

Top ten most shorted ETFs still attract inflows.

Over the last month, the ten most shorted ETFs have continued to attract positive flows.

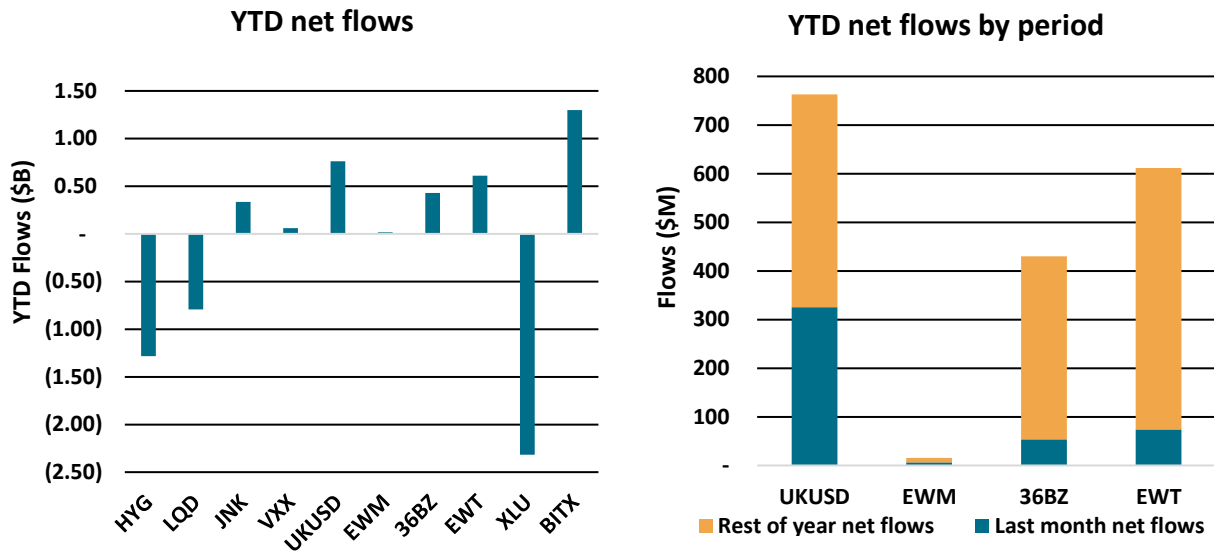
Over the last month, the top ten most shorted ETFs have attracted Inflows of \$5.6B. As contrarian views on the future of the global economy and the timing of any change in interest rates continues to play out across the financial media, it appears that investors remain divided as to the direction of movement in certain financial markets.

Fund flow data for 1 month 04/23/24 - 05/22/24 and Short Interest and AUM data as of 05/22/24:

ETF Name	Ticker	Total 1M Fund Flow (\$M)	Short interest (% Shares outstanding on loan) (%)	Total AUM (\$M)	Geographic exposure
IPATH SERIES B S&P 500 VIX SHORT-TERM FUTURES ETN	VXX	79.25	61.01	272.28	United States of America
UBS (LUX) FUND SOLUTIONS - MSCI UNITED KINGDOM UCITS ETF (HEDGED TO USD) A-ACC	UKUSD	437.24	44.90	965.14	United Kingdom
ISHARES IBOXX \$ INVESTMENT GRADE CORPORATE BOND ETF	LQD	923.15	25.38	29,729.45	United States of America
ISHARES MSCI MALAYSIA ETF	EWM	8.76	21.95	276.96	Malaysia
ISHARES IBOXX \$ HIGH YIELD CORPORATE BOND ETF	HYG	2,546.96	17.30	17,198.21	United States of America
ISHARES MSCI CHINA A UCITS ETF USD ACC	36BZ	375.99	16.60	2,733.59	China
ISHARES MSCI TAIWAN CAPPED ETF	EWT	538.16	15.93	4,961.48	Taiwan, Province of China
SPDR BLOOMBERG HIGH YIELD BOND ETF	JNK	316.18	15.53	8,378.92	United States of America
2X BITCOIN STRATEGY ETF	BITX	51.11	14.22	1,691.88	Global
UTILITIES SELECT SECTOR SPDR FUND ETF	XLU	341.57	13.20	13,354.44	United States of America

