

# Securities Finance Q1 2023 Snapshot



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## Securities finance quarterly revenues of \$3.415B make Q1 one of the strongest ever

- Securities finance revenues reach a quarterly high
- Switzerland and Sweden dominate in EMEA equities
- Americas equities produces spectacular revenues from specials activity
- Fixed income assets continue to outperform throughout the quarter

### Global Securities Finance Snapshot - Q1 2023

Asset Class	Q1 Revenue (\$M)	Rev YoY %Chg	Avg Balances (\$B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Lendable (\$B)	Lendable YoY Chg	Avg Utilization	Util YoY %Chg
All Securities	\$3,415	24%	\$2,624	-10%	0.53%	39%	\$31,071	-10%	6.5%	-1%
All Equity	\$2,596	24%	\$1,253	-3%	0.84%	29%	\$22,936	-10%	3.9%	7%
Americas Equity	\$1,417	45%	\$668	0%	0.86%	47%	\$16,182	-10%	3.1%	10%
Asia Equity	\$513	-4%	\$229	-4%	0.90%	-1%	\$2,496	-7%	5.4%	3%
EMEA Equity	\$376	36%	\$224	-3%	0.67%	40%	\$3,448	-11%	5.2%	10%
ADR	\$102	94%	\$30	-7%	1.38%	107%	\$246	-3%	8.8%	6%
ETP	\$161	-25%	\$97	-19%	0.67%	-9%	\$450	-8%	10.4%	-18%
Government Bond	\$482	12%	\$1,084	-17%	0.18%	35%	\$3,991	-3%	21.8%	-13%
Corporate Bond	\$298	45%	\$262	-9%	0.46%	60%	\$3,838	-16%	5.8%	8%

Note: Includes only transactions with positive fees  
Source: SPGMI Securities Finance

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The first quarter of 2023 was one of the most financially tumultuous since the end of the financial crisis. Despite this, or indeed because of this, securities finance revenues flourished, and the first quarter of 2023 delivered the highest quarterly revenue since 2008. Making Securities Finance desks, along with Bitcoin (+71.2%) and tech stocks (Nasdaq 100 +20.5%), one of the big quarterly winners during Q1 2023.

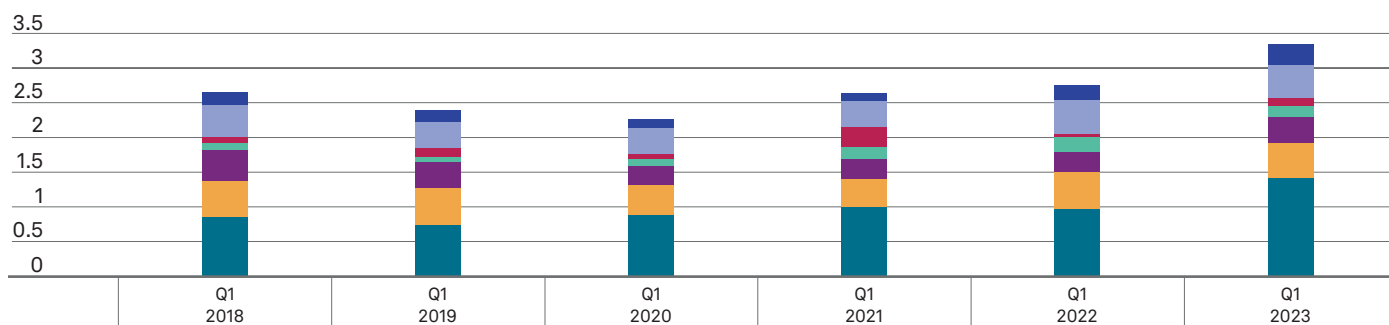
Achieving record revenues required both equity and fixed income markets to be exposed to volatile conditions. The quarter started with government bond yields falling as positive sentiment regarding economic growth and the avoidance of a global

recession in developed markets took hold. The direction of global interest rates and inflationary moves became fluid as turmoil in the banking sector unfolded and economic data surprised to the upside. Despite the collapse of Credit Suisse in Europe and Silicon Valley Bank and Signature Bank in the US. Outside of the banking stocks, equity markets rallied during the quarter. Growth stocks did particularly well, outperforming value stocks. In the fixed income markets, yields fell (prices increased) despite Central Bank tightening, albeit in smaller increments, in benchmark interest rates in the UK, and the US whilst the ECB remained more hawkish increasing rates twice over the quarter by 50bps.

## Q1 Securities Finance Revenues by Asset Class (USD)

Americas APAC EMEA ETF ADR Government bonds Corporate bonds

Revenues (\$B)



Source: SPGMI Securities Finance

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During the first quarter of 2023 **\$3.414B** in revenues were generated, reflecting a 24.5% increase on Q1 2022. Revenues exceeded the \$1B mark in every month with the lowest revenue generating month being February (\$1.054B, January revenues \$1.116B). The key driver behind the revenue increase was average fee which increased by 39% to 53 bps when compared with Q1 2022 (38bps). Over the period balances declined by 10% and utilization declined by 1% YoY depicting a more expensive borrowing environment.

Securities finance activity was particularly strong across the Americas and EMEA equity markets. Revenues increased 45% and 36% respectively. US equities specials activity (defined as a volume weighted average fee of greater than 500bps) generated over \$1B over the quarter for the first-time pushing Americas equities to one of the best Q1 revenue numbers on record. Within EMEA, strong March revenues, particularly across Swiss equities, had a similar impact in pushing regional revenues higher. Within the APAC region revenues declined 4% when compared with Q1 2022 after declines were seen in both revenues and average fees across, Taiwan, and South Korea.

Exchange Traded Products (ETPs) experienced a 25% decline in revenues when compared with Q1 2022. A few specials in Americas ETPs pushed revenues higher last year in response to the unprecedented speed in interest rate increases. Average fees also declined because of softer demand for these names and a growing consensus surrounding a slowdown in future interest rate moves.

American Depository receipts produced significantly better returns over the period. Revenues increased 94% to \$102M. Average monthly revenues over the Q1 period were higher than during any month of 2022, apart from August. Electric Vehicle stocks dominated these revenues and continued to attract a lot of demand from borrowers.

Fixed income assets continued to outperform over the period. Both Government and Corporate bonds sustained their near record performance seen over 2022. Corporate bonds became more expensive with average fees and revenues climbing higher despite a decline in on loan balances. Government bonds remained in focus given the volatility seen over the period. Interest rate and inflation concerns continued to benefit government bond demand with short-dated bonds, which remain sensitive to immediate changes in interest rates, remaining the most popular over the quarter.

In conclusion, securities finance revenues over the first quarter of the year were incredibly strong. Despite the increased levels of uncertainty within the macro-economic environment and the market turmoil seen in financial stocks, securities finance activity continued to thrive. With interest rates reportedly close to their peaks and the fall out from the recent banking problems still not fully understood, securities lenders will no doubt be heading into Q2 with cautious optimism.

# APAC Equities

## Japanese equities lead the charge

In contrast to the US and EMEA regions, APAC has so far escaped any contagion impacts of the banking crisis. This may be due in part to the major economies (China/Japan) not encountering the same inflationary concerns as the US and Europe. China's monthly inflation rate dropped below 1% whilst it is still recovering post Covid lockdowns and Japan's dropped 1% in March to be at 3.3%. In contrast Australia's inflation remains high however monthly CPI indicator, suggests that inflation has peaked in Australia allowing the RBA to hold off on rate hikes in early April.

