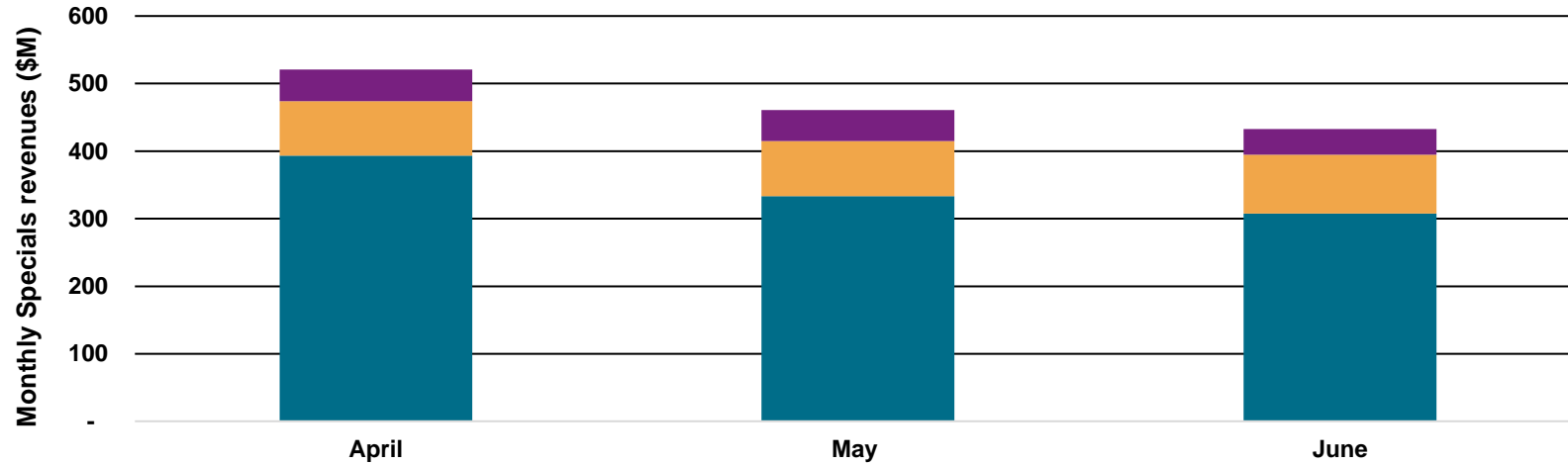


Equities - Revenues vs Balances



EMEA equity revenues make ground during Q2 2023

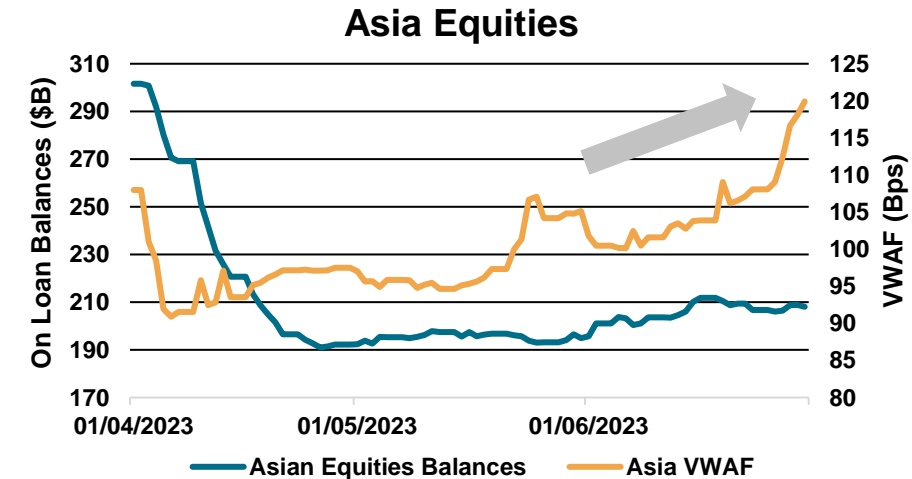
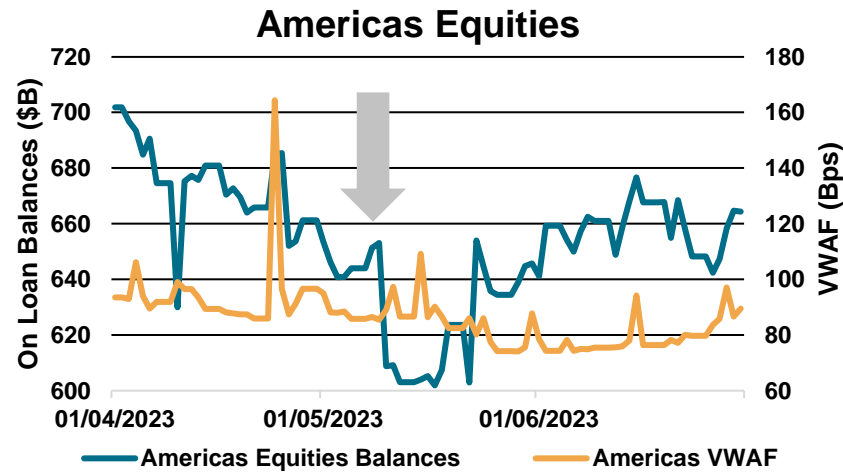
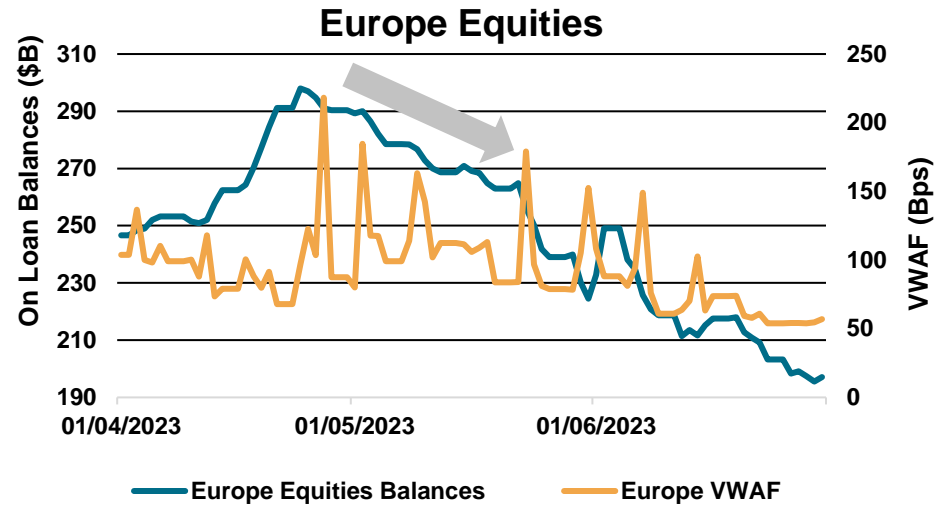
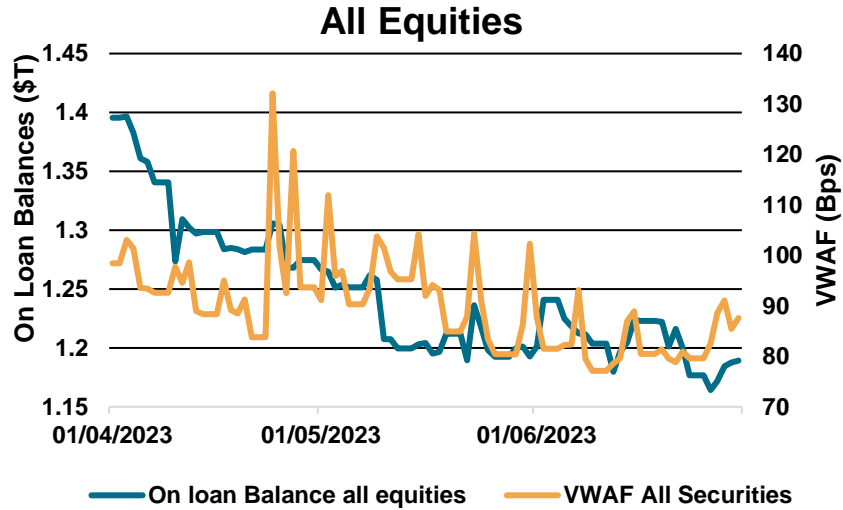
Q2 equity specials revenues by region



