

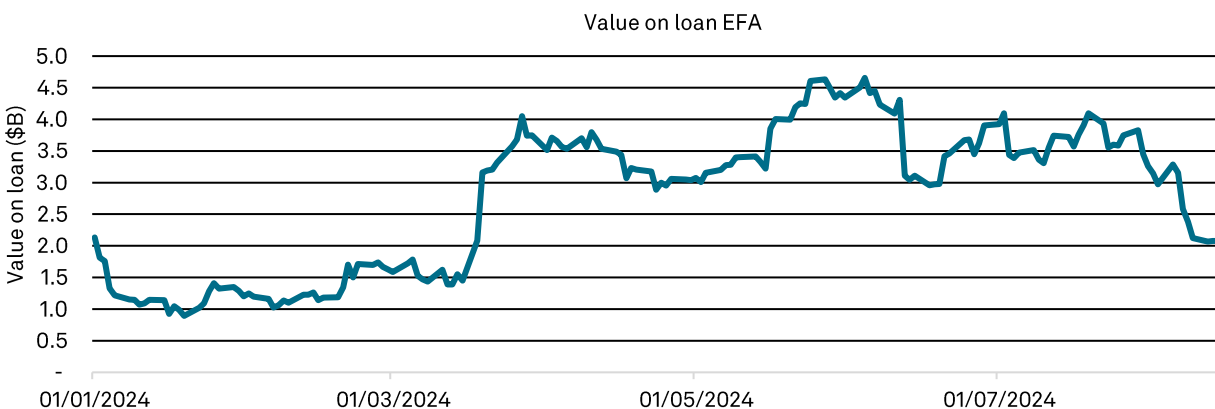
ETF securities lending activity shines a light on market dynamics.

As changes in geopolitical risk, volatility and monetary policy continue to sway financial markets, a number of these key themes are being seen across ETF securities lending activity.

Over the past month, financial markets have been navigating multiple events that were not present during the first half of the year. Central bank interest rate policy divergence has become a reality, there have been increased levels of geopolitical risk due to rising tensions in the Middle East and political change has swept across Europe. Additionally, there have been new developments in the US Presidential race and an increase in market volatility which recently caused the Cboe Volatility Index (VIX) to register its largest intraday jump on record.

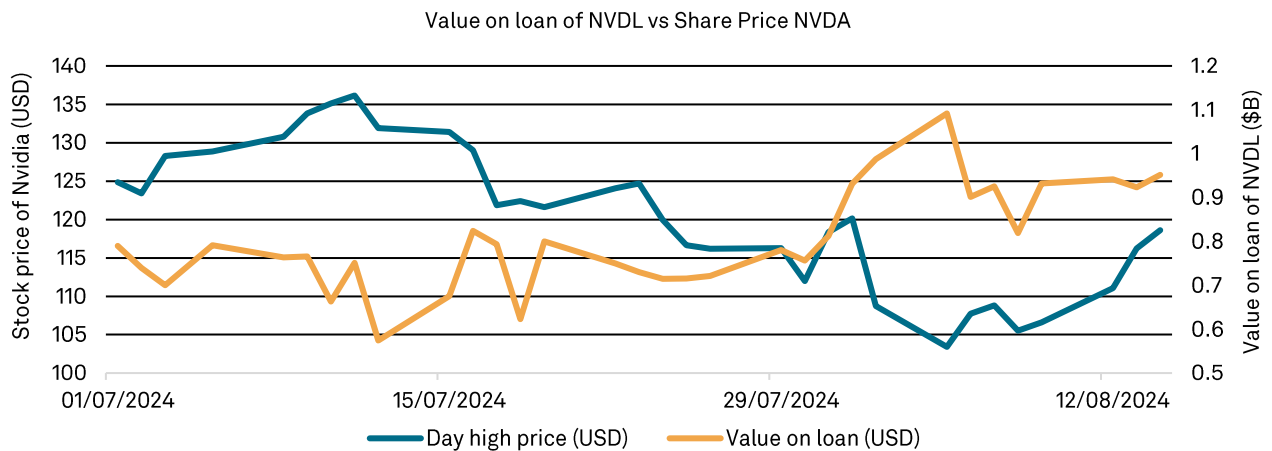
With the financial landscape changing at pace, many of the recent themes impacting markets have also been seen in ETF securities lending activity. The growing use of ETFs to express investor sentiment and to hedge portfolio risk has been working to the benefit of ETF lenders, as securities lending revenues for both June and July 2024 have shown positive growth when compared on a year-on-year basis (June revenues +26%, July revenues +19%) - one of the only asset classes to do so.

Interest rate policy and recessionary risk



At the beginning of March, borrowing activity in the iShares MSCI EAFE ETF (EFA) started to grow, reaching its peak towards the end of May, just before the European Central Bank started to cut interest rates. This ETF tracks the MSCI EAFE Index which focuses on developed markets outside of the US and Canada. The borrowing and subsequent shorting of this ETF has allowed investors to hedge against a number of different economic circumstances that have recently been playing out across the global economy. Some of these scenarios include currency depreciation versus the US dollar, interest rate differentials and central bank policy divergence, strong US economic growth and the potential for any market correction following a period of increasing equity valuations.

