

# Securities Finance

## Market Activity Review Q3 2023

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31<sup>st</sup> October 2023



## Q3 2023

“Higher for longer” – But not for equity markets, bond prices or securities lending revenues



**Growth, inflation and central bank monetary policy were the main themes of the quarter**



**The disinflationary trend continued**



**Equity market started to cool during Q3**



**US sovereign debt loses its AAA rating**



**Securities lending revenues started to slow from previous quarterly highs**

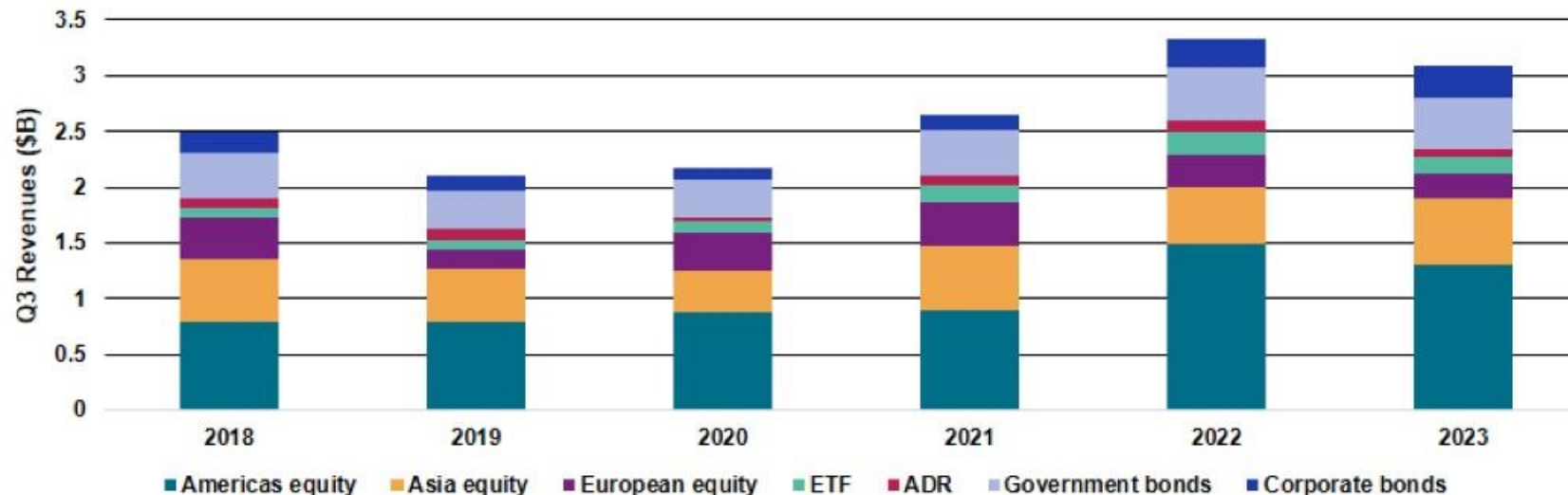
# Market revenues – Q3 2023

Asset Class	Q3 Revenue (\$M)	Rev YoY % Change	Avg Balances (\$B)	Bal YoY % Change	Avg Fee	Fee YoY % Change	Avg Lendable (\$B)	Lendable YoY % Change	Avg Utilization	Util YoY % Change
All Securities	3,131	-7%	2,520	-9%	0.49%	1%	33,072	8%	5.8%	-17%
All Equity	2,363	-10%	1,171	-10%	0.80%	-1%	24,545	10%	3.4%	-18%
Americas Equity	1,295	-13%	643	-9%	0.79%	-6%	17,681	9%	2.8%	-17%
Asia Equity	605	20%	226	8%	1.06%	11%	2,577	11%	5.2%	-5%
EMEA Equity	223	-25%	175	-27%	0.50%	2%	3,473	12%	4.0%	-35%
ADR	59	-43%	27	-2%	0.85%	-42%	234	1%	8.7%	-3%
ETP	150	-26%	93	-12%	0.64%	-17%	474	9%	10.5%	-14%
Government Bond	464	-2%	1,064	-10%	0.17%	9%	4,209	8%	20.0%	-19%
Corporate Bond	279	11%	262	-2%	0.42%	13%	4,009	2%	5.6%	-3%