Revenues were down 4%, dragged down by regulations in both South Korea (-36%) and Taiwan (-19%). However, we did see strong returns in both Japan and Hong Kong. Q1 is typically a strong quarter for Japan with the bulk of dividends going ex in March, however, the revenues this quarter benefited from the Japan Post Bank (7182) as they announced a US 9 bn public offering which resulted in demand to borrow this GC stock peak at 90%.

Hong Kong revenues were up 25% as concerns surrounding the recovery trend might be clouded by uncertainties over consumers' spending power in the post Covid-19 era. The Australian numbers were down over the period due to the highly lucrative 2022 BHP London delisting.

## Overview



Q1 Revenues

**\$513M** ▼ -4%



Average Balances

**\$230B** ▼ -4%



Weighted Average Fee

**0.9%** ▼ -1%



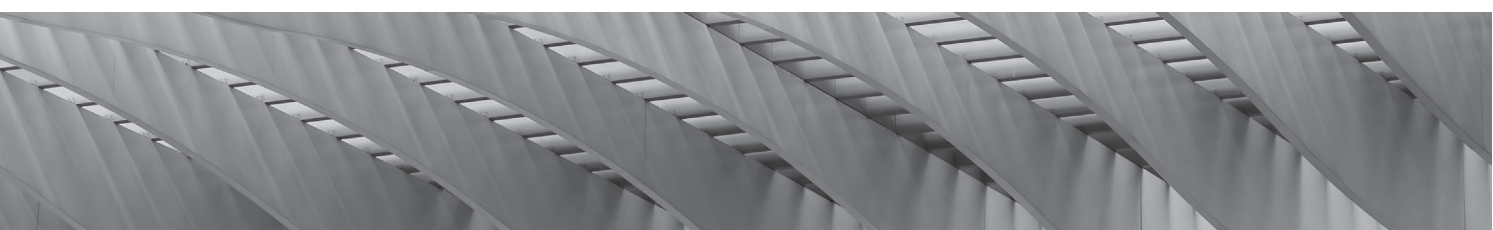
Average Lendable

**\$2.5T** ▼ -7%



Average Utilization

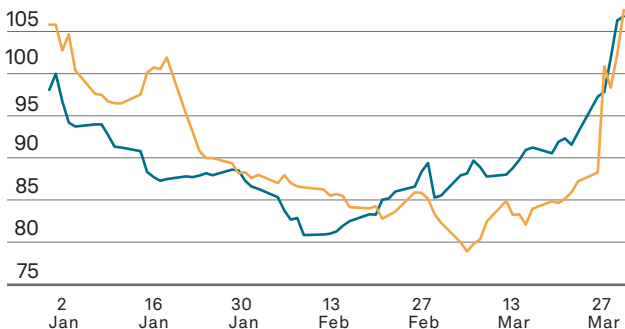
**5.4%** ▲ 3%



## Q1 Fee Trend

2023 2022

Fee (Bps)



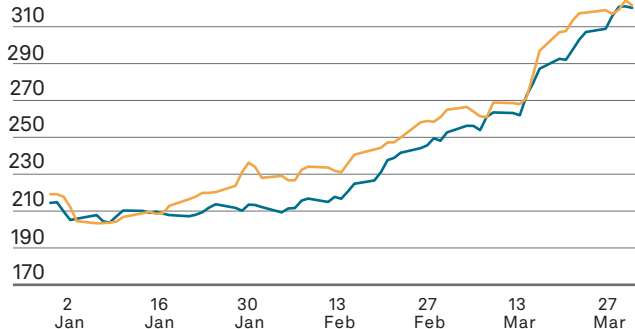
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## Q1 Balance Trend

2023 2022

Value on Loan (USD) in Billions



Source: SPGMI Securities Finance

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Revenues from Japanese equities increase 24% YoY

Revenues from Hong Kong equities increase 25% YoY

Utilization in Japan reaches 7.1% (+12% YoY)

Hong Kong dominates the top revenue generators

## Country Details

Country	Q1 Revenue (\$M)	Rev YoY %Chg	Avg Balances (\$B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Lendable (\$B)	Lendable YoY Chg	Avg Utilization	Util YoY %Chg
Japan Equity	\$173	24%	\$137.50	3%	0.49%	20%	\$1,030	-11%	7.1%	12%
Taiwan Equity	\$115	-19%	\$18.86	-18%	2.46%	-2%	\$99	-14%	7.8%	-14%
Hong Kong Equity	\$110	25%	\$33.13	-8%	1.34%	36%	\$586	-5%	4.4%	5%
South Korea Equity	\$63	-36%	\$14.58	-15%	1.75%	-25%	\$156	-15%	5.1%	0%
Australia Equity	\$38	-21%	\$20.45	-14%	0.75%	-9%	\$491	2%	3.4%	-17%
Malaysia Equity	\$5	-30%	\$0.47	-13%	4.03%	-16%	\$11	-14%	3.7%	-1%
Singapore Equity	\$5	8%	\$2.64	38%	0.82%	-23%	\$65	3%	3.2%	25%
Thailand Equity	\$3	-24%	\$0.84	15%	1.63%	-34%	\$20	8%	3.7%	-1%
New Zealand Equity	\$1	-25%	\$0.38	-30%	0.84%	2%	\$10	-7%	3.4%	-21%

Note: Includes only transactions with positive fees  
Source: SPGMI Securities Finance

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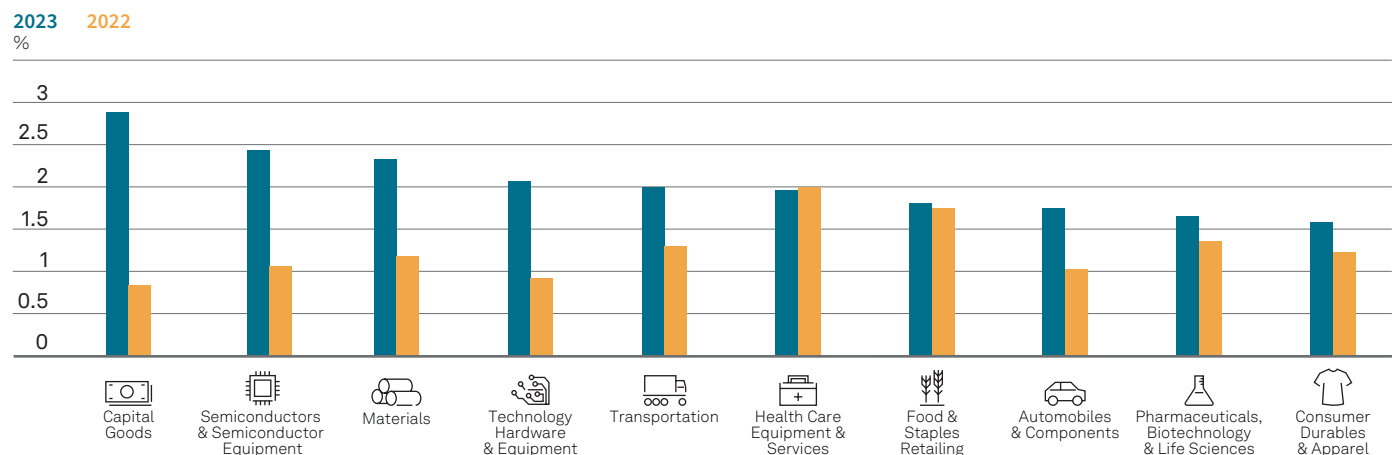
## Top 10 Revenue Generating Stocks