Specials revenues peaked during April

Quarterly equity special revenues climbed to an all-time high of \$1.4B

Average fees and balances - Equities



All equities 90bps

Americas equities
86bps

EMEA equities
93bps

APAC equities
100bps

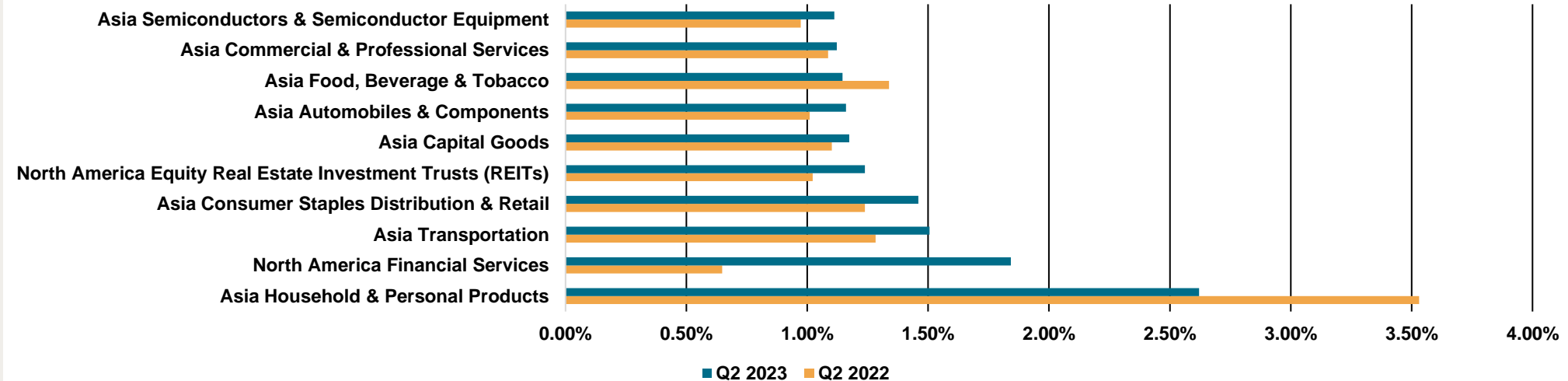
Equities – Top revenue generators and most borrowed sectors of Q2 2023

