# Short covering takes hold as stock markets push higher

Securities lending balances across the Americas, Europe and Asia declined during May as short covering took place.
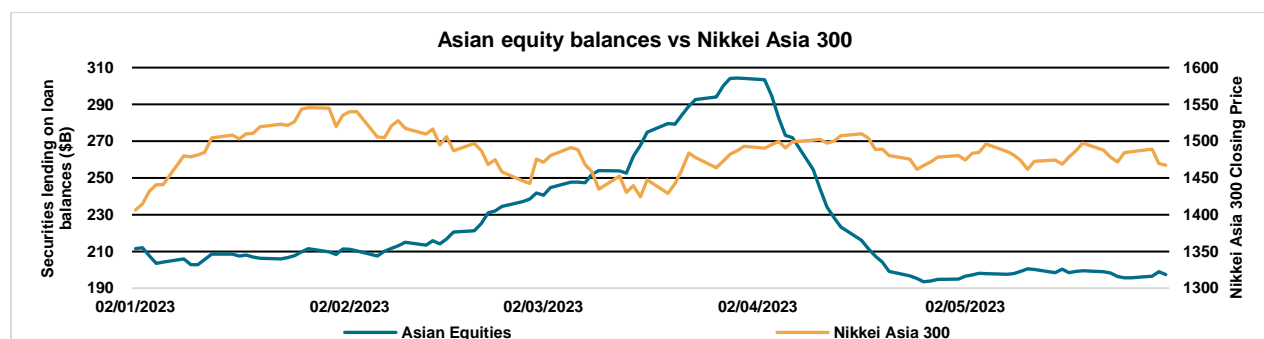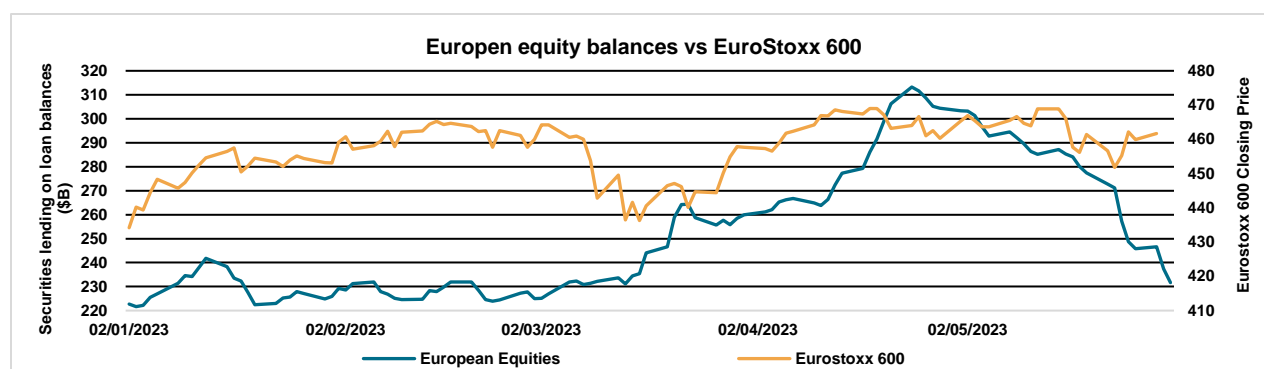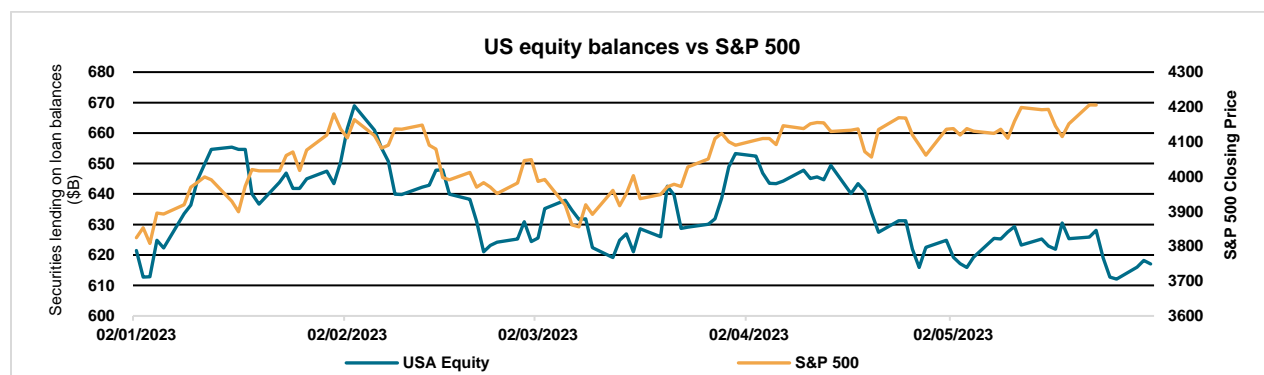
Global markets are on the cusp of a new bull market - the S&P 500 has gained 12% year to date, the German stock index, the DAX, recently hit an all-time high off the back of easing inflation data, and the Nikkei index in Japan hit a 33-year high as the Bank of Japan chose to retain its ultra-loose monetary policy, boosting confidence in the Japanese equity market. This renewed positive sentiment has been reflected across securities finance markets over the past month as loan balances have been in decline as short covering has taken place.