Top Earning Assets	Ticker	Sector	Country	Revenue Generated (\$M)
Japan Post Bank Co Ltd	7182	Japan Banks	JP Equity	8.5
Pop Mart International Group Ltd	9992	Asia Consumer Discretionary Distribution & Retail	HK Equity	6.2
Tianneng Power International Ltd	819	Asia Automobiles & Components	HK Equity	5.8
Shanghai Junshi Biosciences Co Ltd	1877	Asia Pharmaceuticals, Biotechnology & Life Sciences	HK Equity	5.5
East Buy Holding Ltd	1797	Asia Consumer Services	HK Equity	5.4
Snow Peak Inc	7816	Japan Consumer Durables & Apparel	JP Equity	5.2
Smoore International Holdings Ltd	6969	Asia Food, Beverage & Tobacco	HK Equity	5.1
United Microelectronics Corp	2303	Asia Semiconductors & Semiconductor Equipment	TW Equity (TWSE)	3.8
Sensetime Group Inc	20	Asia Software & Services	HK Equity	3.7
Aspeed Technology Inc	5274	Asia Semiconductors & Semiconductor Equipment	TW Equity	3.7

Source: SPGMI Securities Finance

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## \$ Short Loan Value as a % of Market Cap



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# EMEA Equities

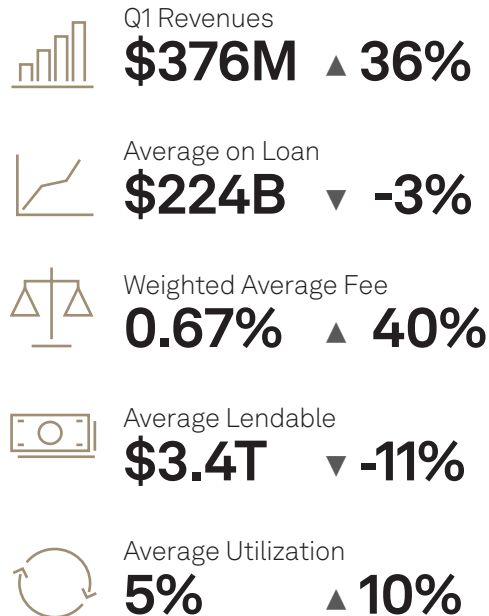
## Switzerland and Sweden set the tone during Q1

Despite the fallout from the banking turmoil in the US and the subsequent buyout of Credit Suisse by UBS, through a deal facilitated by the Swiss government, Eurozone equity markets finished the quarter in positive territory. Over the period the ECB raised interest rates twice by 50bps, once in February and once in March, as Christine Lagarde made it very clear that the central bank would continue to do what was necessary to bring inflation back down to 2%. Despite the increase in interest rates, core inflation rose over the period from 5.6% to 5.7%. Throughout Q1, the real estate sector started to come under pressure as increases in interest rates raised concerns around refinancing costs and weaker occupancy rates.

In the UK a similar situation played out. Equity markets finished the quarter higher with industrials and consumer discretionary stocks leading the charge. The Bank of England continued to raise interest rates over the quarter but in the UK, financial markets are expecting the central bank to be able to pause or even pivot by the end of the year. The domestic economy fared well over the quarter with recessionary fears toned down after the dissemination of more resilient economic data.

Securities finance revenues for EMEA equities totalled \$376M for Q1 which was a 36% increase YoY, proving to be one of the strongest starts to the year ever for EMEA equities. Despite a modest fall in balances over the period, average fees were 40% higher YoY at 67bps. The majority of EMEA markets saw double digit increases in both revenues and average fees over the period apart from Italy, Spain and Belgium. Revenues in Sweden and Switzerland were particularly strong over the period. Both markets had an exceptional quarter beating previous Q1 figures by some margin. In Sweden the demand was driven by Media and

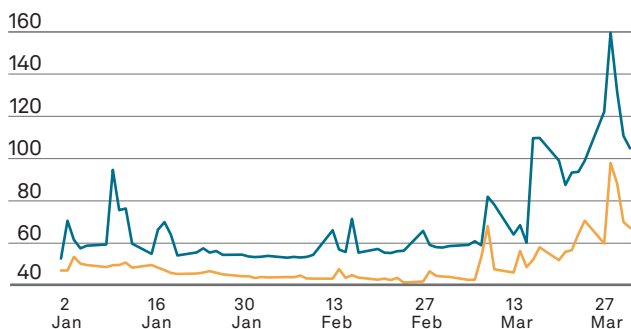
## Overview



Entertainment and Commercial Real Estate stocks and in Switzerland, trading in Roche Holdings (ROG) was particularly strong during March. In the UK, revenues increased 70% YoY. Equities such as TUI AG traded special throughout the month pushing UK revenues higher. Utilization in the region was 10% higher YoY despite falling YoY during March. As we head into Q2, which is traditionally the most lucrative for EMEA equity securities finance activity, lenders can be confident of robust revenues after a strong start to the year.

## Q1 Fee Trend

2023 2022  
Fee (Bps)

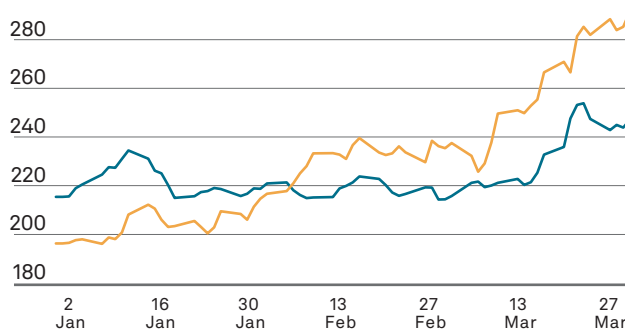


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## Q1 Balance Trend

2023 2022  
Value on Loan (USD) in Billions



Source: SPGMI Securities Finance

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Swiss revenues  
increase 85% YoY

Swedish equities  
continue to command  
stronger fees

UK equity revenues  
increase 70% YoY

Swiss average fees  
increase 105%  
YoY to 88bps

## Country Details

Country	Q1 Revenue (\$M)	Rev YoY %Chg	Avg Balances (\$B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Lendable (\$B)	Lendable YoY Chg	Avg Utilization	Util YoY %Chg
Switzerland Equity	81	85%	33.33	-13%	0.88%	105%	491	-15%	5.5%	0%
Sweden Equity	58	48%	19.69	6%	1.14%	49%	176	-18%	9.0%	33%
Germany Equity	55	25%	44.53	24%	0.51%	0%	396	-11%	9.2%	34%
France Equity	47	12%	49.60	9%	0.38%	1%	611	-2%	6.6%	11%
UK Equity	44	70%	27.23	-28%	0.65%	136%	926	-12%	2.2%	-14%
Norway Equity	22	17%	4.84	0%	1.60%	3%	48	-14%	8.1%	24%
Italy Equity	12	-48%	9.21	-24%	0.52%	-32%	125	-13%	5.8%	-6%
Netherlands Equity	9	76%	13.25	22%	0.28%	38%	264	-13%	4.1%	35%
Finland Equity	9	40%	3.45	-25%	1.06%	88%	56	-9%	4.8%	-17%
Denmark Equity	6	37%	4.59	-11%	0.55%	53%	114	-7%	3.4%	1%
Spain Equity	5	-31%	6.40	-21%	0.30%	-14%	118	-2%	4.5%	-13%
Belgium Equity	3	-19%	2.94	-15%	0.46%	-9%	47	-10%	5.1%	-6%