Top 10 Revenue generators - Equities Q2 2023

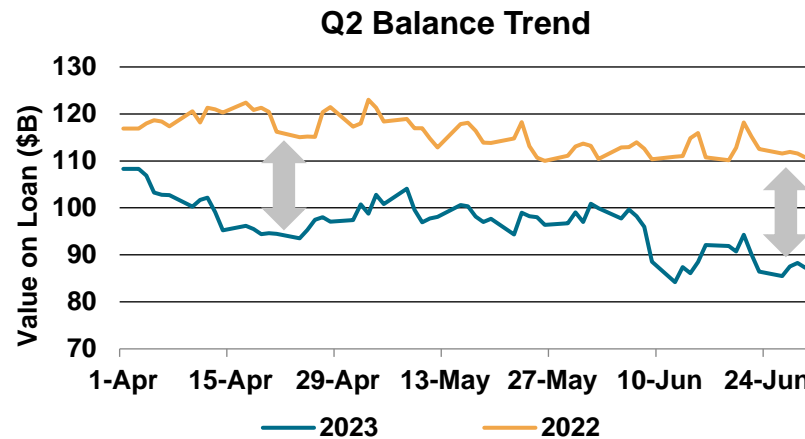
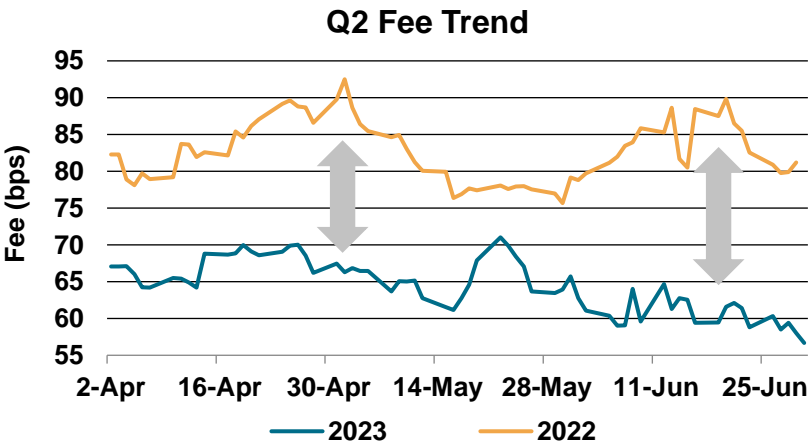
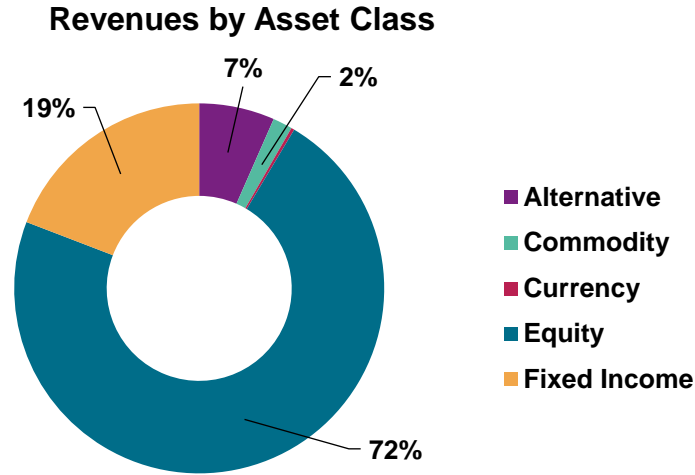
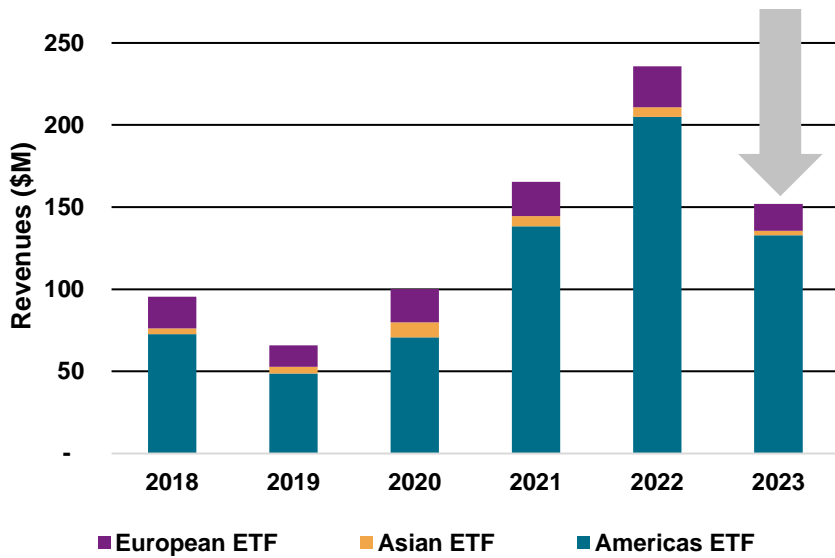
Ticker	Name	SL Revenue (\$M)	Market	Sector	SEDOL
AMC	Amc Entertainment Holdings Inc	229.68	US Equity (Others)	North America Media and Entertainment	BH4HLL3
UPST	Upstart Holdings Inc	50.65	US Equity (RUSSELL 2000)	North America Financial Services	BL53QN5
LCID	Lucid Group Inc	47.82	US Equity (Others)	North America Automobiles & Components	BPOTR77
AI	C3.Ai Inc	40.09	US Equity (RUSSELL 2000)	North America Software & Services	BMGNBJ2
BYND	Beyond Meat Inc	38.84	US Equity (RUSSELL 2000)	North America Food, Beverage & Tobacco	BJ1FDK7
NKLA	Nikola Corp	34.28	US Equity (RUSSELL 2000)	North America Capital Goods	BMBM6H7
FSR	Fisker Inc	33.80	US Equity (RUSSELL 2000)	North America Automobiles & Components	BNKD957
SIRI	Sirius Xm Holdings Inc	32.13	US Equity (Others)	North America Media and Entertainment	BGLDK10
GME	Gamestop Corp	28.55	US Equity (Others)	North America Consumer Discretionary Distribution & Retail	BOLLFT5
MARA	Marathon Digital Holdings Inc	22.83	US Equity (RUSSELL 2000)	North America Software & Services	BLR7B52

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ETF's Q2 2023



ETF revenues declined over Q2 2023 with fees falling as demand declined

ETF's – Top revenue generators

Top 10 revenue generators - ETP's Q2 2023

Ticker	Name	SL Revenue (\$M)	Market	Sedol
XBI	Spdr S&P Biotech Etf	11.82	US ETF	B0Y90K2
HYG	Ishares Iboxx High Yield Bond Etf	7.89	US ETF	B1VZ486
BKLN	Invsc Senior Loan Etf	7.65	US ETF	BZ03L33
IWM	Ishares Russell 2000 Etf	6.45	US ETF	2622059
TQQQ	Proshares Ultrapro Qqq Etf	4.67	US ETF	B6493J4
ARKK	Ark Innovation Etf	4.07	US ETF	BSBNFV9
TAN	Invsc Solar Etf	3.86	US ETF	BZ03L55
SPY	Spdr S&P 500 Etf	3.62	US ETF	2840215
QQQ	Invsc Qqq Trust Srs 1 Etf	2.66	US ETF	BDQYP67
MUB	Ishares National Muni Bond Etf	2.08	US ETF	B24DX21

