

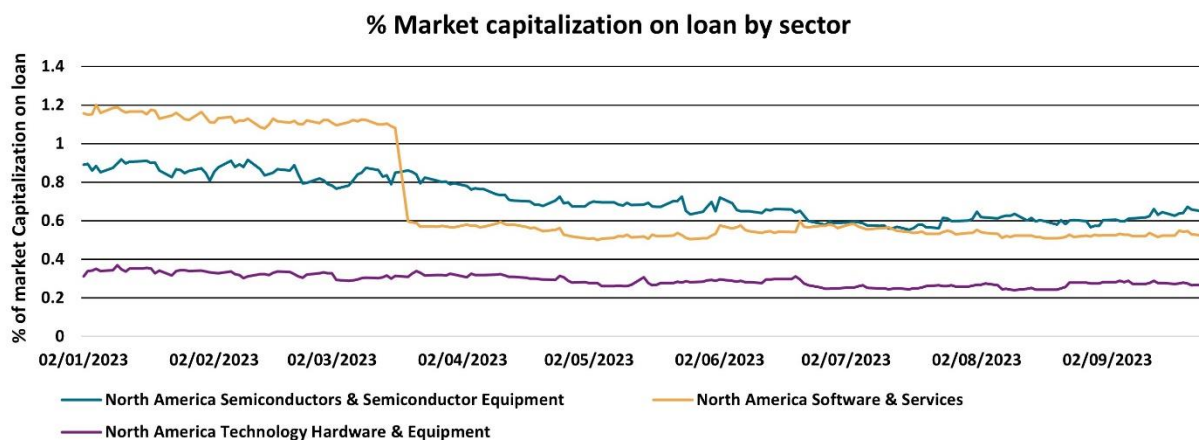
# 2023, the year of Artificial Intelligence.

## As stock markets soar as a result of generative Artificial Intelligence, how is the securities lending market reacting?

Confidence in the power of Artificial Intelligence to generate strong corporate profits has pushed the tech heavy Nasdaq to gains of over 30% since the beginning of the year. Nvidia has been one of the largest winners of the AI inspired rally with a share price increase of circa 190% during 2023 so far. Other stocks, such as Meta Platforms (+150%) and Tesla (+100%), that were subjected to a tech sell off during Q4 2022, have bounced back on the expectation that their adoption of new generative AI technologies can produce significant efficiencies throughout their businesses, boosting future revenues.

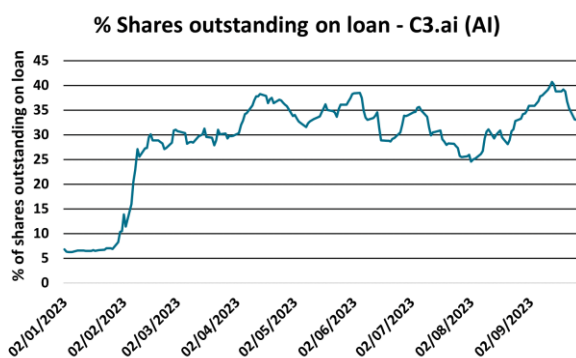
Whilst AI isn't a new phenomenon, the growth in the understanding of its most recent technological advancements has raised awareness of its transformational benefits. This new understanding coupled with announcements of substantial corporate investment in the sector, strong results from companies such as Nvidia that are linked to the increased demand for generative AI technology and the release of ChatGPT last November, have led to an explosion in the desire to own AI related stocks in investment portfolios.

When looking across the different sectors that are directly connected to the recent boom in AI related stocks, it's clear to see that the level of short interest has remained low throughout the year. This is most likely a result of the rapid and relentless increases seen in AI related stock valuations.



There are instances within the securities lending markets where investors have spotted opportunities

within this sector, however. The stock known by its now infamous AI ticker, C3.ai, has been one of the most popular AI related borrows. This has been the case ever since a well-known hedge fund released an investor letter in March stating that it would be shorting the stock. The fund stated that it believed that C3 was overvalued in the current environment and was riding a wave of AI euphoria.



As can be seen by the chart, since the release of the report, borrowing interest in the company has increased rapidly, with over 40% of its outstanding shares being borrowed at the beginning of September.

As AI has hit the headlines, its introduction into everyday life has not been without contention. The Hollywood writer's union board has been on strike as writers look to protect their profession from the introduction of large language models and governments have increased trade barriers

to protect the intellectual property used in production of the microchips that are powerful enough to process the required amounts of information.

As valuations in some of the most popular AI related stocks have now increased to record multiples of their current earnings, some commentators believe that they may have reached their peaks. In the current changing economic environment, where Treasury yields continue to rise due to an expectation that interest rates will stay higher for longer, growth stocks are starting to come under pressure. The recent sell off seen throughout September across the Nasdaq and the lack of intensity in the growth of Nvidia's share price following the most recent profit announcement (and its worst monthly stock market performance ever) is possibly representative of this school of thought. As a result, it is possible that a growth in directional activity across this sector could intensify heading into the new year.

The new possibilities available to us all as a result of the AI revolution continues to be the topic of many conversations. Its many applications and user cases continue to push the limits of current functionality and possibility. At S&P Global Market Intelligence we continue to embrace new technologies that both grow and enhance the opportunities that we offer our clients. At our securities finance conference we will be looking forward to sharing these with our attendees, along with our experiences in using these new tools.

To hear more about the opportunities in using AI from in house experts please join us at our upcoming **Securities Finance Forum at 1345 6th Avenue, New York, NY 10105 on November 9<sup>th</sup>, 2023, between 1:00pm – 7:00pm** where we have numerous market leaders scheduled to discuss the past, present, and future of the securities lending markets.

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

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