Note: Includes only transactions with positive fees  
Source: SPGMI Securities Finance

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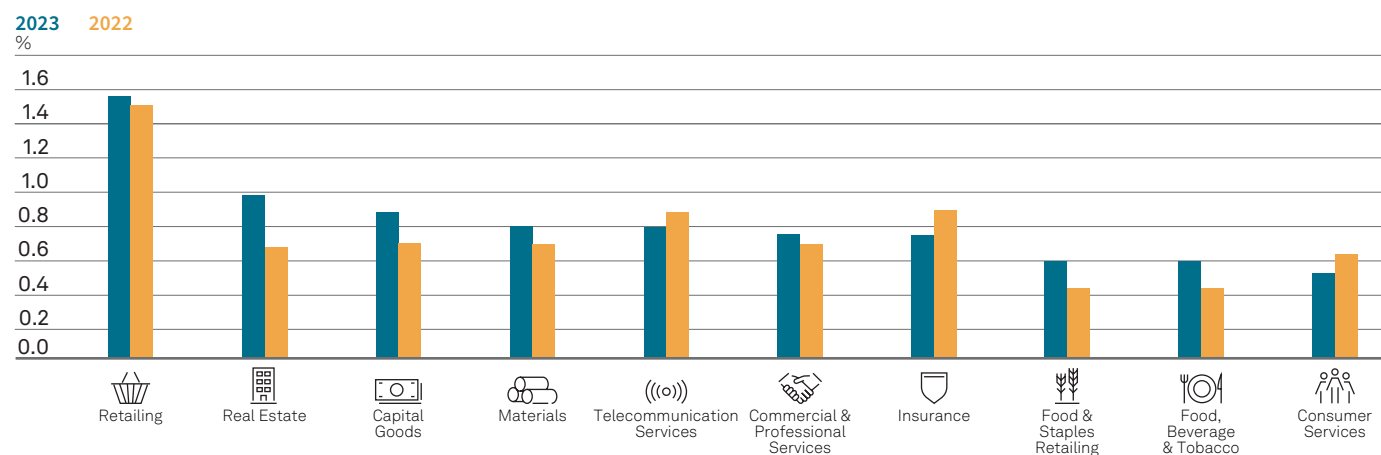
## Top 10 Revenue Generating Stocks

Top Earning Assets	ASML	Sector	Country	Revenue Generated (\$M)
Roche Holding Par	ROG	EMEA Pharmaceuticals, Biotechnology & Life Sciences	CH Equity (SMI)	35.8
Tui Ag	TUI	EMEA Consumer Services	UK Equity (FTSE 250)	14.5
Idorsia Ltd	IDIA	EMEA Pharmaceuticals, Biotechnology & Life Sciences	CH Equity (Others)	12.7
Novartis Ag	NOVN	EMEA Pharmaceuticals, Biotechnology & Life Sciences	CH Equity (SMI)	11.6
Totalenergies Se	TTE	EMEA Energy	FR Equity (CAC)	11.5
Equinor Asa	EQNR	EMEA Energy	NO Equity (OBX)	9.8
Samhallsbyggnadsbolaget I Norden Ab	SBB B	EMEA Real Estate Management & Development	SE Equity (OMX)	9.8
Varta Ag	VAR1	EMEA Capital Goods	DE Equity (SDAX)	8.8
Nordea Bank Abp	NDA SE	EMEA Banks	SE Equity (OMX)	6.6
Svenska Handelsbanken Ab	SHB A	EMEA Banks	SE Equity (OMX)	5.7

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## \$ Short Loan Value as a % of Market Cap



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# Americas Equities

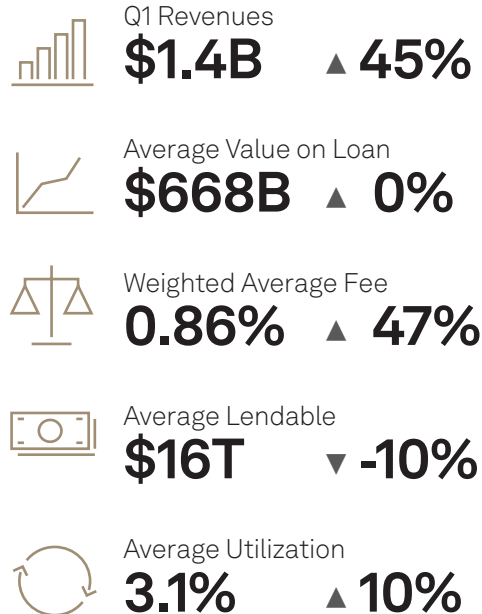
## Specials activity helps revenues to hit a new quarterly high in the US

The financial turmoil that followed the collapse of Silicon Valley Bank (SVB) was relatively short lived as investors shrugged off any concerns and equity markets increased over the quarter. Any immediate dips seen in the main Americas indices had recovered any lost ground by the end of March. During the period the Fed raised interest rates twice but in smaller increments of 25bps as inflation started to fall. The Bank of Canada increased rates once over the period by 25bps but communicated that it would be pausing for breath after this most recent hike. Tech stocks saw the greatest gains over the quarter with mega cap stocks experiencing the strongest returns.

Within the Americas, both the US and Canada performed very well over the quarter. Average fees in Canada over the period were 69bps which represents a 17% increase over Q1 2022. Final Q1 revenues for the quarter were \$107.6M. March was the best month for Canadian revenues with \$40.4M generated. An impressive average fee of 72bps (+15.8% YoY) helped push the revenues higher.

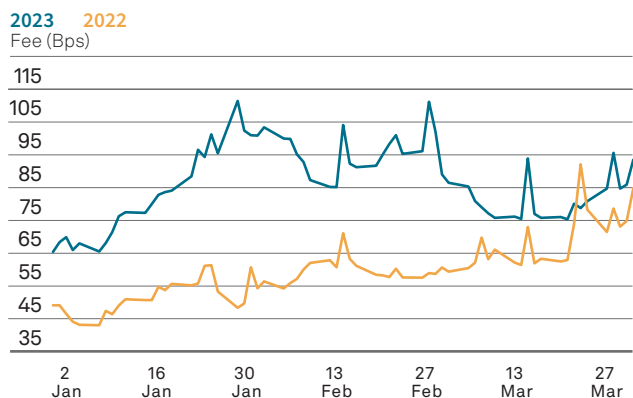
In the US, specials activity dominated the revenues. Many of the highest revenue generating stocks over the quarter also represented the highest revenue generating stocks globally. AMC was the stand-out name over the quarter generating \$233M. Specials activity in the US generated over \$1.015B in revenues which is the highest since our data collection started. This was 67% higher than during Q1 2022. Over Q1 an average of 77% of all US equity revenues were generated by loans with a Volume Weighted Average Fee (VWAF) of over 500bps. These revenues were generated by an average 3% of all on loan balances. The strength of the demand behind a narrow set of names has helped to push Q1 revenues to an all-time high and shows no signs of abating heading into Q2.

## Overview



Revenues for USA equities were a phenomenal \$1.298B for the first three months of the year. This was an increase of 45% on Q1 2022. Average fees for the quarter were 88bps (+50% YoY) with February seeing the highest average fees of 98bps. With utilization remaining below 3% throughout the quarter, the markets dependence on specials was evident.