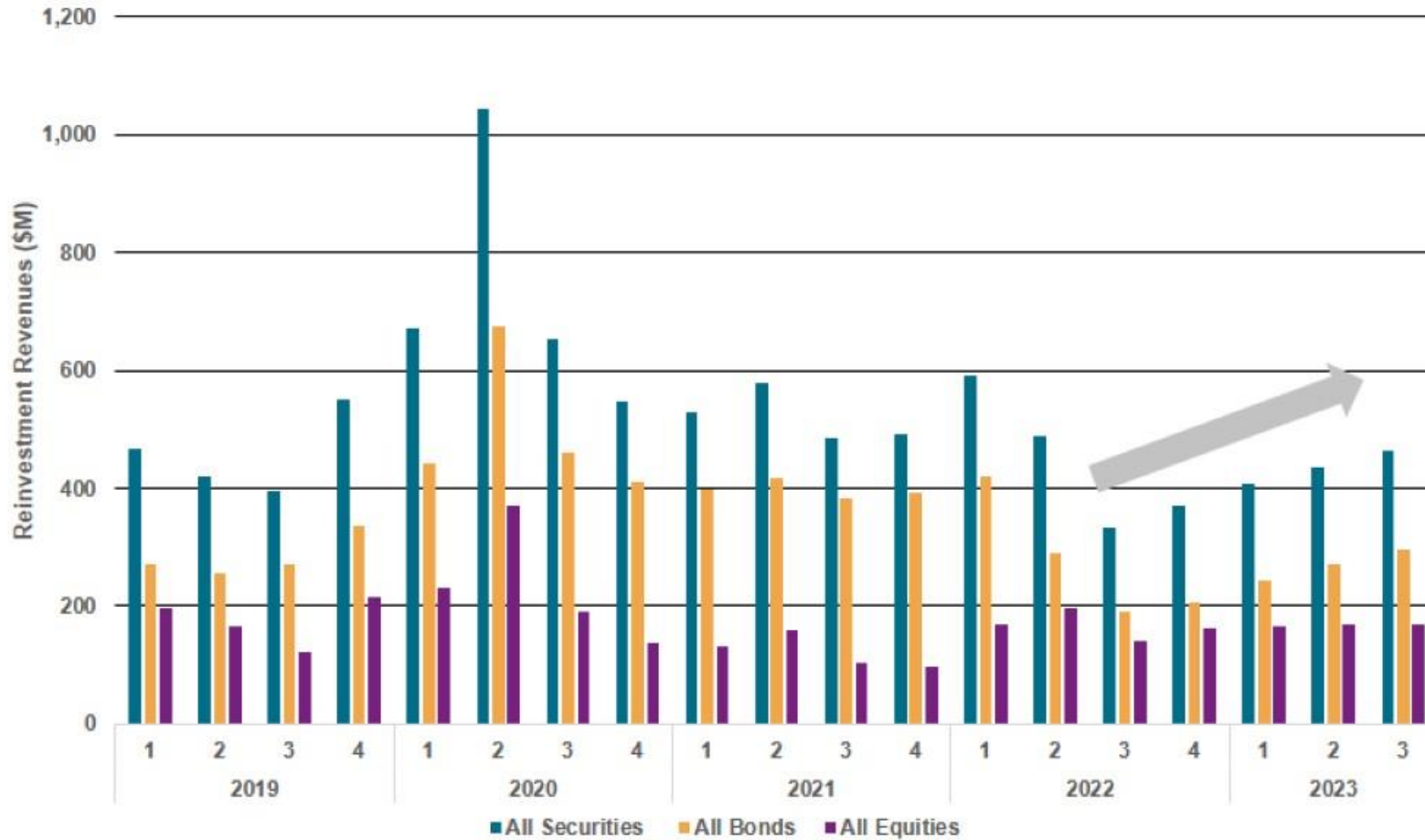
Q3 revenues of \$3.131B

Revenues decline 7% YoY

Average balances decline 9% YoY

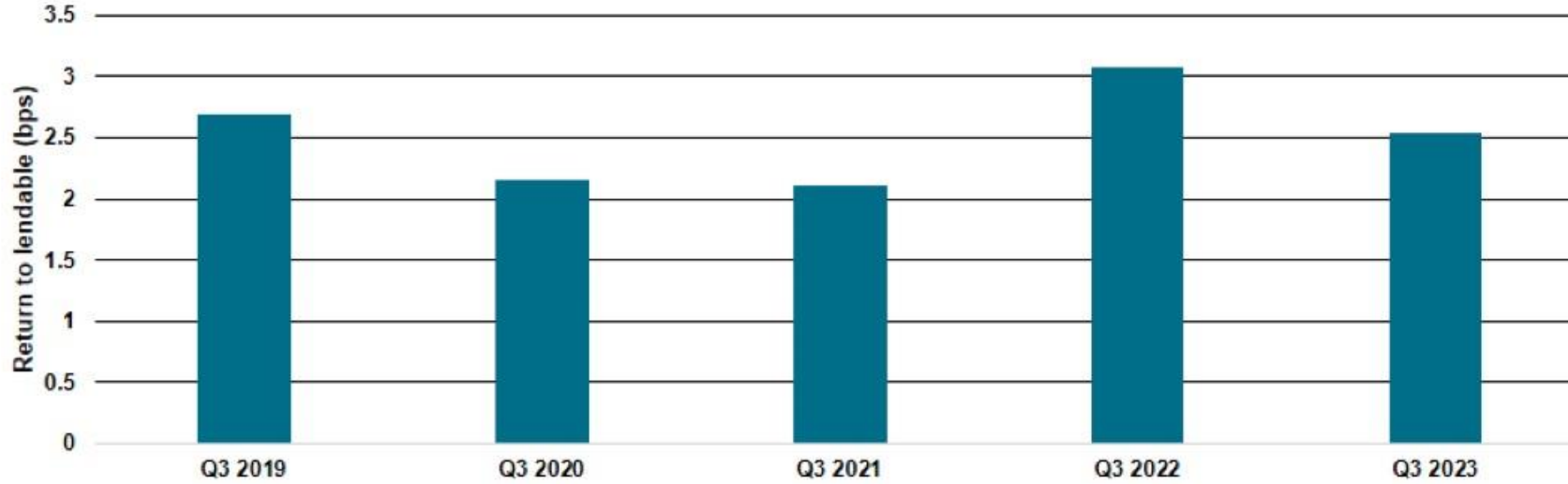


# Market revenues – Reinvestment returns



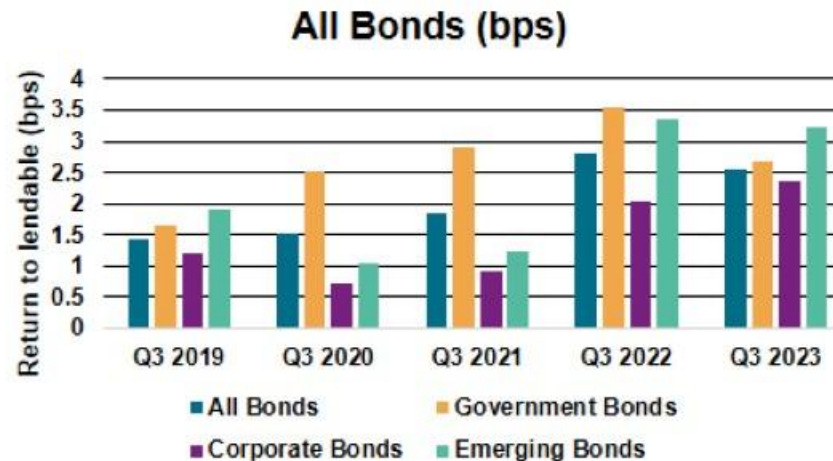
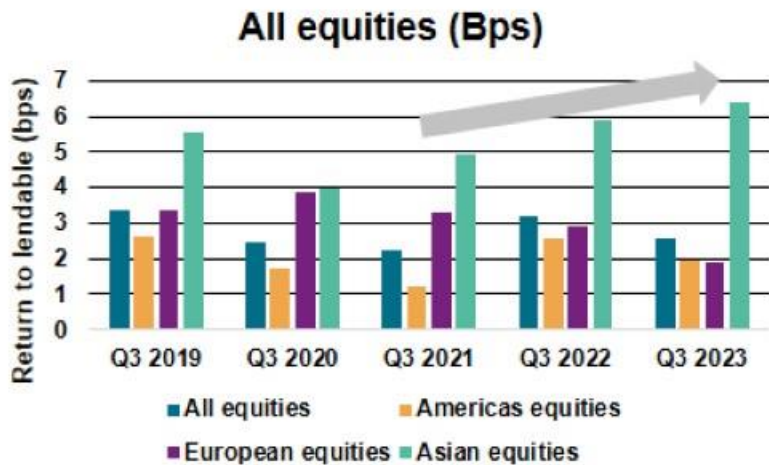
Quarterly cash  
reinvestment  
returns  
continue to  
increase

# Market revenues - Return to lendable



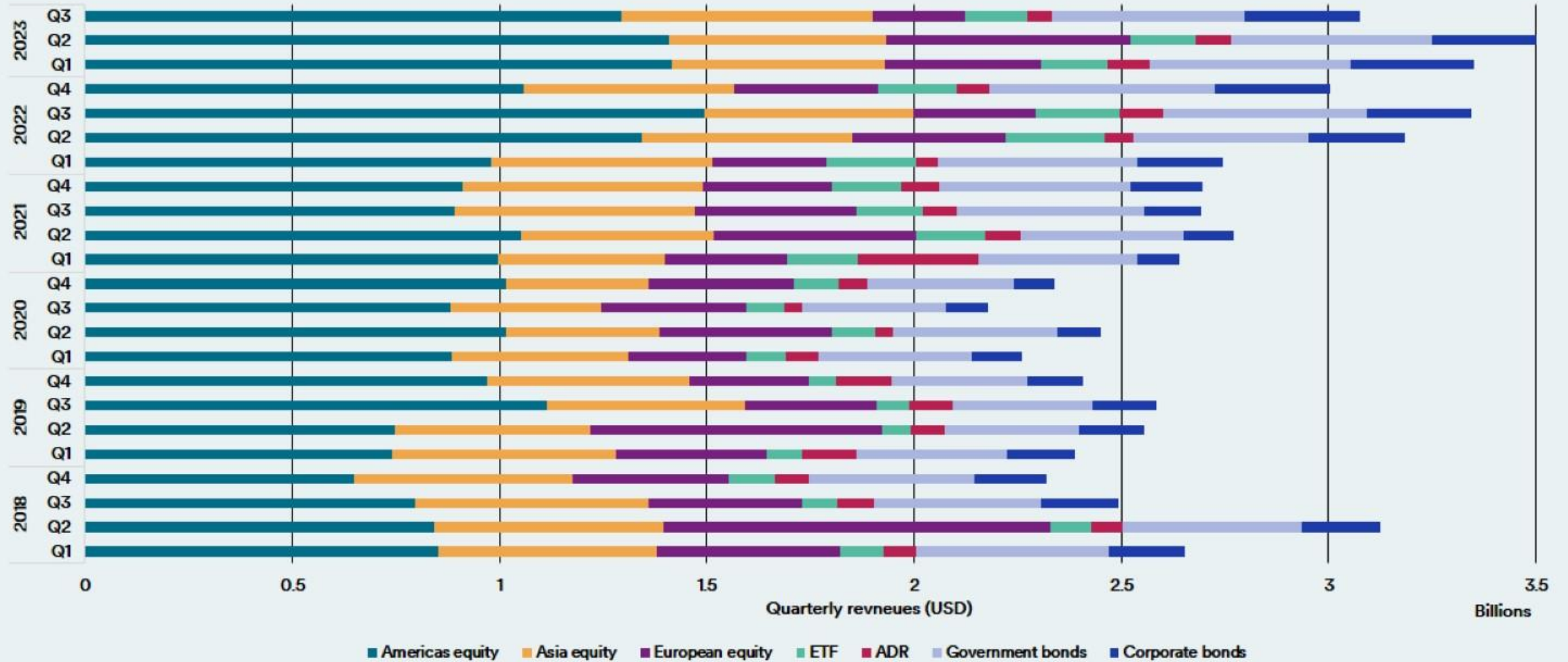
All securities  
2.54bps

All equity  
2.54bps

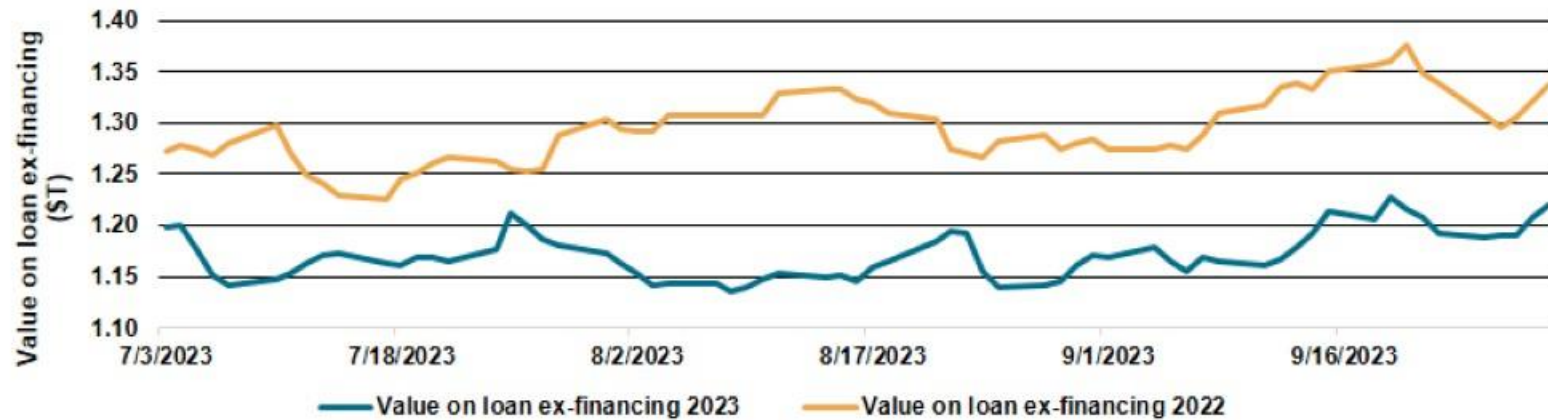
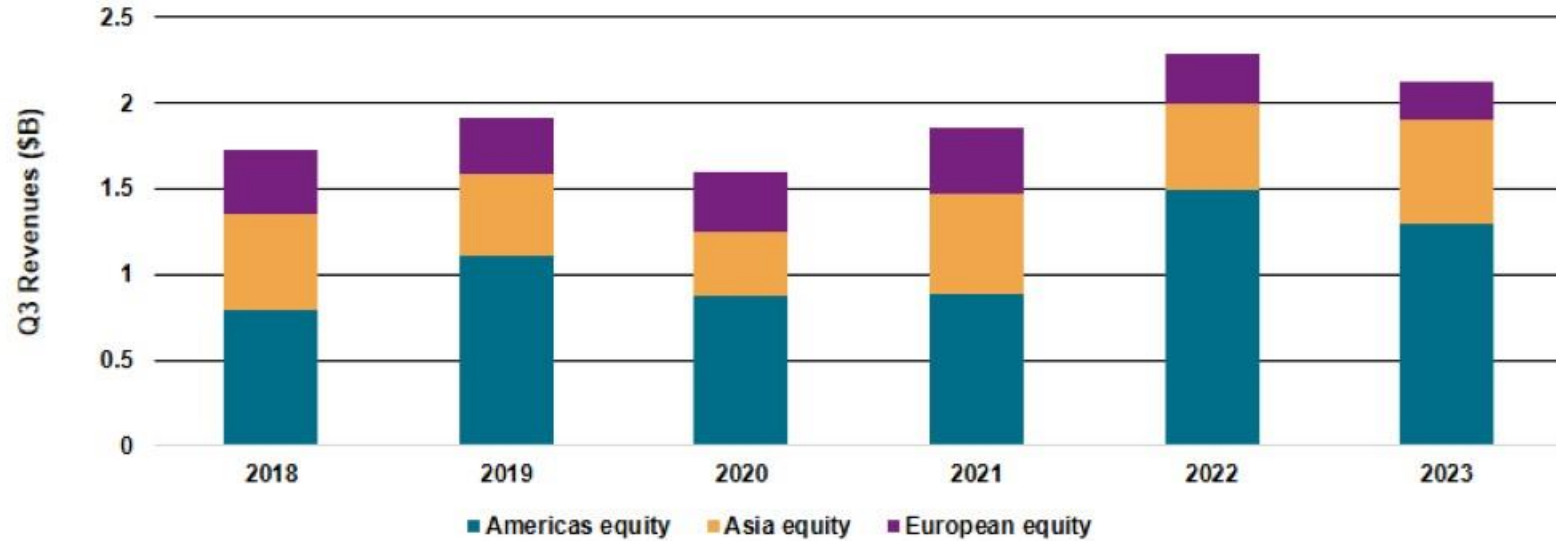