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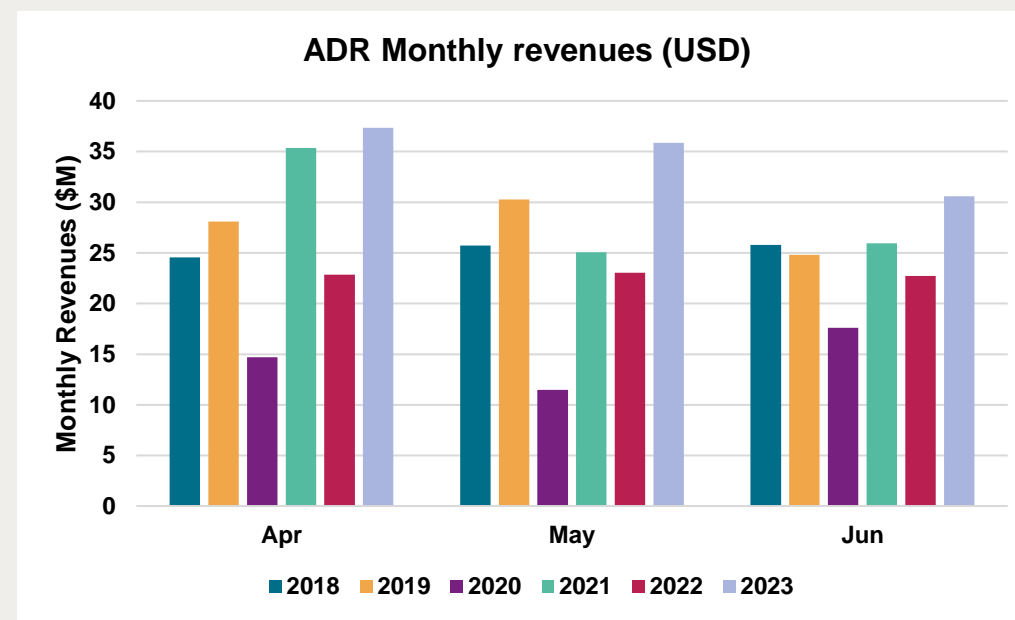
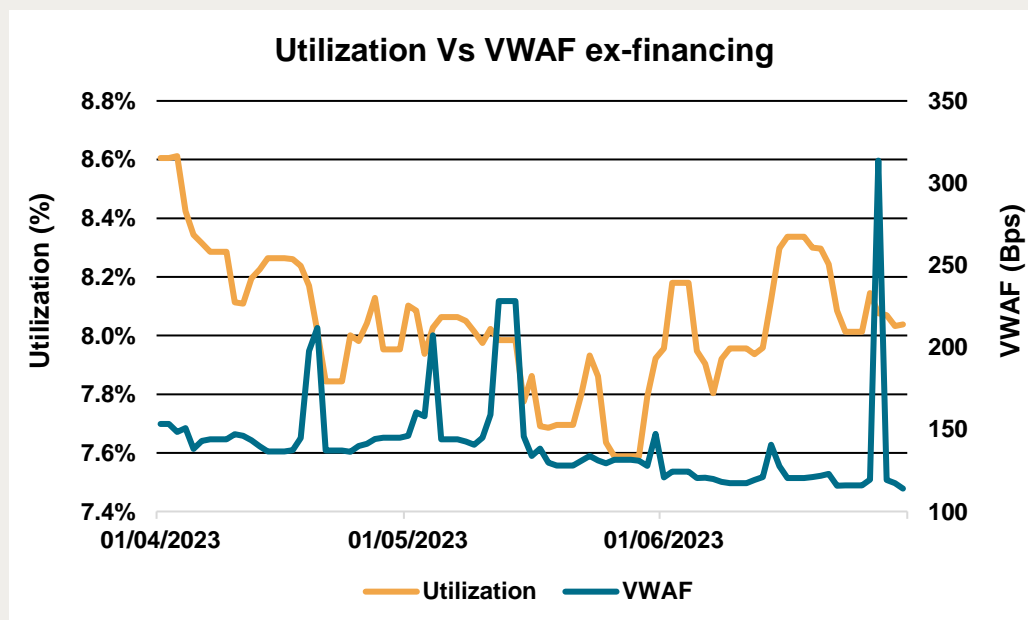
Depositary Receipts

Top 5 Revenue Generators - ADRs Q2 2023

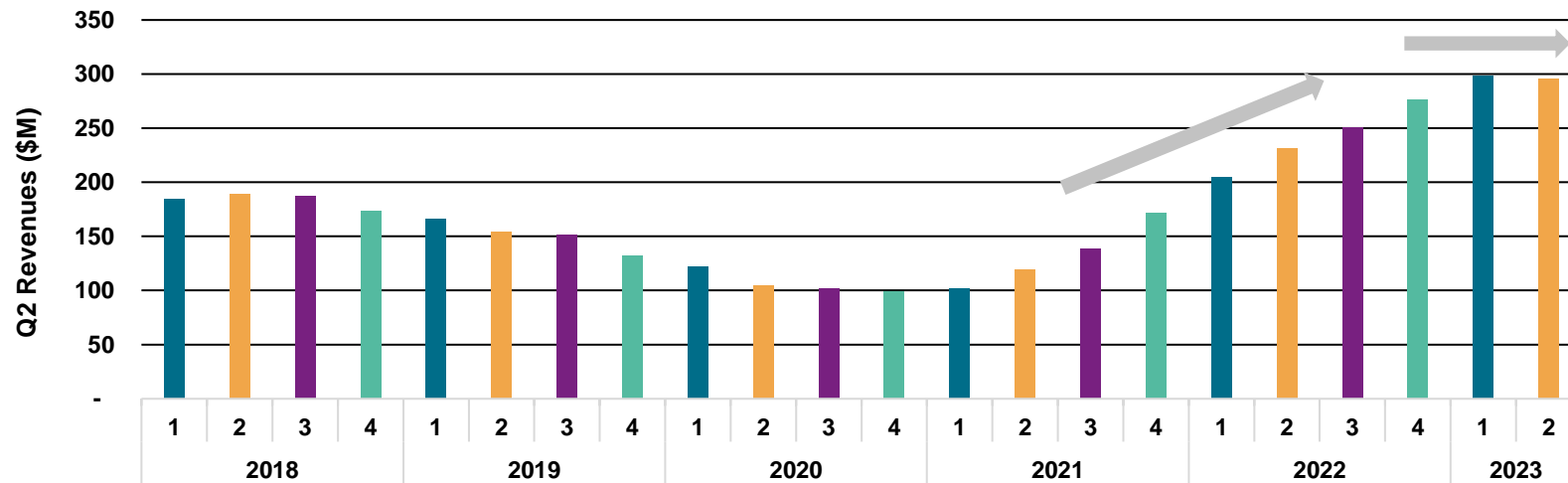
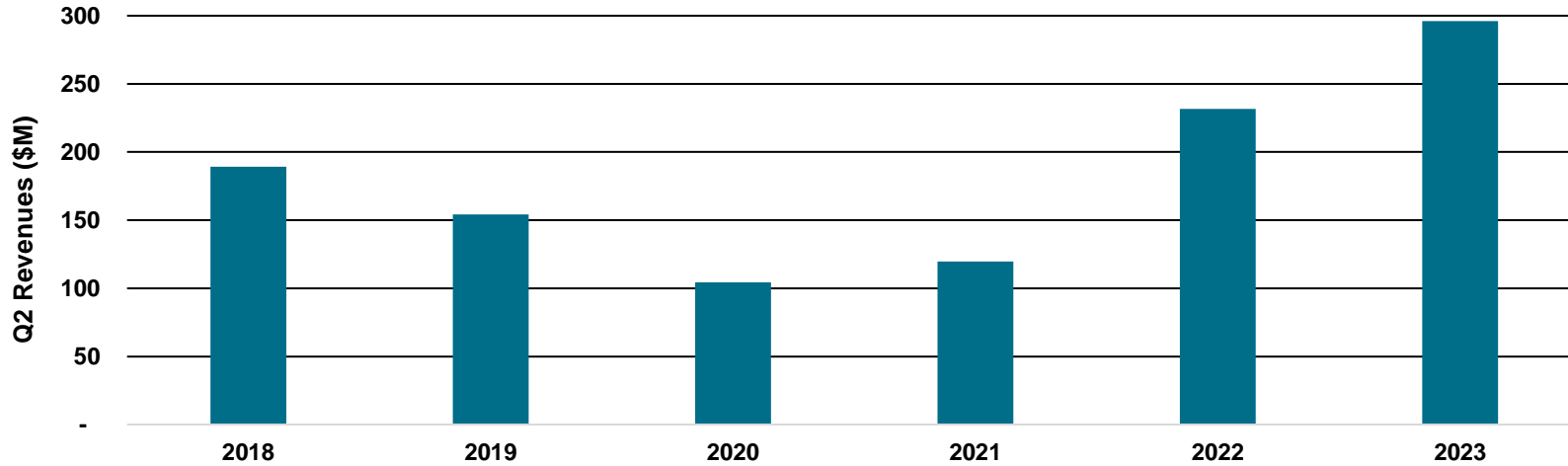
Ticker	Name	SL Revenue (\$M)	Market	Sector	SEDOL
XPEV	Xpeng ADR Rep 2 Ord	18.73	CN ADR	North America Automobiles & Components	BMXR2T4
UMC	United Micr Elctrns ADR Rep 5 Ord	3.43	TW ADR	North America Semiconductors & Semiconductor Equipment	2634117
NAAS	Naas Technology ADR	2.57	CN ADR	North America Consumer Discretionary Distribution & Retail	BQ7X627
BUD	Anheuser Busch ADR Rep 1 Ord	2.57	BE ADR	North America Food, Beverage & Tobacco	B3P93Y7
LI	Li Auto ADR 2 Ord	2.45	CN ADR	North America Automobiles & Components	BMXHCD8