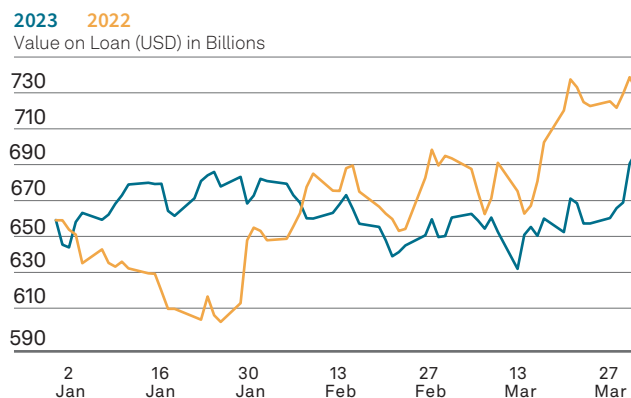
## Q1 Fee Trend



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## Q1 Balance Trend



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Remarkable specials activity pushes revenues to a quarterly high

AMC generates \$233M in revenues during Q1

Average fees increase 47% YoY to 86bps

Canadian revenues increase 43% YoY

## Country Details

Country	Q1 Revenue (\$M)	Rev YoY %Chg	Avg Balances (\$B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Lendable (\$B)	Lendable YoY Chg	Avg Utilization	Util YoY %Chg
USA Equity	1,298	45%	602.48	-2%	0.88%	50%	15,467	-10%	2.9%	8%
Canada Equity	108	43%	62.09	21%	0.69%	17%	672	-12%	7.3%	34%
Brazil Equity	8	15%	2.34	-3%	1.36%	19%	2	-45%	14.7%	90%
Mexico Equity	3	167%	816.78	-6%	1.27%	181%	41	13%	1.8%	-7%
ADR	102	94%	30	-7%	1.38%	107%	247	-3%	8.8%	6%

Note: Includes only transactions with positive fees  
Source: SPGMI Securities Finance

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## Top 10 Revenue Generating Stocks

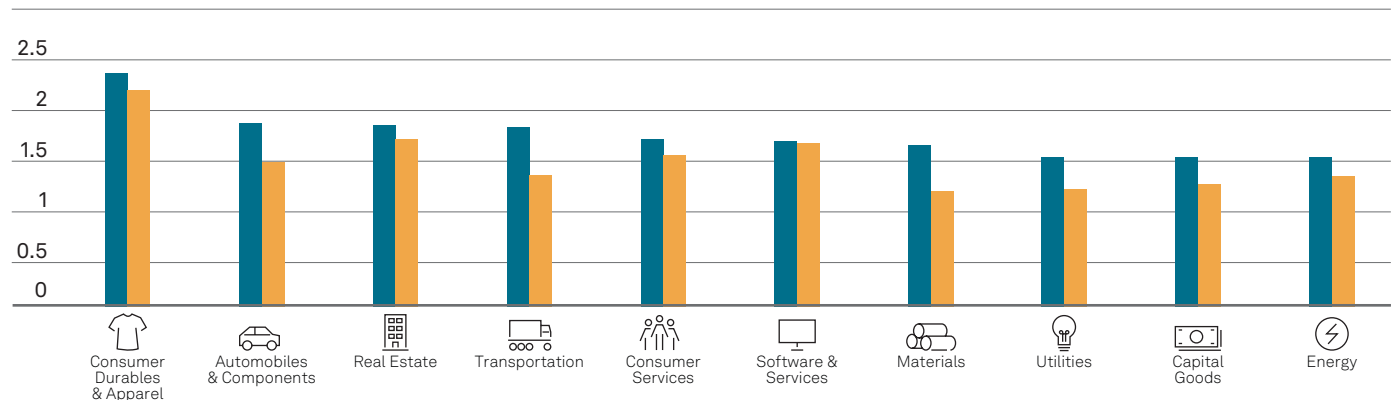
Top Earning Assets	Ticker	Sector	Country	Revenue Generated (\$M)
Amc Entertainment Holdings Inc	AMC	North America Media and Entertainment	US Equity	233
Beyond Meat Inc	BYND	North America Food, Beverage & Tobacco	US Equity (RUSSELL 2000)	89.6
Lucid Group Inc	LCID	North America Automobiles & Components	US Equity	70.5
Microstrategy Inc	MSTR	North America Software & Services	US Equity (RUSSELL 2000)	51
Gamestop Corp	GME	North America Consumer Discretionary Distribution & Retail	US Equity	49.5
Upstart Holdings Inc	UPST	North America Financial Services	US Equity	44
Quantumscape Corp	QS	North America Automobiles & Components	US Equity	36
Bed Bath & Beyond Inc	BBBY	North America Consumer Discretionary Distribution & Retail	US Equity (RUSSELL 2000)	34.1
Sirius Xm Holdings Inc	SIRI	North America Media and Entertainment	US Equity	28.8
Evgo Inc	EVGO	North America Consumer Discretionary Distribution & Retail	US Equity (RUSSELL 2000)	27.1

Source: SPGMI Securities Finance

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## \$ Short Loan Value as a % of Market Cap

2023 2022  
%



Source: SPGMI Securities Finance

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# Exchange Traded Products

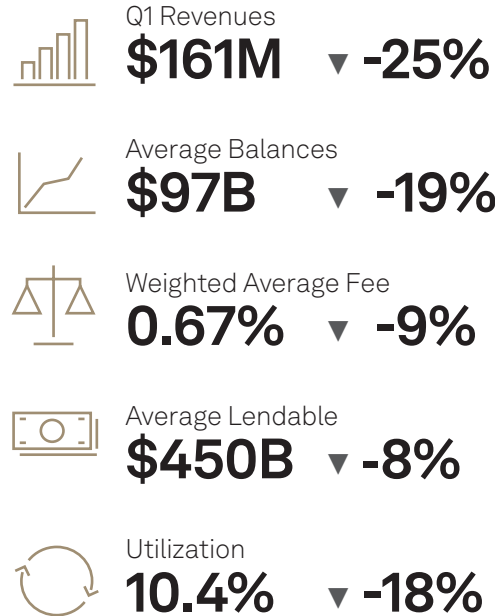
## Momentum declines throughout Q1

ETF flows over the quarter were reflective of market sentiment. Towards the beginning of the quarter the rally seen in tech stocks, which was the losing sector of Q4 2022, was clear to see in ETF investor flows. Commercial service and consumer discretionary focused ETFs also experienced inflows over the quarter. In the index tracker ETFs, the S&P 500 remained one of the most popular trackers amongst investors and saw new inflows over the quarter despite the volatility seen throughout the period. With the issues seen in the banking sector towards the end of the period, investor flows moved out of financial based ETFs into both Money Market and Government bond-based products.

Exchange Traded Products (ETPs) generated \$161M throughout the quarter (-25% YoY). American ETFs represented 86% of these revenues with \$136M being generated. Across all regions revenues, balances and average utilization declined YoY. Average fees also declined across all regions except for Europe. ETPs were one of the top outperformers during 2022 as the rapid rise in interest rates increased borrowing in both high yield and corporate bond ETFs. As equity markets remained volatile and the global economy emerged from issues relating to COVID, technology- focused ETFs that benefited from new technologies adopted by many throughout the period and small cap indices such as the FTSE250 and Russell 2000 were heavily borrowed. During the first quarter of 2023, whilst some of the same themes do still exist, they are present at a lesser extent.