Across the top ten most shorted ETFs, a number of common themes can be seen. As equity markets in the US continue to set record highs, investors appear to expect the bull market to continue as VXX, the IPATH Series B S&P500 VIX Short-term futures ETF, remains the most heavily shorted ETF (the VIX generally has an inverse relationship to the S&P500) with 61% of its outstanding shares being borrowed. Outside of the US, investors appear to be less convinced by recent increases across other

equity markets such as the UK, Malaysia, Taiwan, and China as ETFs with underlying exposure to these countries experience elevated levels of short interest. XLU, the Utilities Select Sector SPDR ETF, continues to be a target for short sellers as interest rates remain at multi-decade highs, increasing the cost of capital across the utility sector. Uncertainty regarding future interest rate moves, refinancing walls and on-going spread compression continues to generate uncertainty for investors of corporate bonds which continues to be reflected by the presence of LQD, HYG and JNK in the most shorted ETF table.



©2024 S&P Global Market Intelligence

Source: S&P Global Market Intelligence ETF and Benchmarking Services

Despite the elevated levels of short interest seen across these ETFs, there does appear to be a conflicting signal in the data, as one-month flows have remained positive. However, when looking at flows on a year-to-date basis a slightly different story can be seen. Year-to-date flows have been negative for HYG, LQD and XLU as interest rate uncertainty continues to impact fundamentals. Year-to-date inflows can be seen in BITX, UKUSD, 36BZ and EWT as these asset classes have experienced substantial increases in valuations over the year attracting further investment. Given the elevated levels of short interest, some investors may now be anticipating a halt to further increases in valuations across these markets. When looking at the proportion of inflows that have taken place over the last month into EWM, 36BZ and EWT, these appear to be relatively muted when compared with the total year-to-date inflows. A slowdown in flows coupled with an increased level of short interest may suggest a rise in negative sentiment across these asset classes.

In the current market environment where conflicting data often adds a greater level of complexity to understanding market sentiment, ETF flow data and securities finance short interest data remain key to understanding investor behavior. Whether the data highlights contrarian opportunities for investors, an inflection point in market sentiment, or further uncertainty and volatility, by analyzing these two data sets together, investors and analysts can gain a nuanced understanding of market sentiment, helping to form investment decisions and strategies in a more effective manner.

These materials, including any software, data, processing technology, index data, ratings, credit-related analysis, research, model, software or other application or output described herein, or any part thereof (collectively the “Property”) constitute the proprietary and confidential information of S&P Global Market Intelligence or its affiliates (each and together “S&P Global”) and/or its third-party provider licensors. S&P Global on behalf of itself and its third-party licensors reserves all rights in and to the Property. These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable.

Any copying, reproduction, reverse-engineering, modification, distribution, transmission or disclosure of the Property, in any form or by any means, is strictly prohibited without the prior written consent of S&P Global. The Property shall not be used for any unauthorized or unlawful purposes. S&P Global Market Intelligence’s opinions, statements, estimates, projections, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security, and there is no obligation on S&P Global Market Intelligence to update the foregoing or any other element of the Property. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. The Property and its composition and content are subject to change without notice.

THE PROPERTY IS PROVIDED ON AN “AS IS” BASIS. NEITHER S&P GLOBAL NOR ANY THIRD PARTY PROVIDERS (TOGETHER, “S&P GLOBAL PARTIES”) MAKE ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE PROPERTY’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE PROPERTY WILL OPERATE IN ANY SOFTWARE OR HARDWARE CONFIGURATION, NOR ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS ACCURACY, AVAILABILITY, COMPLETENESS OR TIMELINESS, OR TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE PROPERTY. S&P GLOBAL PARTIES SHALL NOT IN ANY WAY BE LIABLE TO ANY RECIPIENT FOR ANY INACCURACIES, ERRORS OR OMISSIONS REGARDLESS OF THE CAUSE. Without limiting the foregoing, S&P Global Parties shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with the Property, or any course of action determined, by it or any third party, whether or not based on or relating to the Property. In no event shall S&P Global be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including without limitation lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Property even if advised of the possibility of such damages. The Property should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

The S&P Global logo is a registered trademark of S&P Global, and the trademarks of S&P Global used within this document or materials are protected by international laws. Any other names may be trademarks of their respective owners.

The inclusion of a link to an external website by S&P Global should not be understood to be an endorsement of that website or the website’s owners (or their products/services). S&P Global is not responsible for either the content or output of external websites. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process. S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global Ratings’ public ratings and analyses are made available on its sites, www.spglobal.com/ratings (free of charge) and www.capitaliq.com (subscription), and may be distributed through other means, including via S&P Global publications and third party redistributors.