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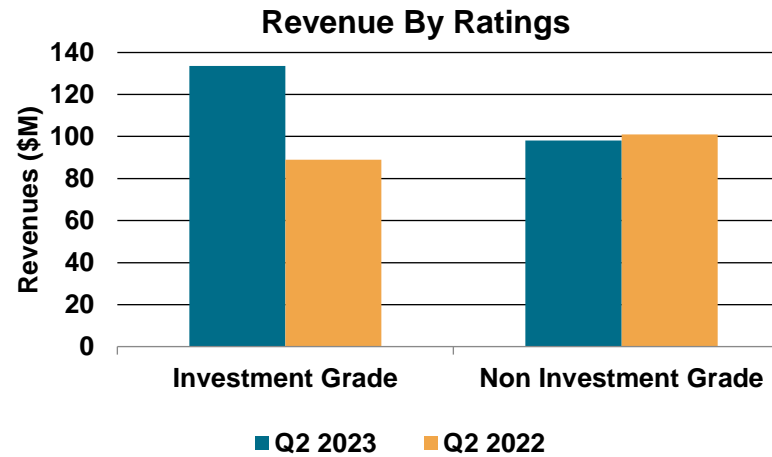
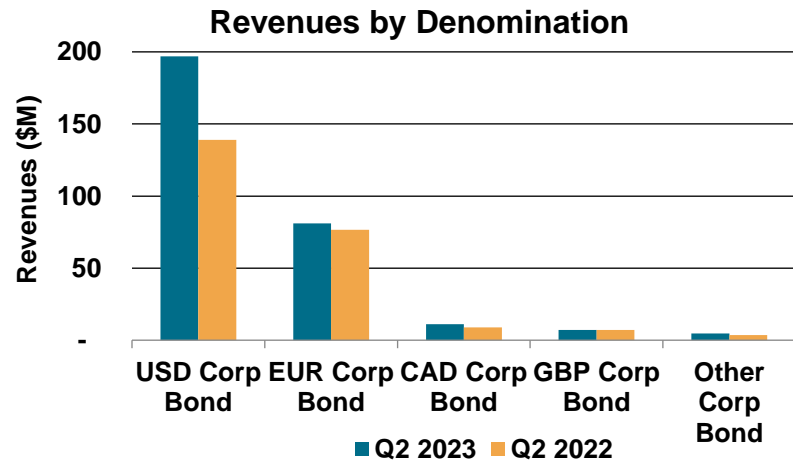
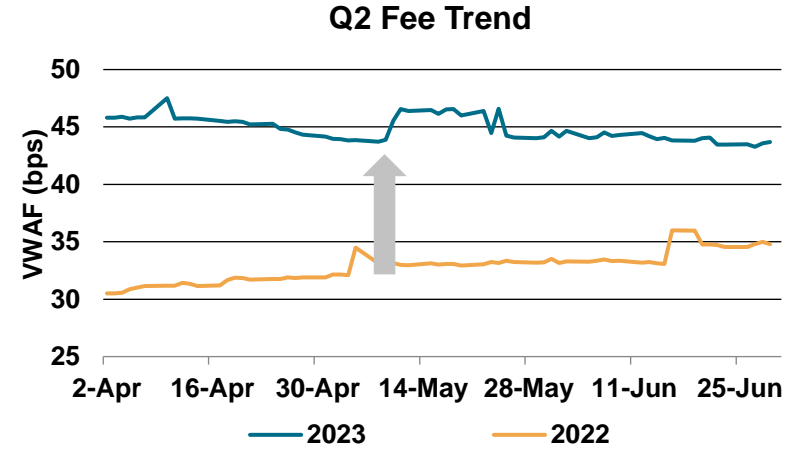
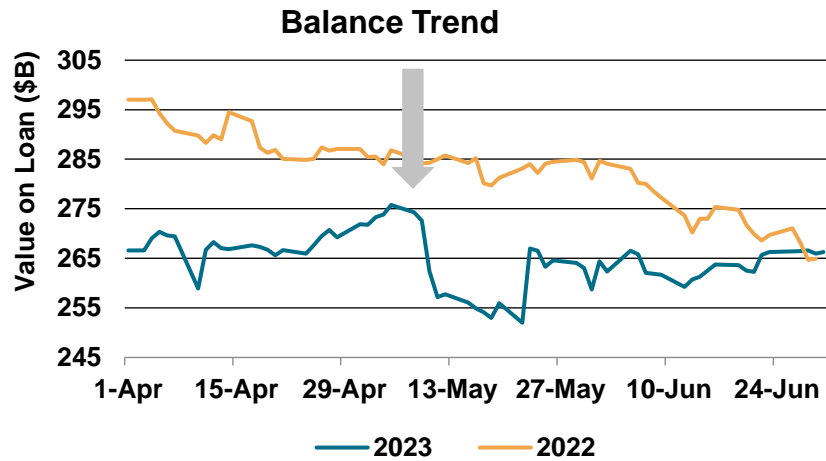
Corporate bond revenues, have they reached their peak?