Fixed income  
2.55bps

# Quarterly revenues by asset class

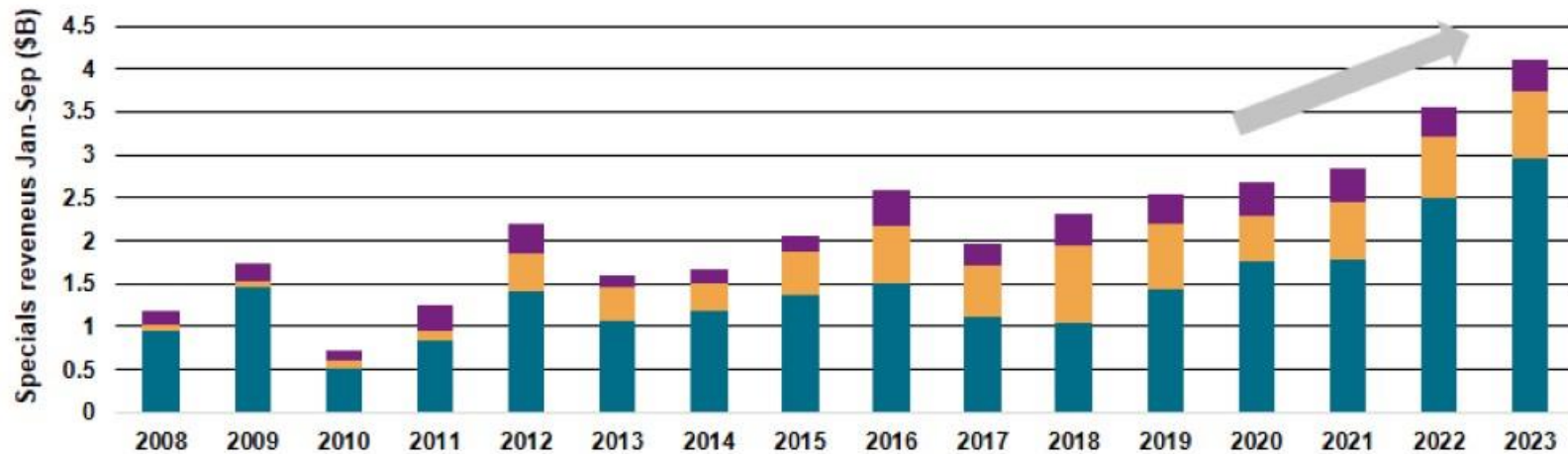
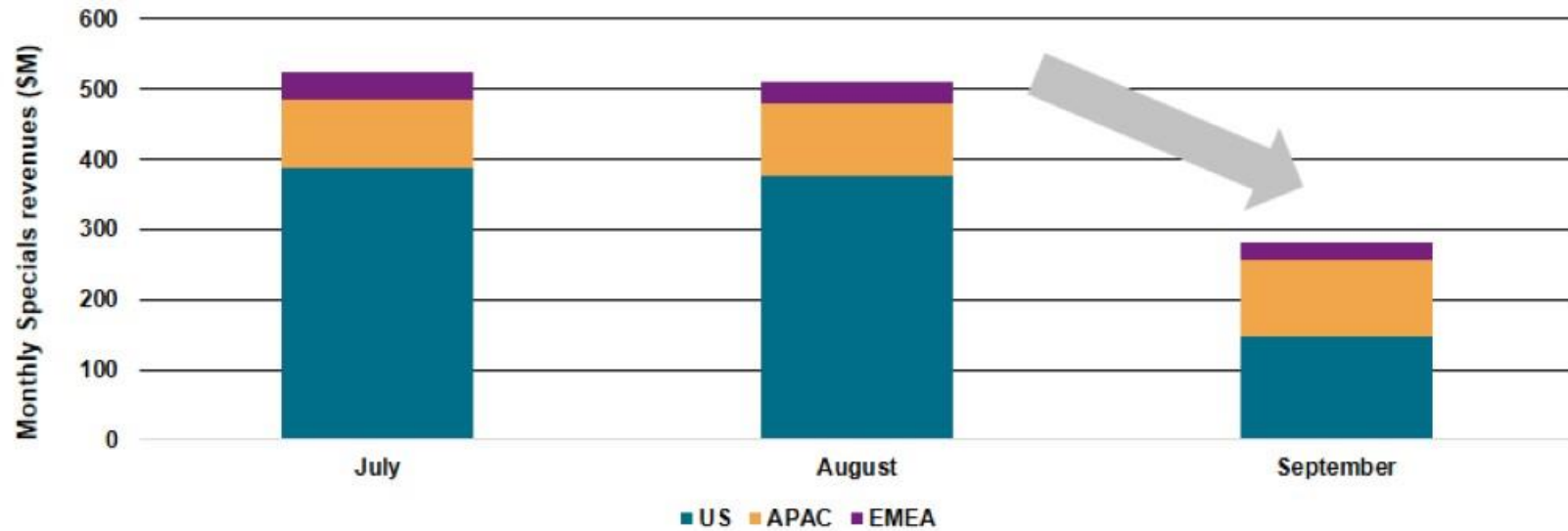


# Equities - Revenues vs Balances



EMEA and Americas equity revenues decline as APAC revenues increase

## Q3 equity specials revenues by region

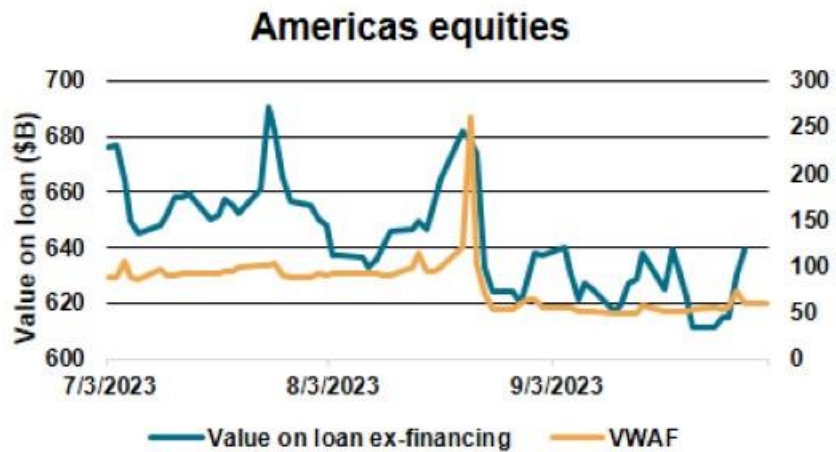
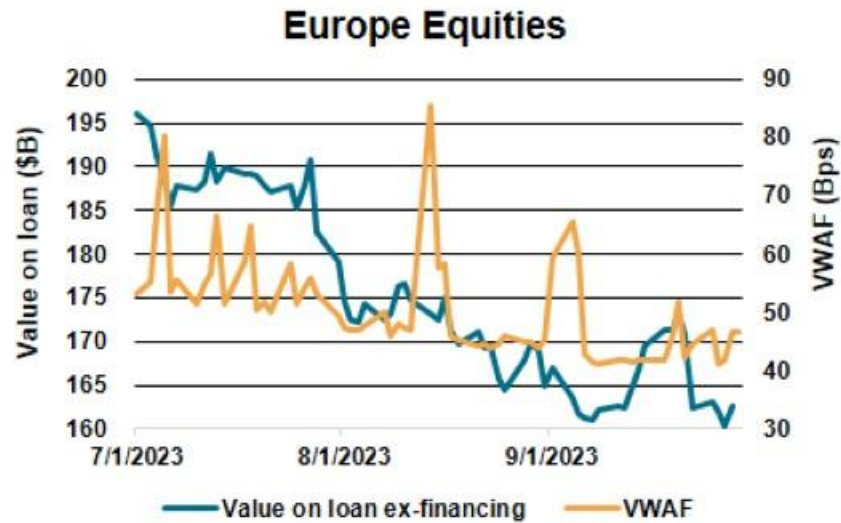
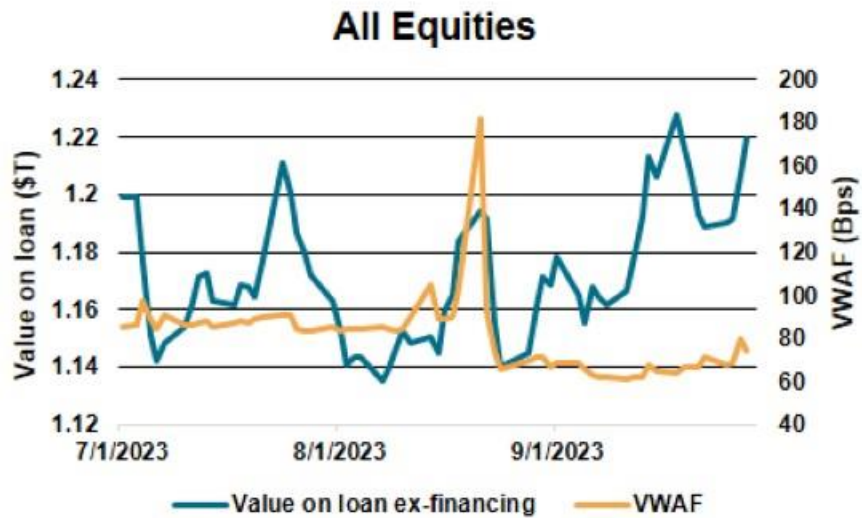