During Q1 the top revenue generating ETPs included the iShares iboxx High Yield Bond ETF (HYG), SPDR S&P 500 ETF (SPY) and iShares Russell 2000 (IWM).

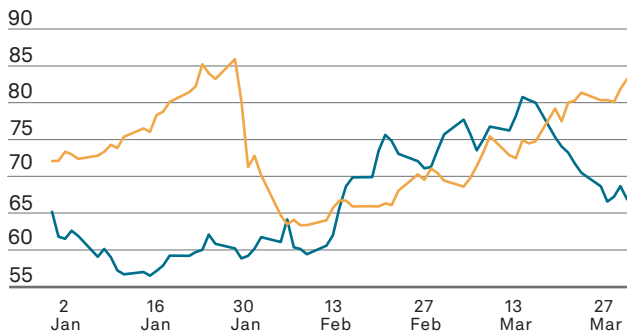
## Overview



HYG saw its highest revenues for 11 months during March (\$11.4M) as interest rates pushed higher once more. As was the case during 2022, HYG is likely to remain in demand as uncertainty surrounding interest rates continues. The iShares National Municipal bond ETF (MUB) was a new addition to the table. As Municipal bonds tend to have a low weighted average maturity and offer low interest rates in comparison to Treasury equivalents, the risk of a higher-than-expected terminal rate, puts pressure on the prices of these assets. In Europe the MSCI China A UCITS (CNYA) continued to be a popular borrow despite revenues falling 78% on Q4 2022.

## Q1 Fee Trend

2023 2022  
Fee (Bps)

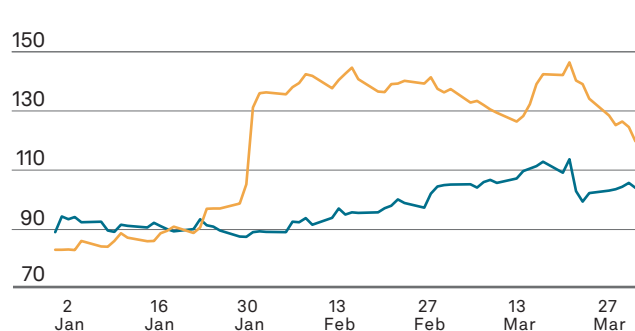


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## Q1 Balance Trend

2023 2022  
Value on Loan (USD) in Billions



Source: SPGMI Securities Finance

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**HYG continues to dominate revenues**

**Average fees across all ETFs decline 9% YoY to 67bps**

**Revenues across all ETPs declines 25% YoY**

**European ETF fees increase 8% YoY**

## Regional Details

Regional	Q1 Revenue (\$M)	Rev YoY %Chg	Avg Balances (\$B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Lendable (\$B)	Lendable YoY Chg	Avg Utilization	Util YoY %Chg
Americas ETFs	136	-26%	89.66	-19%	0.61%	-11%	306	-8%	14.0%	-17%
European ETFs	19	-18%	5.56	-24%	1.41%	8%	81	-7%	4.0%	-23%
Asia ETFs	3	-41%	0.99	-11%	1.02%	-32%	3	-28%	8.1%	-14%

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Source: SPGMI Securities Finance

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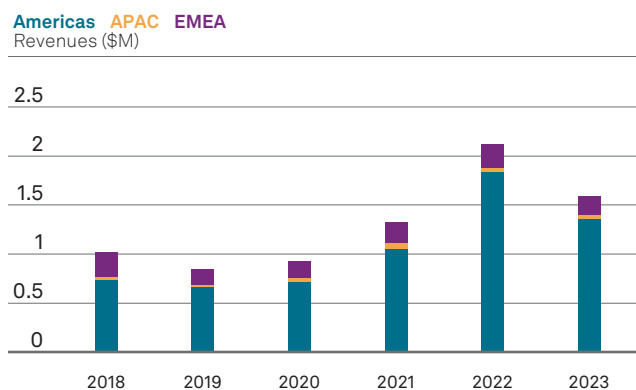
## Top 10 Revenue Generating Stocks

Top Earning Assets	Ticker	Sector	Country	Revenue Generated (\$M)
Ishares Iboxx High Yield Bond Etf	HYG	US ETF	Fixed income	18.2
Ark Innovation Etf	ARKK	US ETF	Equity	7.2
Spdr S&P 500 Etf	SPY	US ETF	Equity	5.3
Ishares Russell 2000 Etf	IWM	US ETF	Equity	4.6
Alps Alerian Mlp Etf	AMLPP	US ETF	Equity	3.6
Ishares National Muni Bond Etf	MUB	US ETF	Fixed income	3.5
Invsc Qqq Trust Srs 1 Etf	QQQ	US ETF	Equity	3.2
Invsc Senior Loan Etf	BKLN	US ETF	Fixed income	3.2
Spdr Blackstone Senior Loan Etf	SRLN	US ETF	Fixed income	2.5
Is Eur H.Yld C.B Ucits Eur Dist Etf	IHYG	IE ETF	Fixed income	2.4

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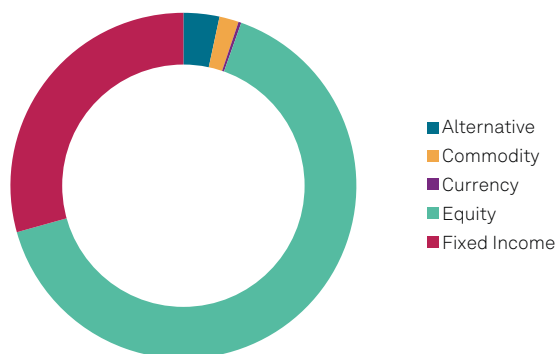
## Lending Revenues by Region



Source: SPGMI Securities Finance

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## Lending Revenues by Asset Class



Source: SPGMI Securities Finance

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# Corporate Bonds

## Revenues continue to impress as activity remains strong

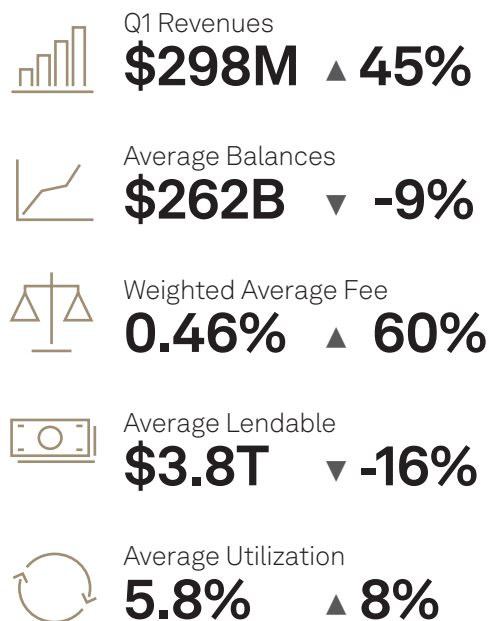
Credit spreads generally widened over the quarter but US and European investment grade bonds did post positive returns towards the end of the period. High yield bonds posted negative returns QoQ with financial bonds taking the biggest hit. Convertible bonds performed better over the quarter but couldn't capture the full momentum offered by the gains seen in the equity markets.

In the securities finance markets corporate bonds posted another banner quarter for revenues. After an exceptional 2022, corporate bonds continued to produce strong returns with Q1 posting revenues of \$298M (+45% YoY). Balances declined 9% YoY whilst average fees increased to 46bps.