Q2 revenues
\$296M +28%
YoY

-1% MoM

Corporate bond fees remain elevated



Average Q2 balance
\$265bln -6%

Average Q2 fee
45bps +37%

Corporate Bonds – Top revenue generators

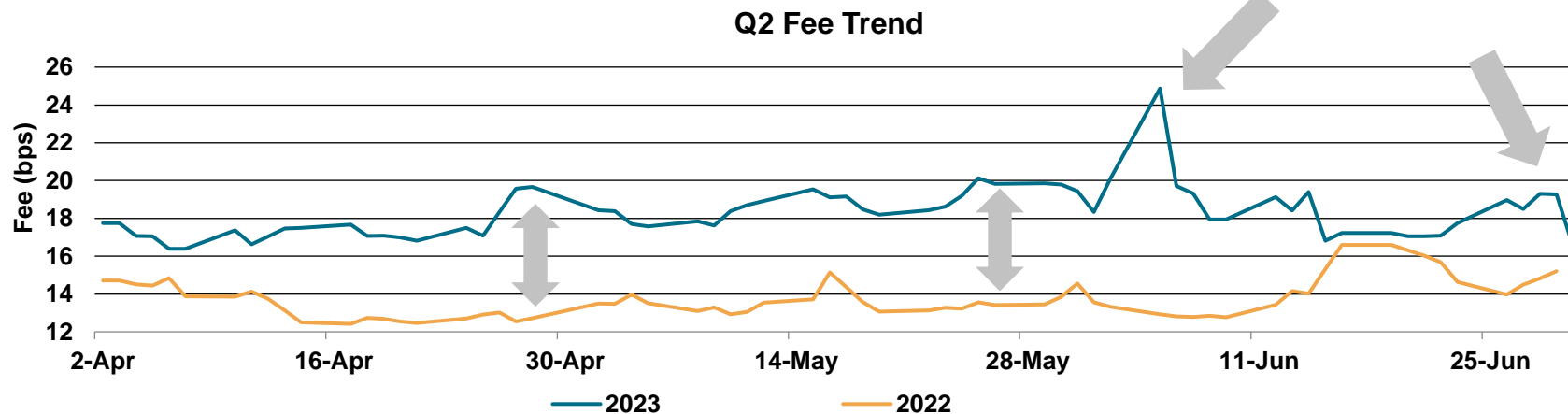
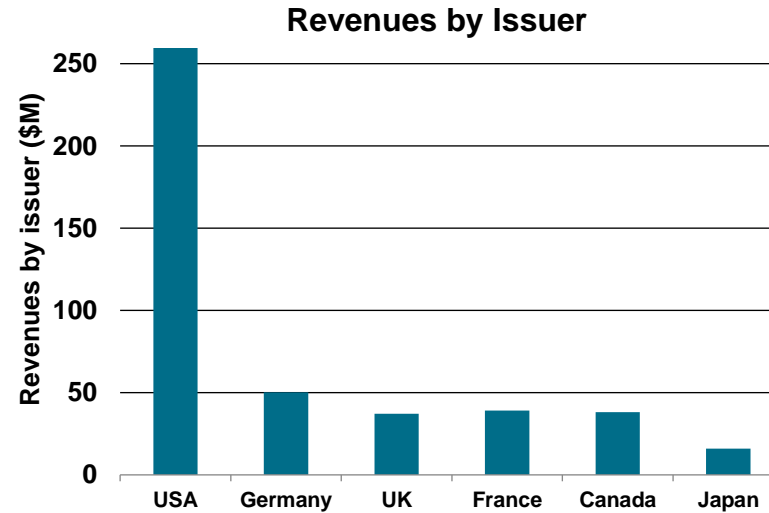
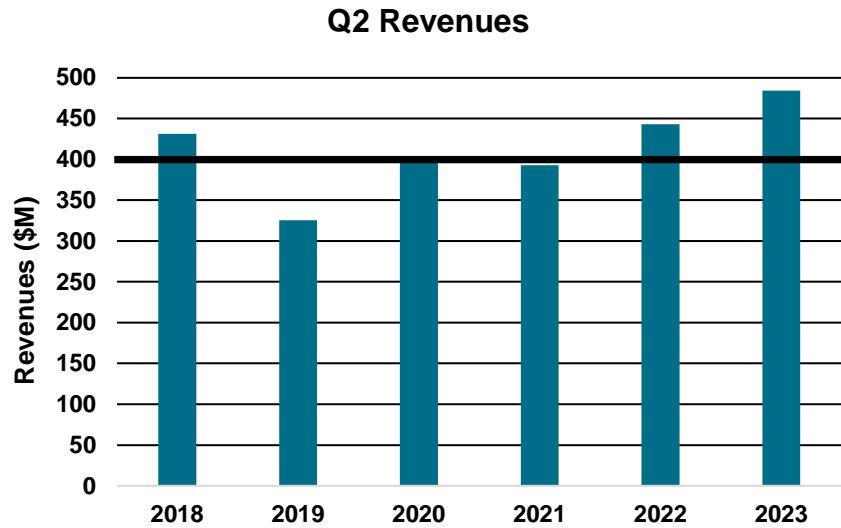
Top 10 Revenue generators - Corporate Bonds Q2 2023

Cusip	Name	SL Revenue (\$M)	Market
88579YBD2	3M Co (4% 14-Sep-2048)	3.46	USD I.G.
595017AU8	Microchip Technology Inc (0.125% 15-Nov-2024)	2.75	USD N.I.G.
553283AC6	Mph Acquisition Holdings Llc (5.75% 01-Nov-2028)	2.15	USD Priv.
13509PEF6	Canada Housing Trust No 1 (2.9% 15-Jun-2024)	1.66	CAD I.G.
10524PAB6	Brand Industrial Services Inc (8.5% 15-Jul-2025)	1.64	USD Priv.
252131AK3	Dexcom Inc (0.25% 15-Nov-2025)	1.44	USD N.I.G.
053773BF3	Avis Budget Car Rental Llc (5.375% 01-Mar-2029)	1.41	USD Priv.
09061GAK7	Biomarin Pharmaceutical Inc (1.25% 15-May-2027)	1.41	USD N.I.G.
345370CR9	Ford Motor Co (4.346% 08-Dec-2026)	1.35	USD N.I.G.
343412AF9	Fluor Corp (4.25% 15-Sep-2028)	1.32	USD N.I.G.