Specials revenues fall during September

YTD specials revenues hit all time high of \$4.1B



# Average fees and balances - Equities



All equities 80bps

Americas equities  
80bps

EMEA equities  
50bps

APAC equities  
106bps

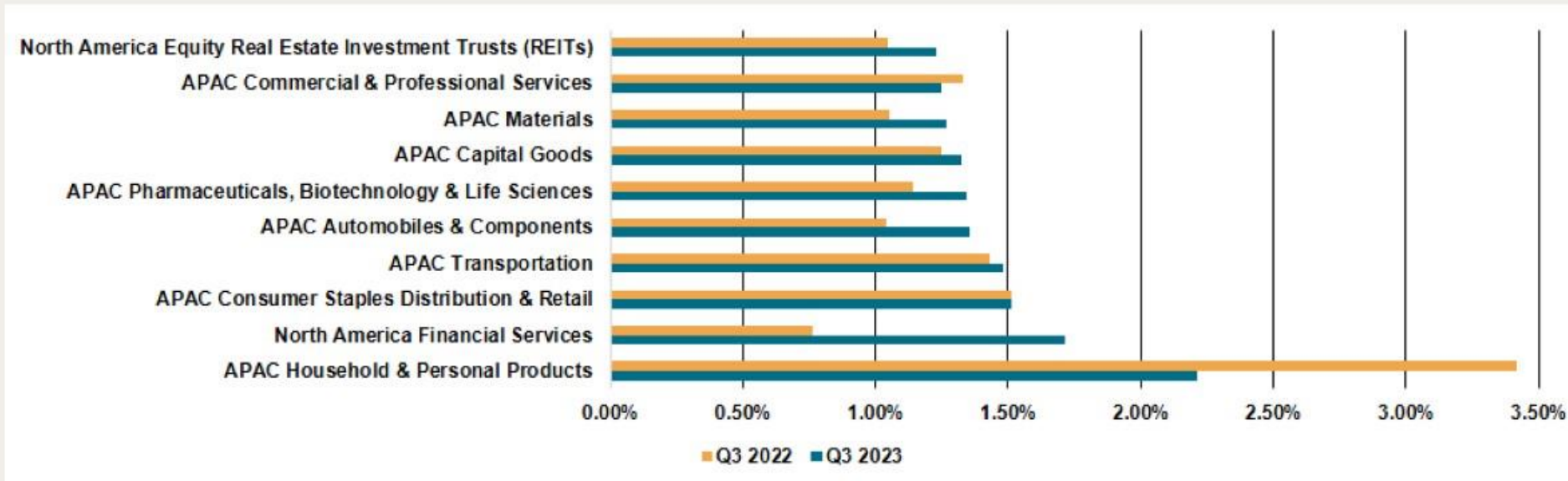
# Equities – Top revenue generators and most borrowed sectors of Q3 2023

Top 10 equity revenue generators - Q3 2023

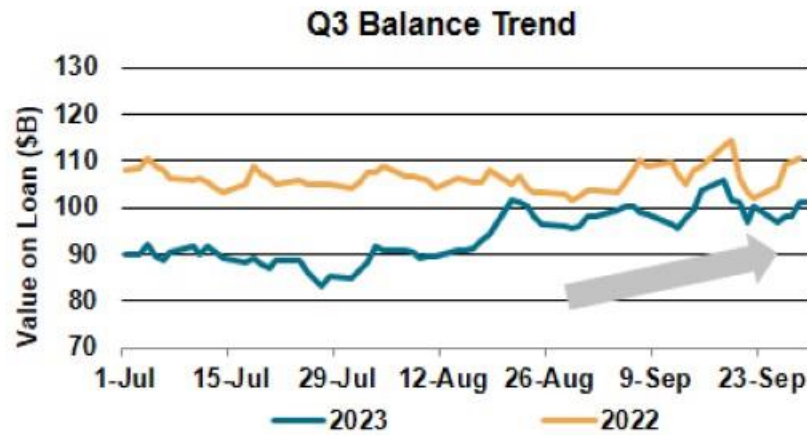
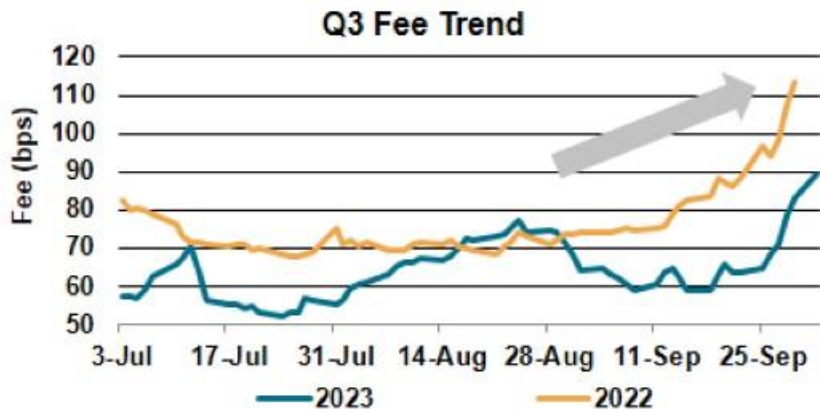
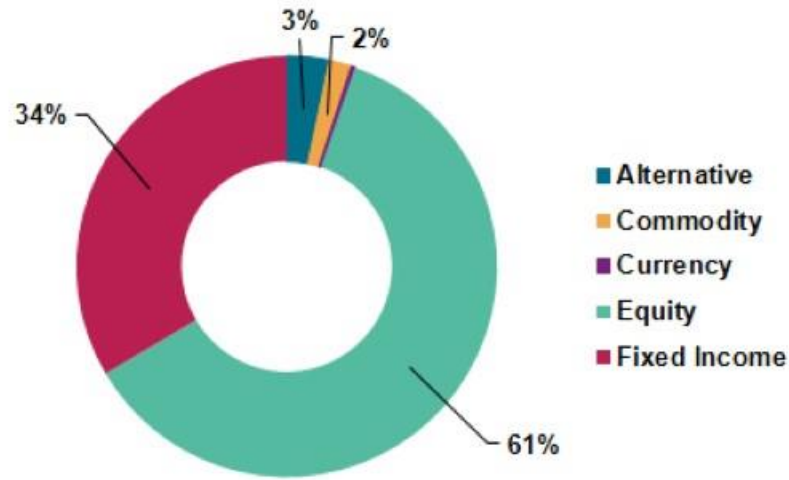
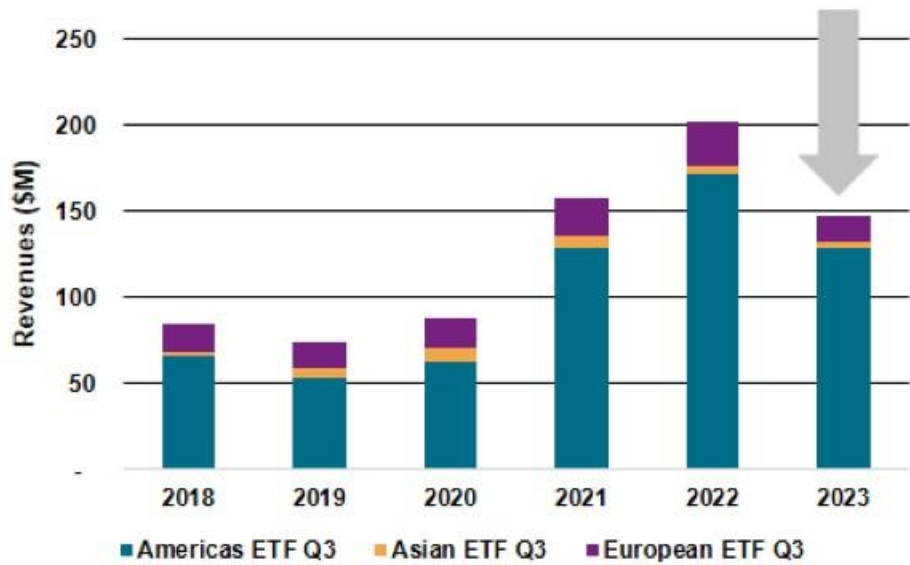
Ticker	Name	SL Revenue (\$M)	Market	Sector	SEDOL
AMC	Amc Entertainment Holdings Inc	198.29	US Equity (Others)	North America Media and Entertainment	BN4G703
NKLA	Nikola Corp	70.92	US Equity (RUSSELL 2000)	North America Capital Goods	BMBM6H7
SIRI	Sirius Xm Holdings Inc	67.82	US Equity (Others)	North America Media and Entertainment	BGLDK10
KVUE	Kenvue Inc	67.04	US Equity (Others)	North America Household & Personal Products	BQ84ZQ6
086520	Ecopro Co Ltd	34.97	KR Equity (Others)	Asia Materials	B235ZT9
JNJ	Johnson & Johnson	34.54	US Equity (S&P500)	North America Pharmaceuticals, Biotechnology & Life Sciences	2475833
BYND	Beyond Meat Inc	34.13	US Equity (RUSSELL 2000)	North America Food, Beverage & Tobacco	BJ1FDK7
AI	C3.Ai Inc	28.36	US Equity (RUSSELL 2000)	North America Software & Services	BMGNBJ2
V	Visa Inc	22.02	US Equity (S&P500)	North America Financial Services	B2PZN04
FSR	Fisker Inc	21.65	US Equity (RUSSELL 2000)	North America Automobiles & Components	BNKD957

Source : S&P Global Market Intelligence Securities Finance

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# ETF's Q3 2023



ETF revenues declined YoY but both fees and balances increased in September

## ETF's – Top revenue generators

**Top 10 revenue generators - European ETP's Q3 2023**

Ticker	Name	SL Revenue (\$M)	Market	Sedol
HYG	Ishares Iboxx High Yield Bond Etf	23.98	US ETF	B1VZ486
XBI	Spdr S&P Biotech Etf	7.24	US ETF	BOY90K2
IWM	Ishares Russell 2000 Etf	4.85	US ETF	2622059
MUB	Ishares National Muni Bond Etf	4.06	US ETF	B24DX21
ARKK	Ark Innovation Etf	3.70	US ETF	BSBNFV9
JNK	Spdr Bloomberg Hgh Yild Bnd Etf	3.12	US ETF	BJLV5H6
SPY	Spdr S&P 500 Etf	2.71	US ETF	2840215
BKLN	Invsc Senior Loan Etf	2.54	US ETF	BZ03L33
LQD	Ishares Iboxx Invt Grade Bond Etf	2.35	US ETF	2971502
QQQ	Invsc Qqq Trust Srs 1 Etf	2.32	US ETF	BDQYP67