As investors seek to profit from the rally in the tech sector, increase their interest in companies that service AI, and find consensus regarding future interest rate expectations, bearish bets on stocks have become harder to call. The change in the market environment has become more difficult for investors to navigate as market fundamentals appear to have become less important, and concerns over missing any future market rallies has taken hold.

Across the S&P 500, S&P Global Market Intelligence Securities Finance data shows that daily short interest P&L remained negative throughout the month as the index trended higher.

Daily Short Interest P&L - S&P 500
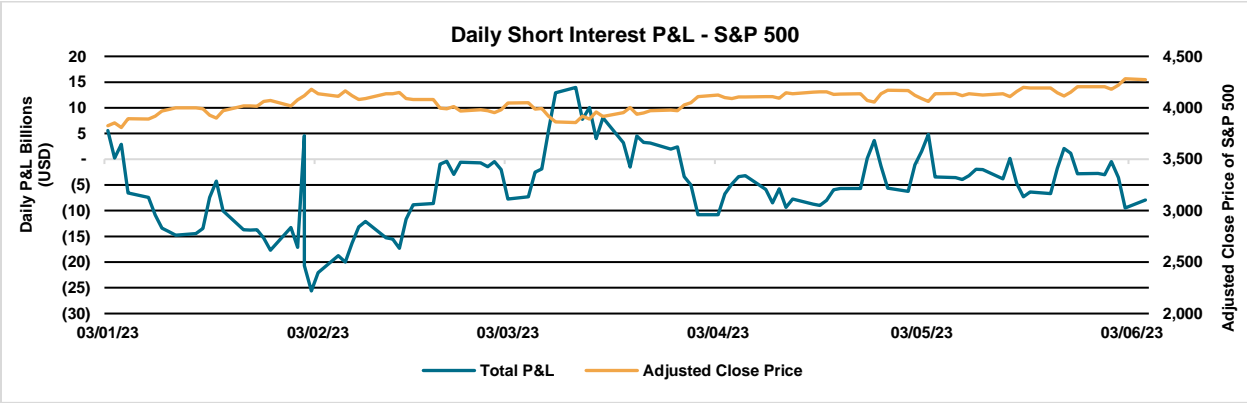
Regional securities finance balances also declined over the month as stock markets continued to make gains.

US equity balances vs S&P 500

Europen equity balances vs EuroStoxx 600

Asian equity balances vs Nikkei Asia 300

Moving into the second half of the year, despite a fall in balances, securities finance revenues continue to trend higher, year on year, as average fees have increased. The greater level of confidence in financial markets is likely to be reflected in securities finance revenues in the coming months as the recent volatility, that typically drives revenues higher, starts to dissipate.

For more information on how to access this data set, please contact the sales team at:
Global-EquitySalesSpecialists@spglobal.com

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