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Government bond Q2 revenues continue to top \$400M



Government bond revenues continue to rise supported by an elevated VWAF

Government bonds – Top borrows

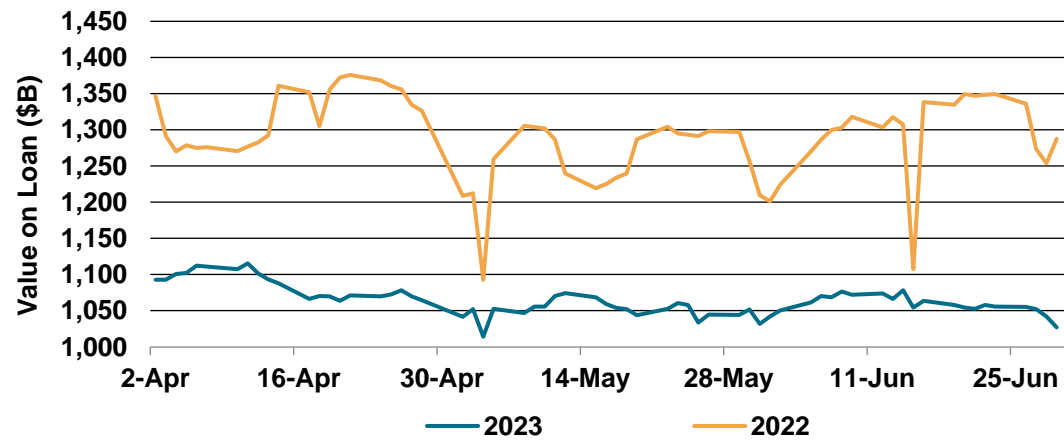
Top revenue generators - Government bonds Q2 2023

Cusip	Name	SL Revenue (\$M)	Market
DE0001104867	Germany, Federal Republic Of (Government) (0% 15-Dec-2023)	13.81	DE Dom Govt Bond (Fixed Rate)
912796ZN2	United States Treasury (0% 28-Dec-2023)	10.28	US Govt Bond (Bills) (Fixed Rate)
91282CHC8	United States Treasury (3.375% 15-May-2033)	6.92	US Govt Bond (Notes) (Fixed Rate)
912796ZD4	United States Treasury (0% 30-Nov-2023)	6.07	US Govt Bond (Bills) (Fixed Rate)
912797FG7	United States Treasury (0% 30-May-2023)	3.64	US Govt Bond (Bills) (Fixed Rate)
912810TS7	United States Treasury (3.875% 15-May-2043)	2.90	US Govt Bond (Bonds) (Fixed Rate)
135087YK4	Canada (Government) (2% 01-Dec-2041)	2.53	CA Govt Bond (Dom) (Fixed Rate)
91282CGT2	United States Treasury (3.625% 31-Mar-2028)	2.52	US Govt Bond (Notes) (Fixed Rate)
91282CDJ7	United States Treasury (1.375% 15-Nov-2031)	2.43	US Govt Bond (Notes) (Fixed Rate)
912796YT0	United States Treasury (0% 02-Nov-2023)	2.35	US Govt Bond (Bills) (Fixed Rate)

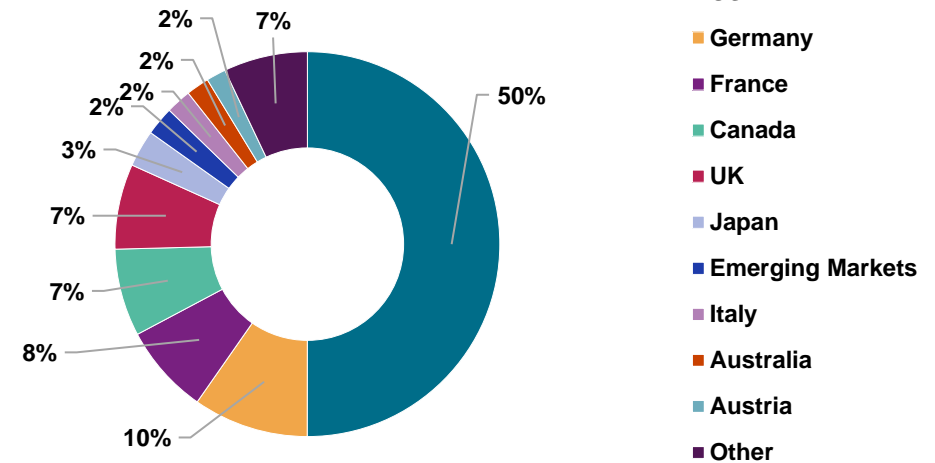
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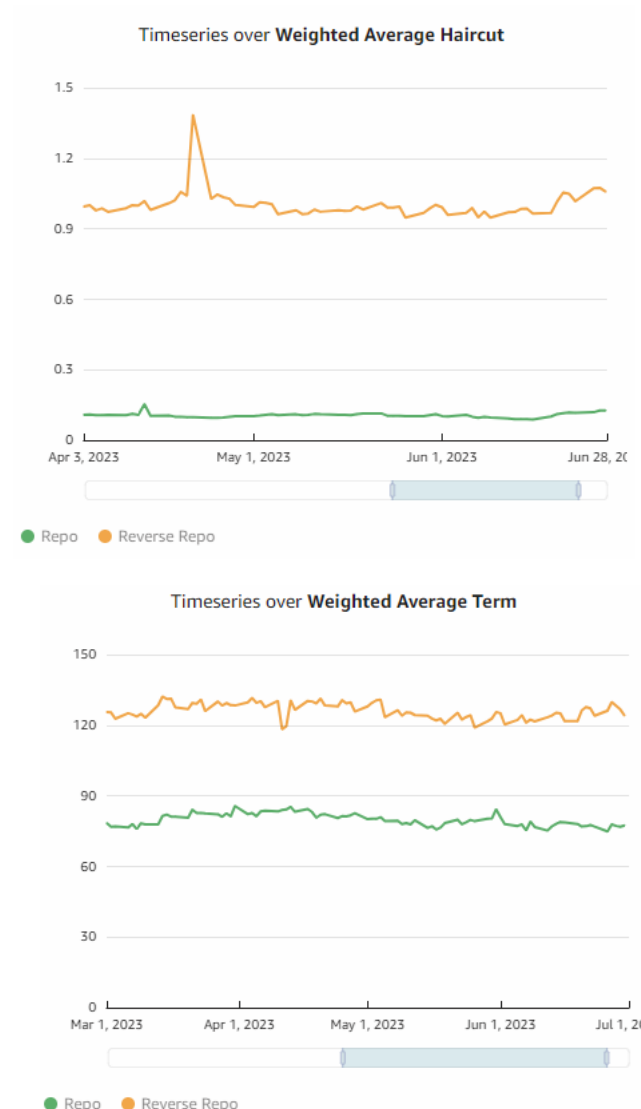
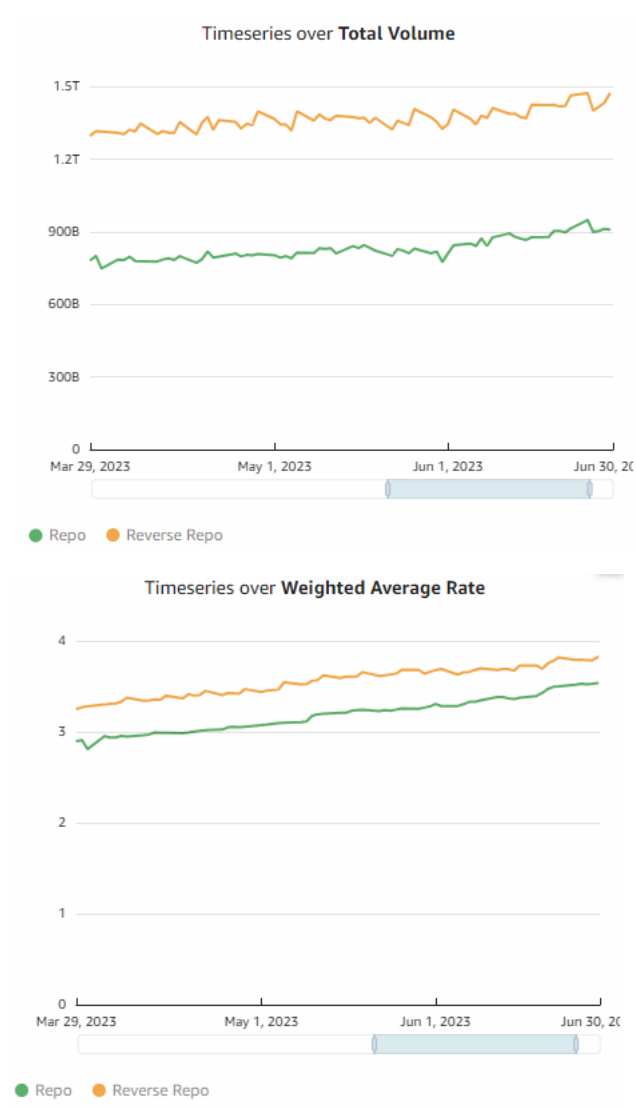
Q2 Balance Trend