The revenues posted throughout Q1 and 2022 for this asset class continue to set new records. Monthly revenues surpassed \$102M for the first time during the quarter (January and March) after declining MoM during February. A combination of market liquidity and directional opportunities continue to push revenues in the asset class higher to the benefit of lenders. Strong revenue flows are expected to continue heading into Q2 and corporate bonds are likely to remain in focus until a clear direction on future interest rate policy can be assumed.

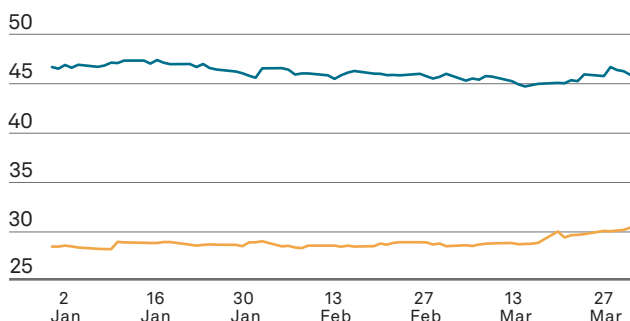
Over the quarter the highest revenue generating corporate bonds were all USD denominated. Many of the names on the list have been highly sought after for many months. Private placement and non-investment grade bonds remained the most expensive borrows.

## Overview



## Q1 Fee Trend

2023 2022  
Fee (Bps)

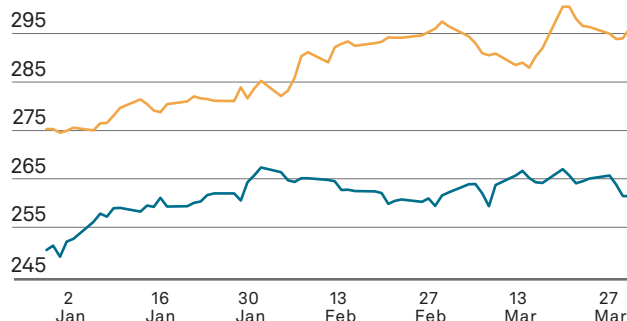


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## Q1 Balance Trend

2023 2022  
Value on Loan (USD) in Billions



Source: SPGMI Securities Finance

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Private placements continue to produce strong returns

Average fees increase 60% YoY

Fees average 46bps over the quarter

Utilization decrease 8% YoY

## Asset Class Details

Asset Class	Q1 Revenue (\$M)	Rev YoY %Chg	Avg Balances (\$B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Lendable (\$B)	Lendable YoY Chg	Avg Utilization	Util YoY %Chg
Conventional Bonds	\$279	51%	\$257.70	-8%	0.44%	64%	\$3,480	-15%	6.3%	7%
Convertible Bonds	\$19	-3%	\$3.65	-50%	2.11%	96%	\$43	-33%	6.3%	-1%
Asset Backed Securities	\$0.1	-25%	\$0.20	-12%	0.20%	-16%	\$297	-28%	0.1%	24%

Note: Includes only transactions with positive fees  
Source: SPGMI Securities Finance

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## Top 10 Revenue Generating Bonds

Top Earning Assets	CUSIP	Denomination	Asset Class	Revenue Generated (\$M)
Six Flags Entertainment Corp (5.5% 15-Apr-2027)	83001AAC6	USD	USD Priv. Placemt Corp Bond	3.3
Microchip Technology Inc (0.125% 15-Nov-2024)	595017AU8	USD	USD N.I.G. Conv Bond	3.0
Booking Holdings Inc (0.75% 01-May-2025)	09857LAN8	USD	USD I.G. Conv Bond	2.6
Mph Acquisition Holdings Llc (5.75% 01-Nov-2028)	553283AC6	USD	USD Priv. Placemt Corp Bond	2.6
Dexcom Inc (0.25% 15-Nov-2025)	252131AK3	USD	USD N.I.G. Conv Bond	2.6
Wolverine Escrow Llc (9% 15-Nov-2026)	97789LAB2	USD	USD Priv. Placemt Corp Bond	2.1
Avis Budget Car Rental Llc (5.375% 01-Mar-2029)	053773BF3	USD	USD Priv. Placemt Corp Bond	2.0
3M Co (4% 14-Sep-2048)	88579YBD2	USD	USD I.G. Corp Bond	1.9
United States Steel Corp (6.875% 01-Mar-2029)	912909AU2	USD	USD N.I.G. Corp Bond	1.8
Fluor Corp (4.25% 15-Sep-2028)	343412AF9	USD	USD N.I.G. Corp Bond	1.7

Source: SPGMI Securities Finance

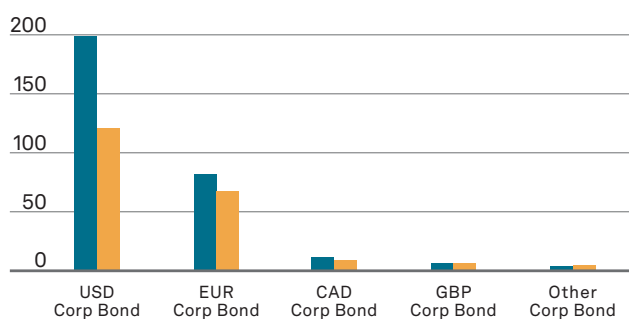
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## Q1 Revenues by Denomination

2023 2022

Q1 Revenues (USD) in Millions



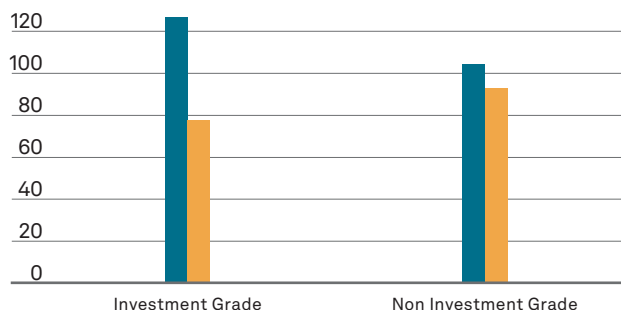
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## Q1 Revenues by Ratings Category

2023 2022

Q1 Revenues (USD) in Millions



Source: SPGMI Securities Finance

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# Government Bonds

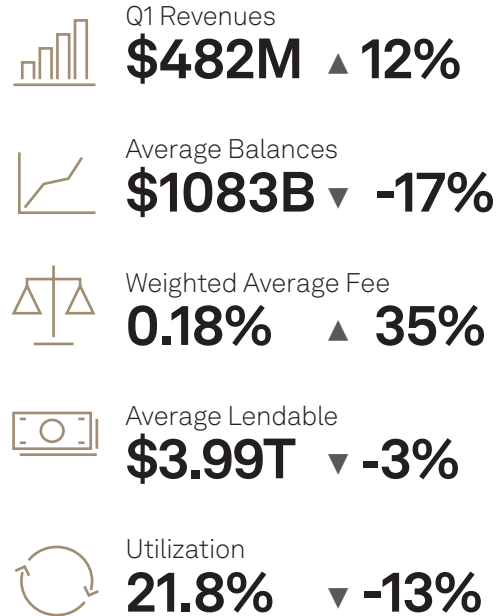
## Continued increases in interest rates make for a volatile market

Government bond yields remained volatile throughout the quarter with large moves sparked by a flight to quality following the liquidation of Silicon Valley Bank (SVB) in the US. The US 10-year yield fell from 3.92% to 3.47%, with the two-year going from 4.82% to 4.03%. Germany's 10-year yield decreased from 2.65% to 2.29%. The UK 10-year yield fell from 3.71% to 3.49% and two-year decreased from 4.07% to 3.44% as a result.