Source : S&P Global Market Intelligence Securities Finance

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# Depositary Receipts

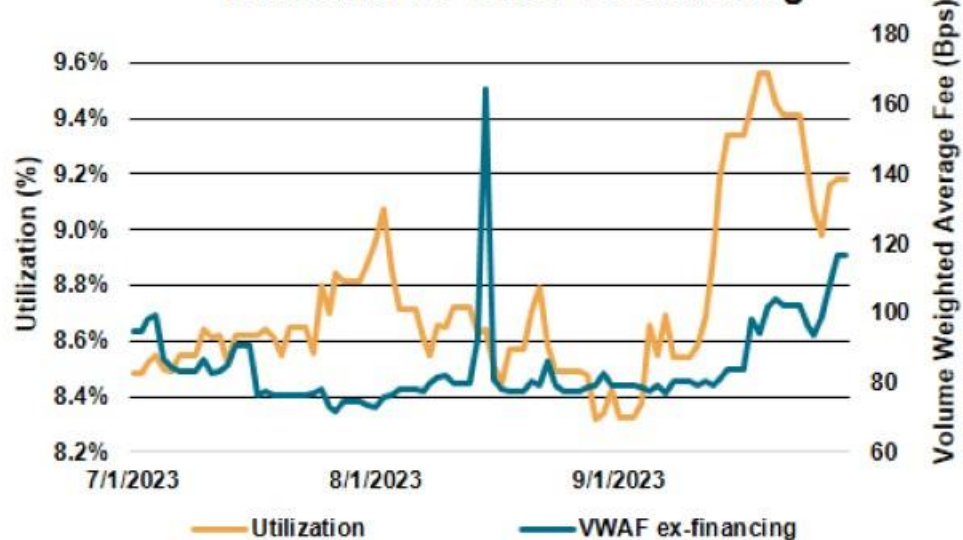
Top 5 Revenue Generators - ADRs Q3 2023

Ticker	Name	SL Revenue (\$M)	Market	Sector	SEDOL
PKX	Posco Holdings Ads Rep 1/4 Ord	2.56	KR ADR	North America Materials	2692795
NAAS	Naas Technology Adr	2.06	CN ADR	North America Consumer Discretionary Distribution & Retail	BQ7X627
XPEV	Xpeng Adr Rep 2 Ord	2.01	CN ADR	North America Automobiles & Components	BMXR2T4
HKD	Amtl Digital 5 Adr Rep 2 Cl A Ord	1.73	FR ADR	North America Software & Services	BN6M5P0
PSNY	Polestar Automotive Hld Cl A Ads	1.64	SE ADR	North America Automobiles & Components	BM9VBN7

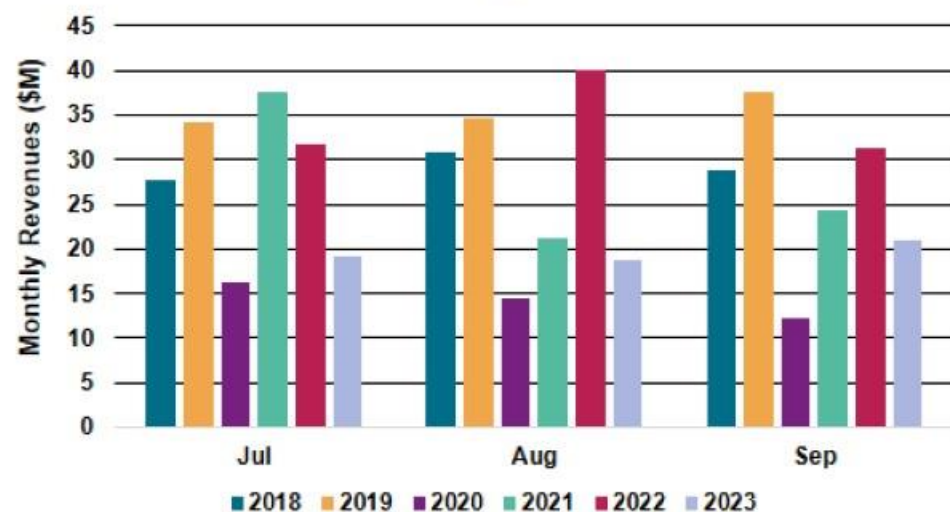
Source : S&P Global Market Intelligence Securities Finance

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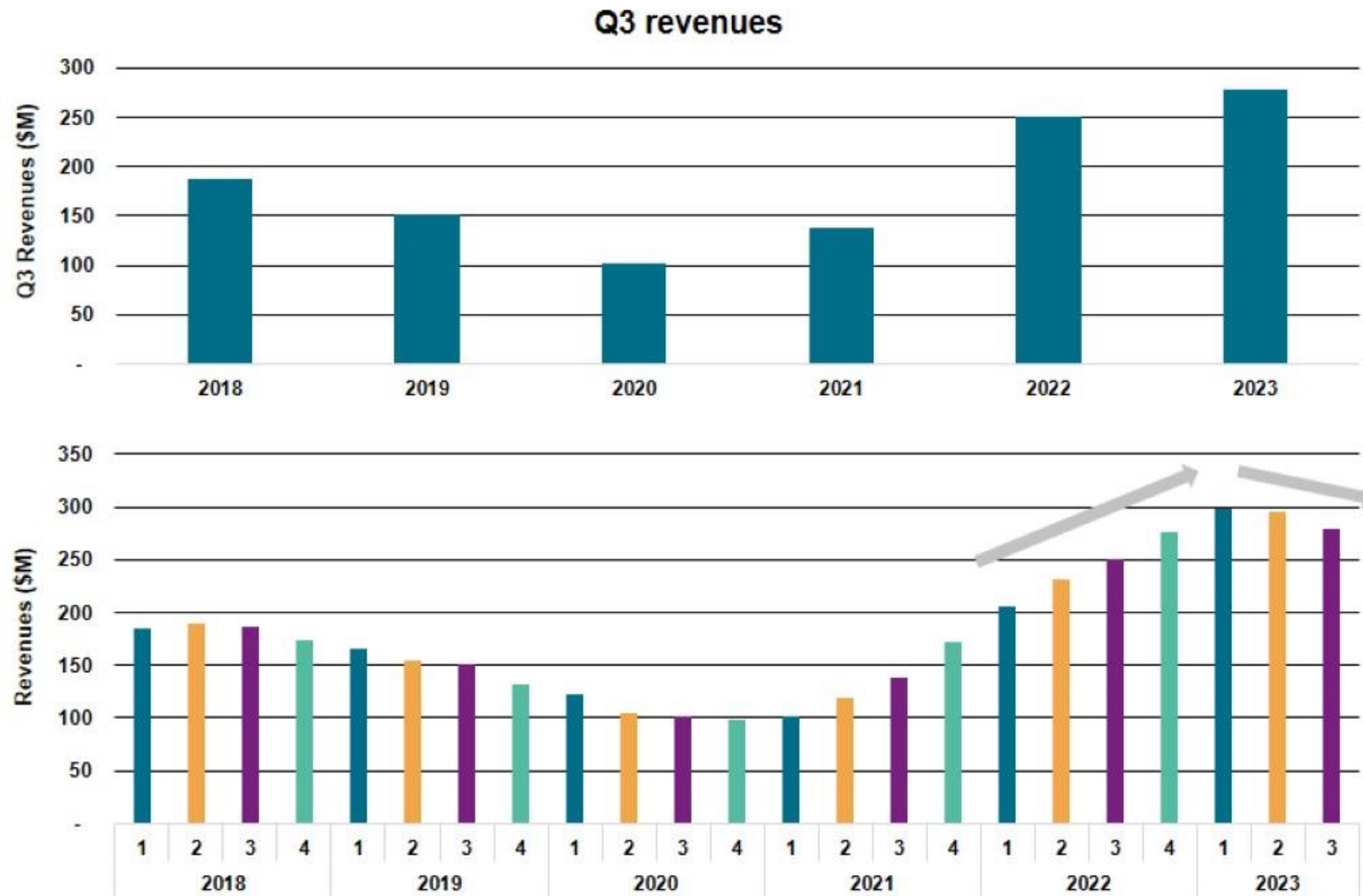
Utilization Vs VWAF ex-financing



ADR Monthly revenues



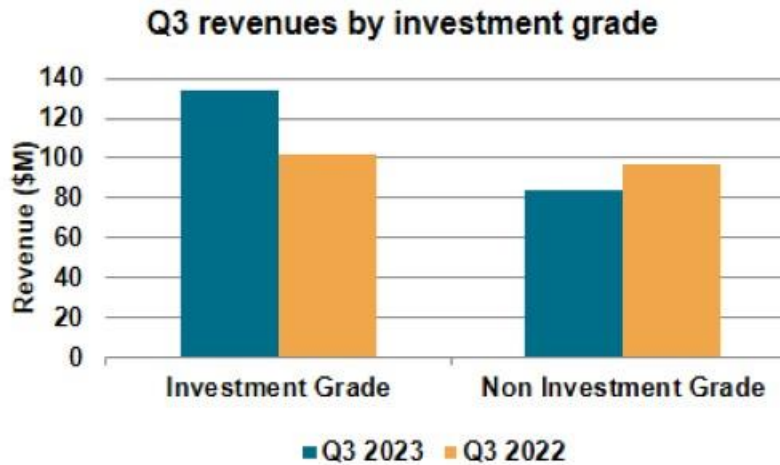
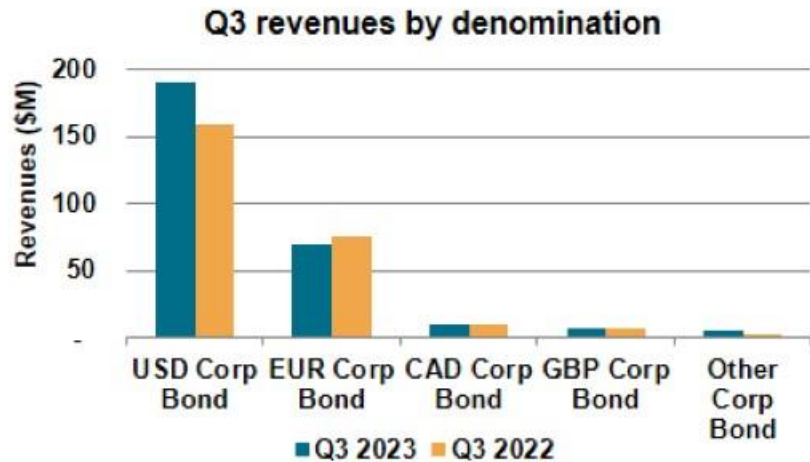
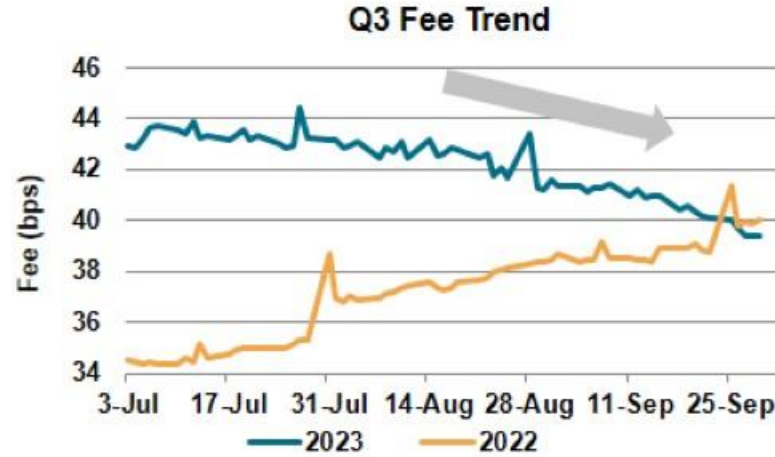
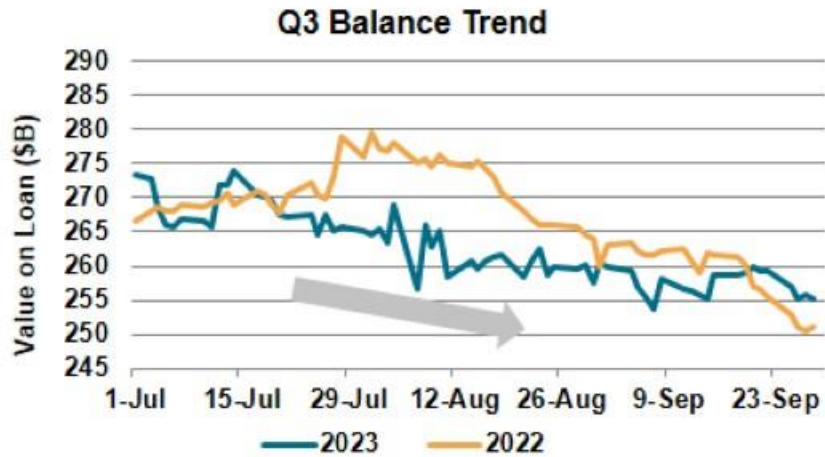
# Corporate bond revenues grow YoY but decline QoQ