Revenues by country



Repo market



Repo volume increases over Q2

Weighted average repo fee 3.59%

Weighted average reverse repo fee 3.8%

Repo Data Analytics

The end of the party?

Another great quarter for securities finance activity

- Inflation and hawkish rate rises have helped push revenues higher.
- With central banks starting to slow the pace of rate hikes, will this soften securities finance revenues?
- Balances have been in decline, but higher average fees have continued to produce strong returns.
- The market may be becoming more special focused.
- How will Q2 corporate earnings affect securities finance activity? Will this push equity markets higher?
- A great start to the year for lenders but positive market momentum makes predicting securities finance returns more uncertain.



Securities finance Q2 2023 market activity review webinar

James Clunie

Director of Long-Short Consulting Limited

James has had a long career as an investment manager and is currently Director at Long-Short Consulting Limited, providing consultancy on investment process design and risk management.

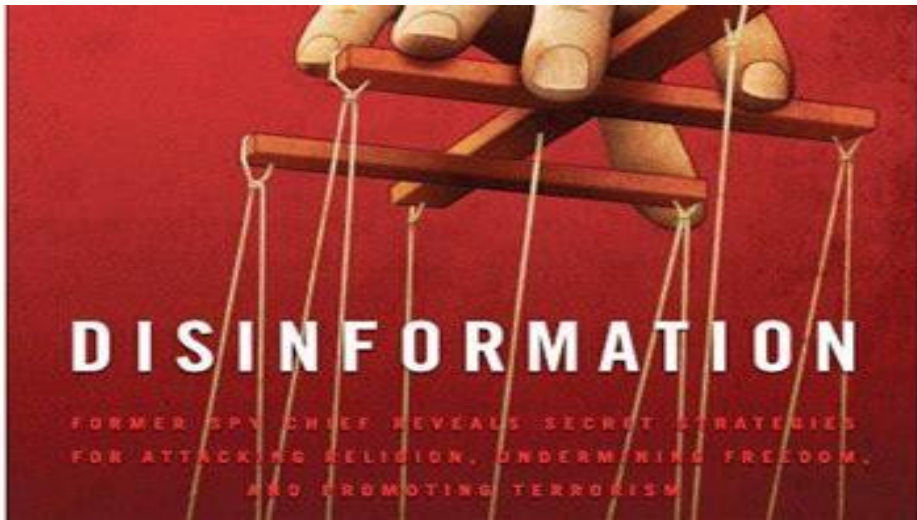
Prior to this, James worked as an investment manager at firms including Jupiter Asset Management and Aberdeen Asset Management and was Senior Lecturer in Finance at the University of Edinburgh. He has also served on a number of investment committees and trustee boards.

James has a PhD in management from the University of Edinburgh, is a CFA Charter holder, and has published widely, both academically and professionally.

Market Overview

- Changes in *inflation expectations* have been a driver of nearly all markets since 2021. Now, headline inflation is falling – the end of the inflation shock?
- If you had a clear view on ‘higher for longer’ or ‘back to low and stable’ for inflation, you’d know how to position long/short in equities, bonds, property and commodities.
- Hopes for economic soft landing/’goldilocks’ versus fear of a recession influencing equity and bond positioning. Cross asset market signals are currently confusing when trying to work this out!
- Artificial intelligence offers speculative opportunities today, but also long-term fundamental change. Can history teach us anything?
- Japanese equity break-out? ...and the end of yield curve control soon?
- Disappointment so far on Chinese economic recovery
- Crypto crackdown
- Geo-political mess.

Are we at war?

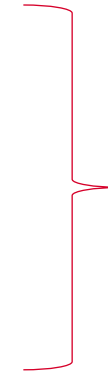


Some forces affecting medium-term inflation

- War
- Government and central bank responses to stress
- Governments' debt and deficits
- Energy transition spending

- Technology, digitization, robots – now with added AI!

- Demographics
- Social inequality



Inflationary forces



Deflationary forces



Unsure!

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Please send all questions to.....

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Thank you for your participation

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