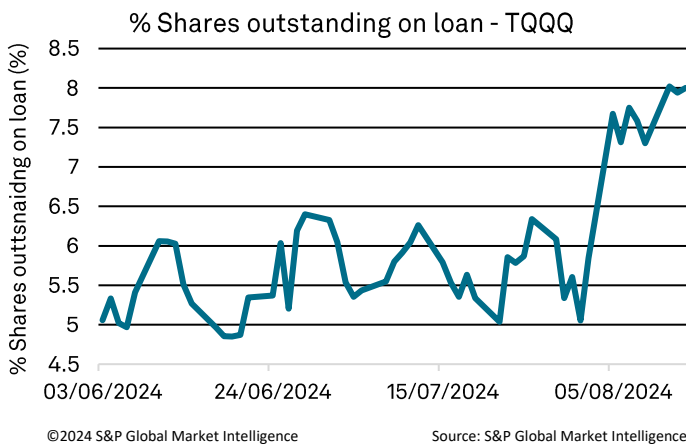
Bearish sentiment regarding a mega tech come back



©2024 S&P Global Market Intelligence

Source: S&P Global Market Intelligence Securities Finance

The Granite Shares Nvidia 2x Long Daily ETF (NVDL) seeks to generate two times the daily percentage change of the common stock of NVIDIA (NVDA). The recent market sell-off that centered around big tech stocks reduced the share price of NVIDIA from \$135 a share during early July to just shy of \$100 per share during August, a decline of 35%. As a result, an increase in the amount of shorting of the Granite Shares Nvidia 2x Long Daily ETF (NVDL) has been seen, as investors remain bearish regarding a full recovery in the company's share price. A slow down in earnings across the AI related tech sector and a reduction in leverage following a recent increase in Japanese interest rates have been touted as possible reasons as to why big tech share prices may struggle to climb back to their previous highs.



©2024 S&P Global Market Intelligence

Source: S&P Global Market Intelligence

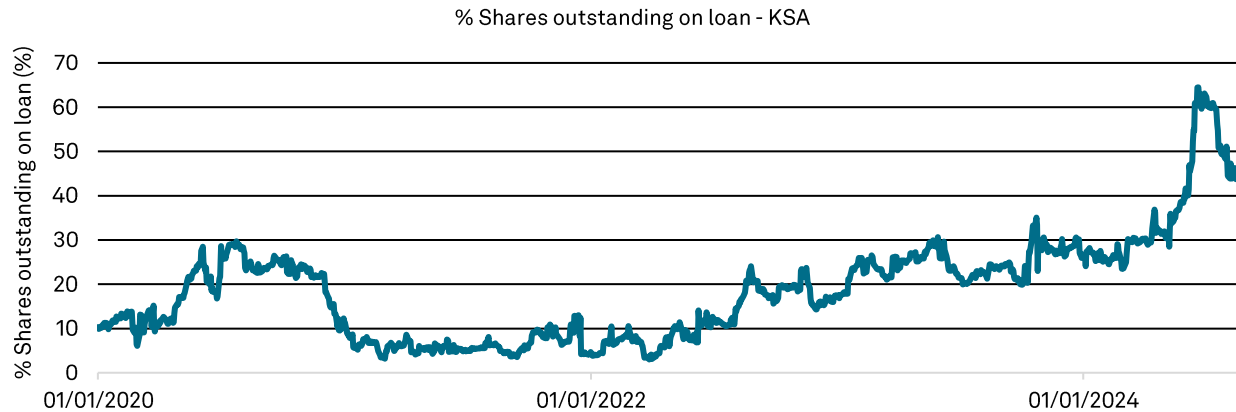
An increase in the borrowing activity of other big tech ETFs has also been seen, including the Proshares Ultrapro QQQ ETF (TQQQ). This ETF seeks daily investment results that correspond to three times the daily performance of its underlying benchmark. The fund invests in 100 of the largest domestic and international non-financial companies listed on the tech-focused Nasdaq stock market, based on market capitalization. By shorting this stock, any moves lower in the benchmark will be amplified by three times. This increase would therefore suggest

further bearish sentiment by investors following the recent sell-off across the big tech sector.

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

Geopolitical risk intensifies as conflict grows

Over the last month, borrowing activity has increased to all-time highs in the iShares MSCI Saudi Arabia ETF (KSA). Whilst there are many reasons as to why an investor may borrow this asset, growing conflict in the Middle East and the large allocation that this ETF has to regional oil producers may suggest bearish sentiment towards any imminent resolution to the regional conflict and any future improvement in major commodity prices.



©2024 S&P Global Market Intelligence

Source: S&P Global Market Intelligence Securities Finance

ETFs have become crucial tools in both hedging and investment strategies due to their flexibility, liquidity, and diversity. Their importance as an asset class continues to grow as they allow for investors to respond flexibly to market conditions across a wide range of asset classes and sectors. Their value also continues to increase in the securities lending markets as both lenders and borrowers reap the mutual benefits of current market dynamics. Over the last couple of months, exchange traded funds have been one of the standout asset classes within the securities lending market, offering strong growth in year-on-year revenues. As uncertainty grows across both the political and financial spectrums, interest in ETFs within the securities lending market is expected to grow further.

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

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.