Q3 revenues  
\$279M +11%  
YoY

Revenues  
decline QoQ  
throughout  
2023  
-6% QoQ

# Corporate bond fees and balances decline over the quarter



Average Q3 balance  
\$262bln -2%  
YoY

Average Q3 fee  
42bps +13%  
YoY

## Corporate Bonds – Top revenue generators

### Top Revenue generators - Corporate Bonds Q3

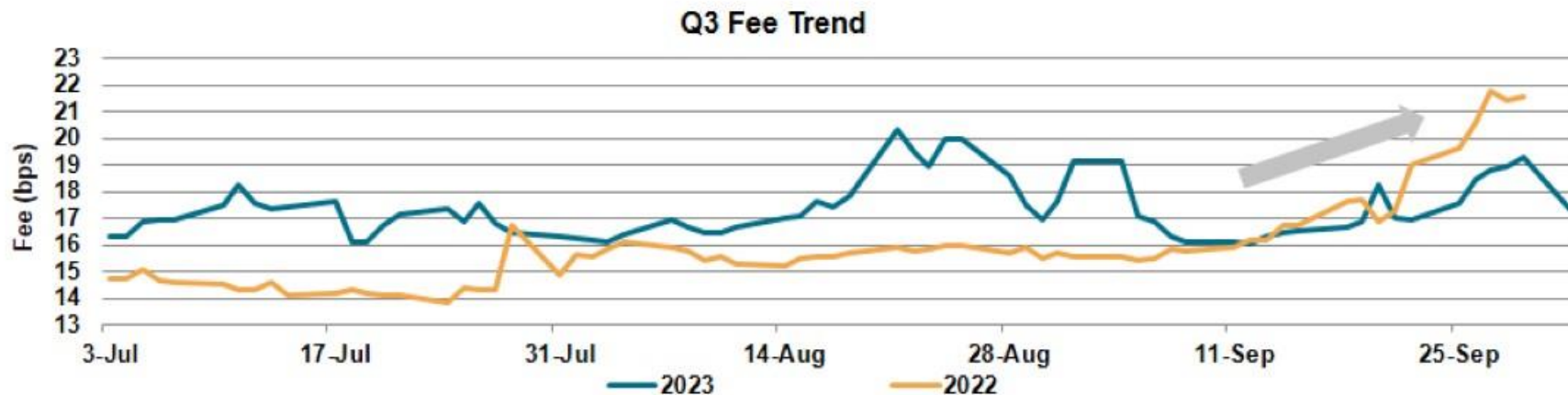
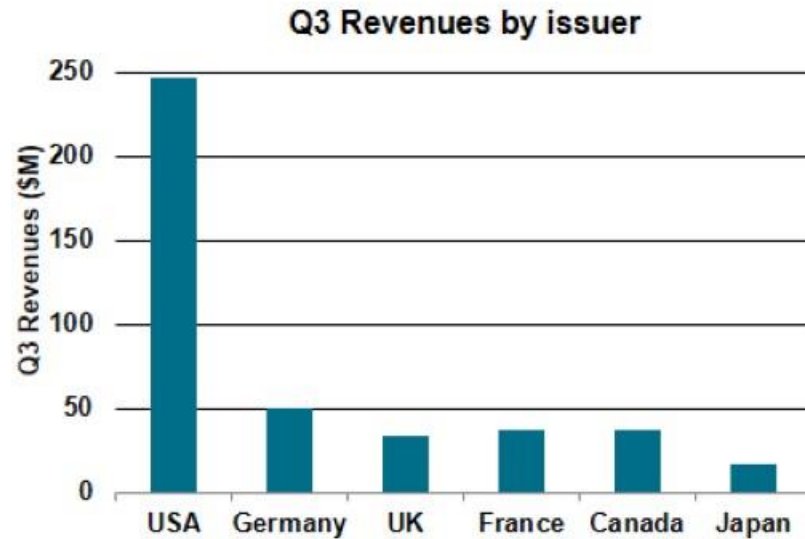
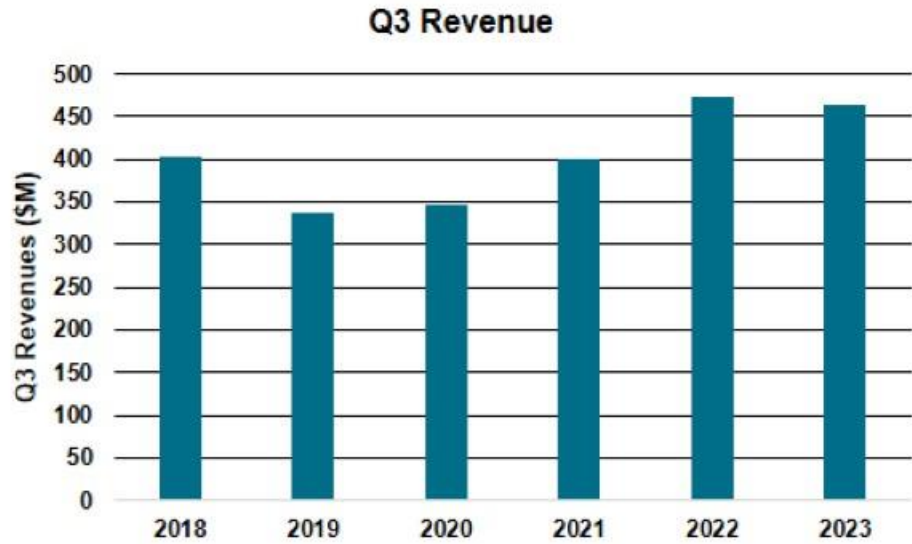
Cusip	Name	SL Revenue (\$M)	Market
88579YBD2	3M Co (4% 14-Sep-2048)	4.16	USD I.G.
70450YAM5	Paypal Holdings Inc (5.05% 01-Jun-2052)	3.46	USD I.G.
595017AU8	Microchip Technology Inc (0.125% 15-Nov-2024)	2.54	USD N.I.G.
88579YAY7	3M Co (2.875% 15-Oct-2027)	2.35	USD I.G.
553283AC6	Mph Acquisition Holdings Llc (5.75% 01-Nov-2028)	1.78	USD Priv.
09061GAK7	Biomarin Pharmaceutical Inc (1.25% 15-May-2027)	1.65	USD N.I.G.
651229BD7	Newell Brands Inc (6.625% 15-Sep-2029)	1.61	USD N.I.G.
437076CS9	Home Depot Inc (4.5% 15-Sep-2032)	1.35	USD I.G.
G47718AJ3	Ineos Finance Plc (6.625% 15-May-2028)	1.31	EUR N.I.G.
88579YBN0	3M Co (3.05% 15-Apr-2030)	1.25	USD I.G.

Source : S&P Global Market Intelligence Securities Finance

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# Government bond Q3 revenues start to plateau



Government bond fees may have reached their peak during Q2

# Government bonds – Top borrows

Top revenue generators - Government bonds Q3 2023

Cusip	Name	SL Revenue (\$M)	Market
DE0001104867	Germany, Federal Republic Of (Government) (0% 15-Dec-2023)	15.76	DE Dom Govt Bond (Fixed Rate)
91282CHQ7	United States Treasury (4.125% 31-Jul-2028)	12.71	US Govt Bond (Notes) (Fixed Rate)
912810TU2	United States Treasury (4.375% 15-Aug-2043)	5.54	US Govt Bond (Bonds) (Fixed Rate)
912828ZY9	United States Treasury (0.125% 15-Jul-2023)	4.53	US Govt Bond (Notes) (Fixed Rate)
91282CDY4	United States Treasury (1.875% 15-Feb-2032)	2.78	US Govt Bond (Notes) (Fixed Rate)
91282CHC8	United States Treasury (3.375% 15-May-2033)	2.76	US Govt Bond (Notes) (Fixed Rate)
91282CEP2	United States Treasury (2.875% 15-May-2032)	2.57	US Govt Bond (Notes) (Fixed Rate)
91282CFV8	United States Treasury (4.125% 15-Nov-2032)	2.55	US Govt Bond (Notes) (Fixed Rate)
F43750AD4	France, Republic Of (Government) (2.75% 25-Oct-2027)	2.31	FR Dom Govt Bond (Fixed Rate)
912796ZY8	United States Treasury (0% 25-Jan-2024)	2.29	US Govt Bond (Bills) (Fixed Rate)