Moves in inflation and interest rates also had an impact upon government bond prices as central banks across the developed markets continued to increase rates. The rapid rise in interest rates seen throughout 2022 appears to be feeding through into the broader economy and a disinflationary environment does seem to be taking hold. Despite this, inflation has proved stickier than originally expected and therefore central banks do risk increasing rates further, albeit in smaller increments, to get inflation back below the 2% target.

Government bond securities finance revenues throughout Q1 continued the strong trends seen throughout 2022. Q1 revenues were 12% higher YoY (\$482.3M), posting one of the best Q1 revenue figures for many years. The strongest monthly revenues (\$168M) were seen during January as a follow on from year end positioning carried over into the new year. Average fees throughout the quarter were 35% higher than Q1 2022 at 18bps which is 1bps lower than the average seen during Q4 2022. Despite the higher revenues and the increase in average fees, utilization was down during Q1 by 13% at 21.8%. Utilization during February and March was the lowest for many months at 21.1% and 21.52% respectively. This was lower than at any point throughout 2022.

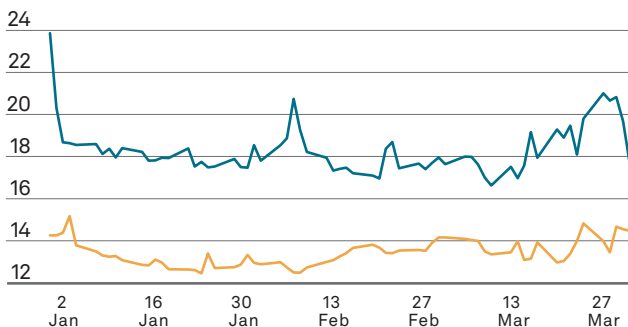
## Overview



Short-dated government bonds remain very expensive to borrow. Like corporate bonds, the impact of increases in interest rates and general market liquidity continues to drive fees for these issues higher.

## Q1 Fee Trend

2023 2022  
Fee (Bps)

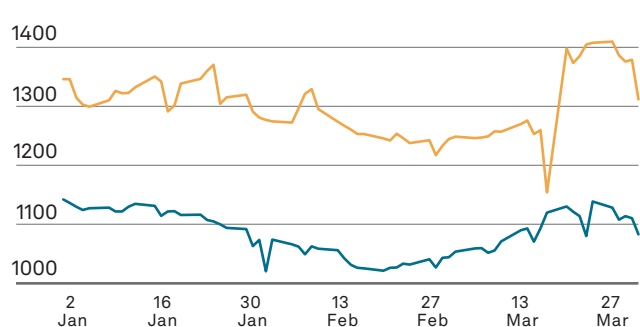


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## Q1 Balance Trend

2023 2022  
Value on Loan (USD) in Billions



Source: SPGMI Securities Finance

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Revenues increase  
12% YoY to \$482M

Average fees increase  
35% YoY to 18bps

Utilization decreases  
13% YoY

Short-dated  
government bonds  
remain in demand

## Issuer Region Details

Region	Q1 Revenue (\$M)	Rev YoY %Chg	Avg Balances (\$B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Lendable (\$B)	Lendable YoY Chg	Avg Utilization	Util YoY %Chg
Americas	277	9%	658.28	-18%	0.17%	33%	2,853	-2%	20.4%	-17%
Europe	184	13%	376.60	-15%	0.20%	37%	984	-20%	27.2%	0%
Asia	21.8	44%	49.00	4%	0.25%	46%	153	8%	12.7%	-1%

Note: Includes only transactions with positive fees  
Source: SPGMI Securities Finance

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## Top 10 Revenue Generating Bonds

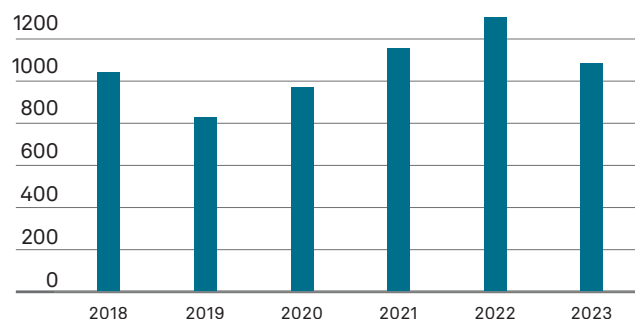
Top Earning Assets	CUSIP	Denomination	Country	Revenue Generated (\$M)
Germany, Federal Republic Of (Government) (0% 15-Dec-2023)	DE0001104867	EUR	Germany	10.7
United Kingdom Of Great Britain And Northern Ireland (Government) (1% 22-Apr-2024)	G4527HDX6	GBP	UK	4.1
United States Treasury (1.125% 15-Jan-2033)	91282CGK1	USD	US	3.8
United States Treasury (4% 15-Nov-2042)	912810TM0	USD	US	3.5
United Kingdom Of Great Britain And Northern Ireland (Government) (1.5% 22-Jul-2026)	G92445CQ9	GBP	UK	3.3
United States Treasury (0% 07-Sep-2023)	912796YH6	USD	US	3.0
United Kingdom Of Great Britain And Northern Ireland (Government) (1.25% 22-Jul-2027)	G92445FB9	GBP	UK	3.0
United States Treasury (4.125% 31-Jan-2025)	91282CGG0	USD	US	2.9
United Kingdom Of Great Britain And Northern Ireland (Government) (0.125% 30-Jan-2026)	G4527HRV5	GBP	UK	2.8
United Kingdom Of Great Britain And Northern Ireland (Government) (4.25% 07-Jun-2032)	G4527HJJ1	GBP	UK	2.8

Source: SPGMI Securities Finance

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## Government Bond Balances

On Loan Balances (USD) in Billions

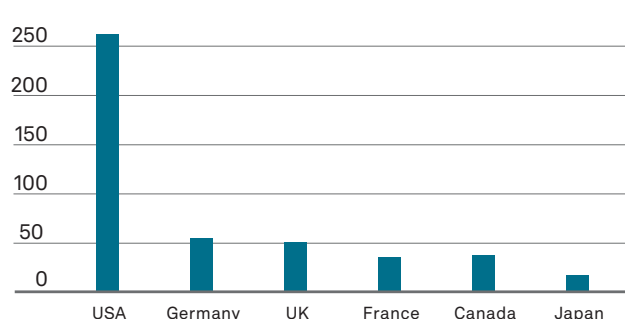


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## Q1 Revenues by Issuers

Securities Lending Revenue (USD) in Millions



Source: SPGMI Securities Finance

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# Author Biography



## **Director securities finance**

### **Matt Chessum**

Director securities finance  
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Matt Chessum is a director within the securities finance team at S&P Global Market Intelligence. Previously, for over ten years, Matt was an Investment Director at abrdn where his main responsibilities included overseeing the securities lending activity and the management of GBP denominated Money Market mandates.

Matt also worked at BNP Paribas Securities Services as a securities lending trader as well as Barclays Global investors and BNP Paribas Securities Services in Paris, as a member of the securities lending back and middle office teams. His main responsibilities included settlements, collateral management and reconciliations.

Matt is a former member of the Bank of England's securities lending committee and a former board member of the International Securities Lending Association (ISLA).

Matt has a BA (Hons) in European Business from the University of Portsmouth and a Maitrise from the École Supérieure de commerce in Bordeaux.

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