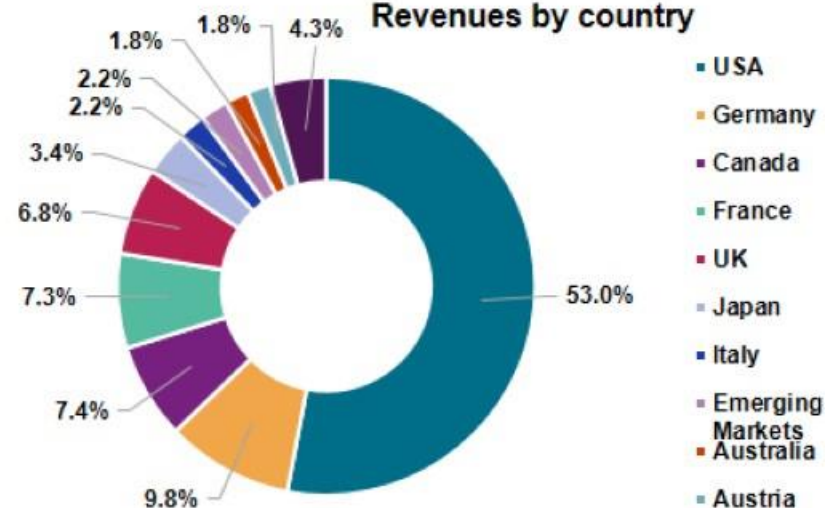
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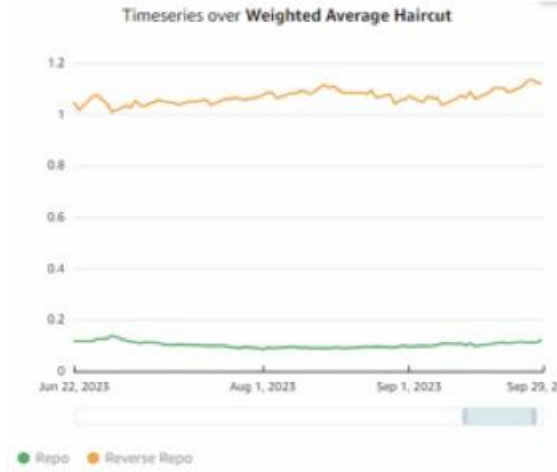
Q3 Balance Trend



Revenues by country



# Repo market



Source: S&P Global Market Intelligence Repo Data Analytics

Repo volume dip lower over Q3

Weighted average repo fee 4.01%

Weighted average reverse repo fee 4.23%

## Revenues cool during Q3

As uncertainty grows, a lack of conviction starts to impact securities finance markets

- Inflation and hawkish rate rises have helped push revenues higher
- US equity specials have inflated revenues throughout the year
- Asian equities are gaining ground and are expected to generate strong Q4 revenues
- EMEA equity revenues declined over the quarter and remain lackluster
- Fixed income assets continue to perform well but may have reached their peaks
- Heading into Q4, geopolitical risk is increasing, future monetary policy is becoming more uncertain and manufacturing PMI's remain weak
- YTD revenues remain strong but H2 is likely to be weaker than H1



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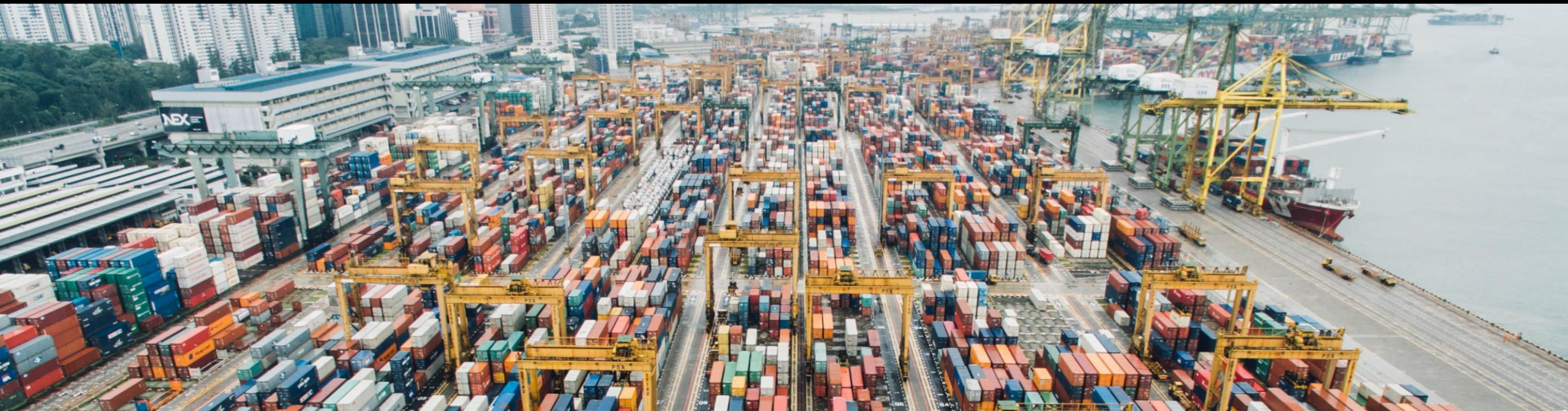
# Flash PMI: October

Latest signals from S&P Global's PMI surveys

Chris Williamson

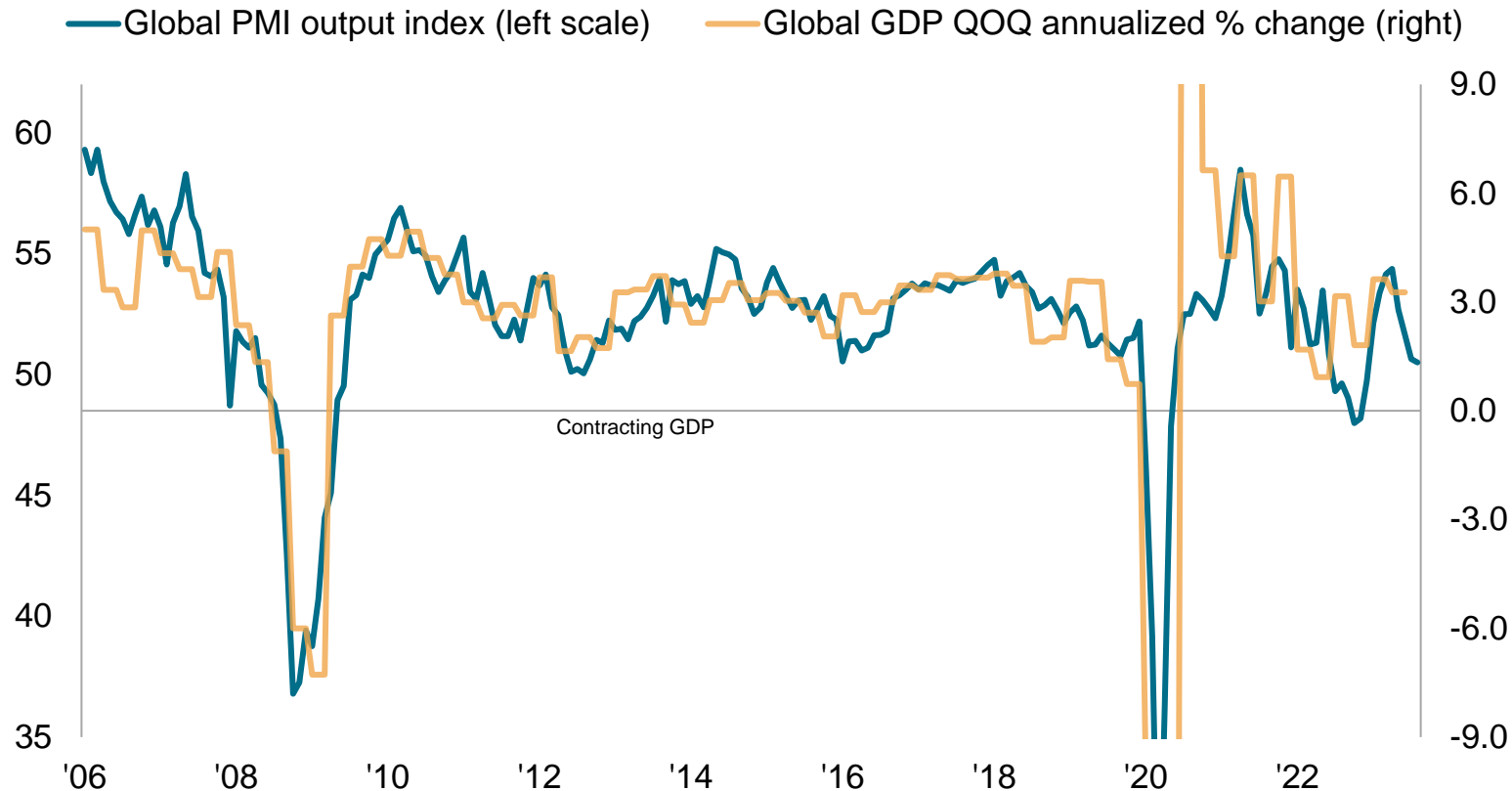
Chief Business Economist

S&P Global Market Intelligence



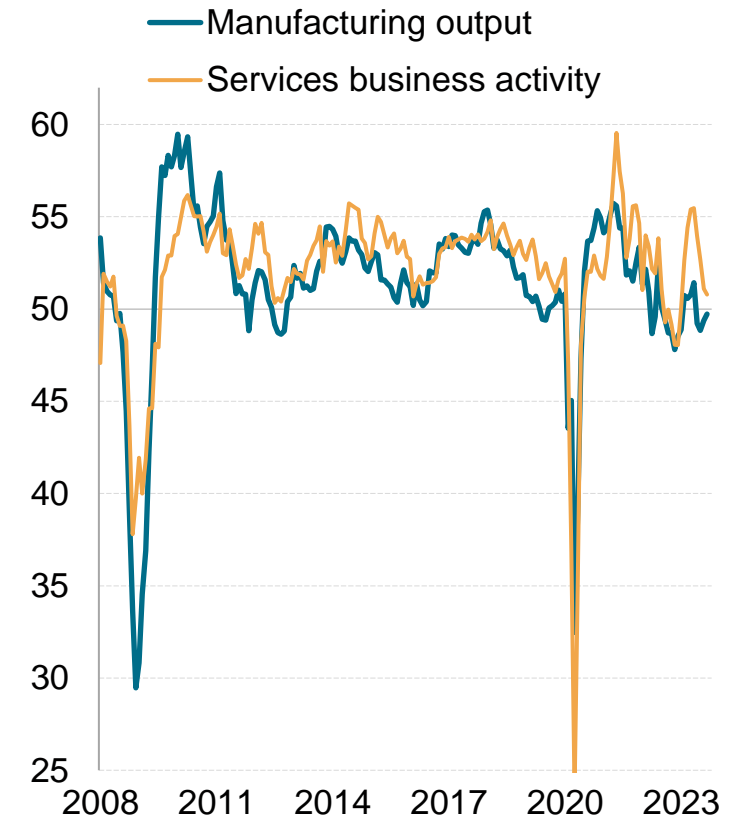
# Global PMI points to subdued economic expansion in September

## Global economic growth and the PMI



Data compiled October 2023 including PMI data to September 2023.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month.  
 Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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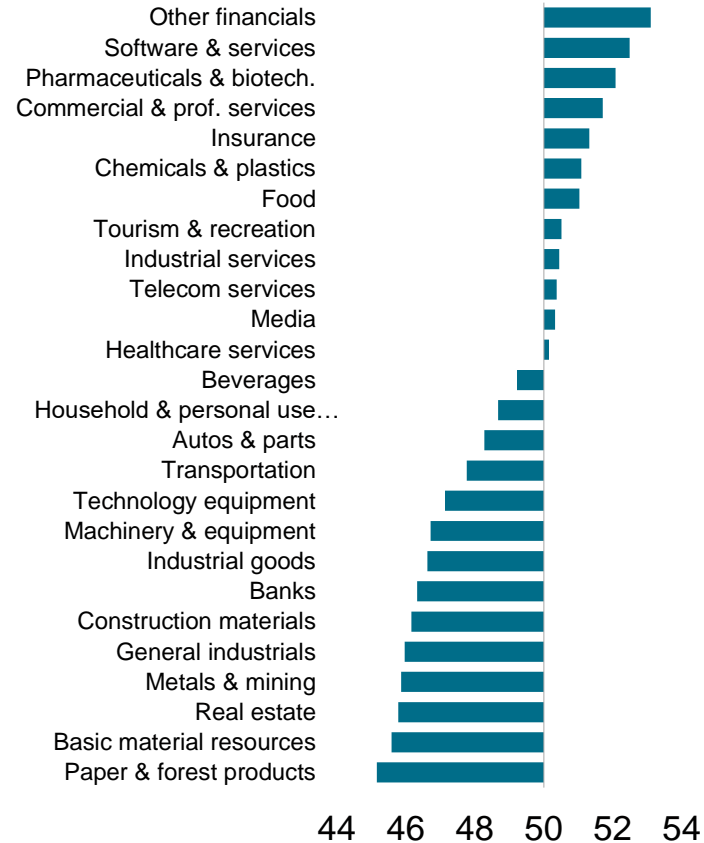
## Global PMI output by sector



Data compiled October 2023 including PMI data to September 2023.  
 PMI index value of 50 = no change on prior month  
 Sources: S&P Global PMI, S&P Market Intelligence, J.P. Morgan.  
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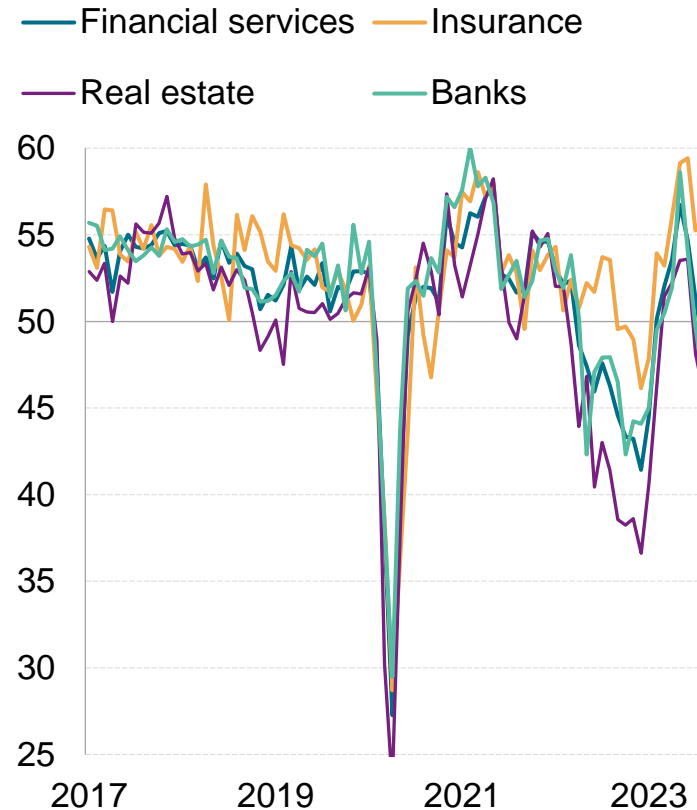
# Services boom fades in third quarter, as travel surge falters and financials wane

## Global PMI new orders index



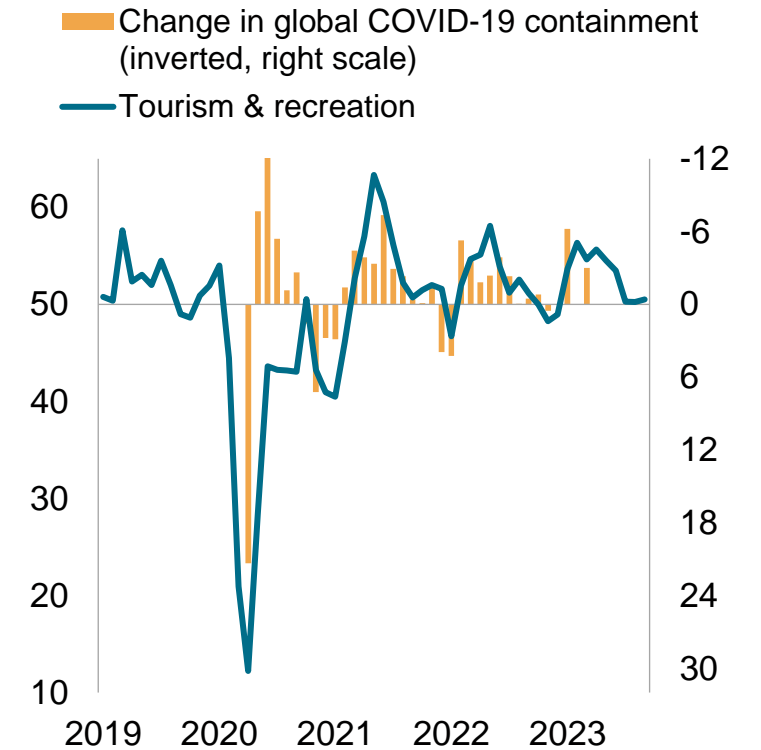
Data compiled October 2023 including PMI data to September 2023.  
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## Global PMI sector new orders



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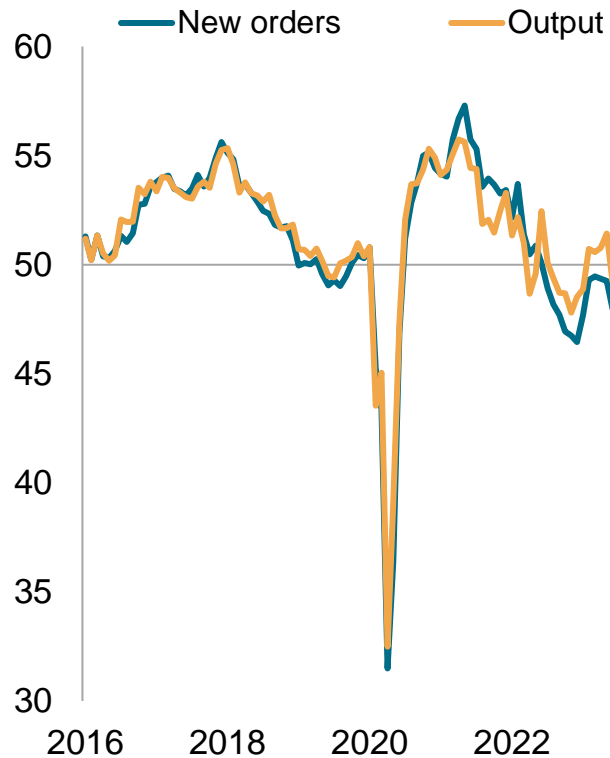
## Global PMI tourism & recreation new orders and COVID-19



Data compiled October 2023 including PMI data to September 2023.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month. S&P Global Market Intelligence COVID-19 index scale inverted and advanced one month.  
 Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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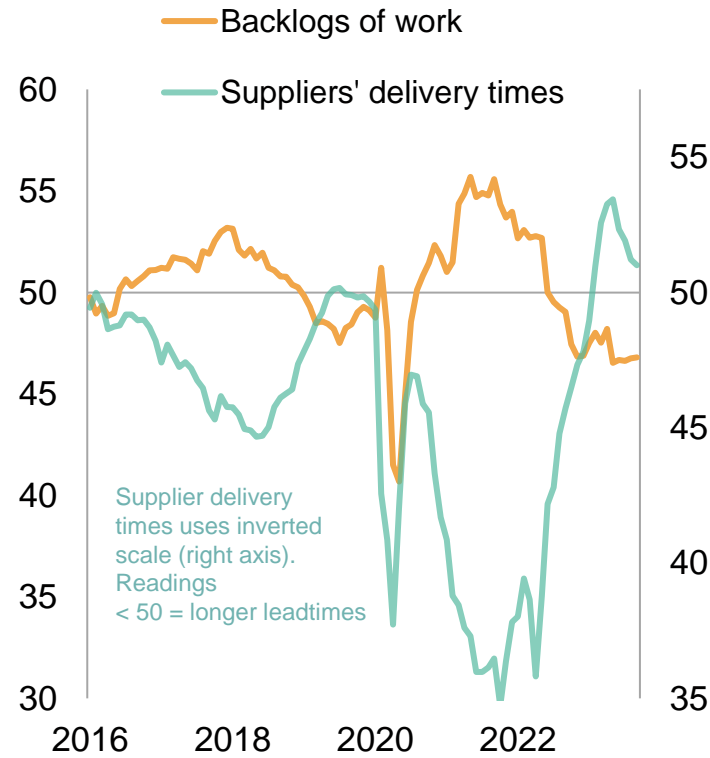
# Global manufacturing remains in the doldrums as demand continues to weaken

## Global manufacturing order books and output



Data compiled October 2023 using PMI data updated to September 2023.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month  
 Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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## Global manufacturing order backlogs and supply delays



Data compiled October 2023 using PMI data updated to September 2023.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month  
 Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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## Global goods exports

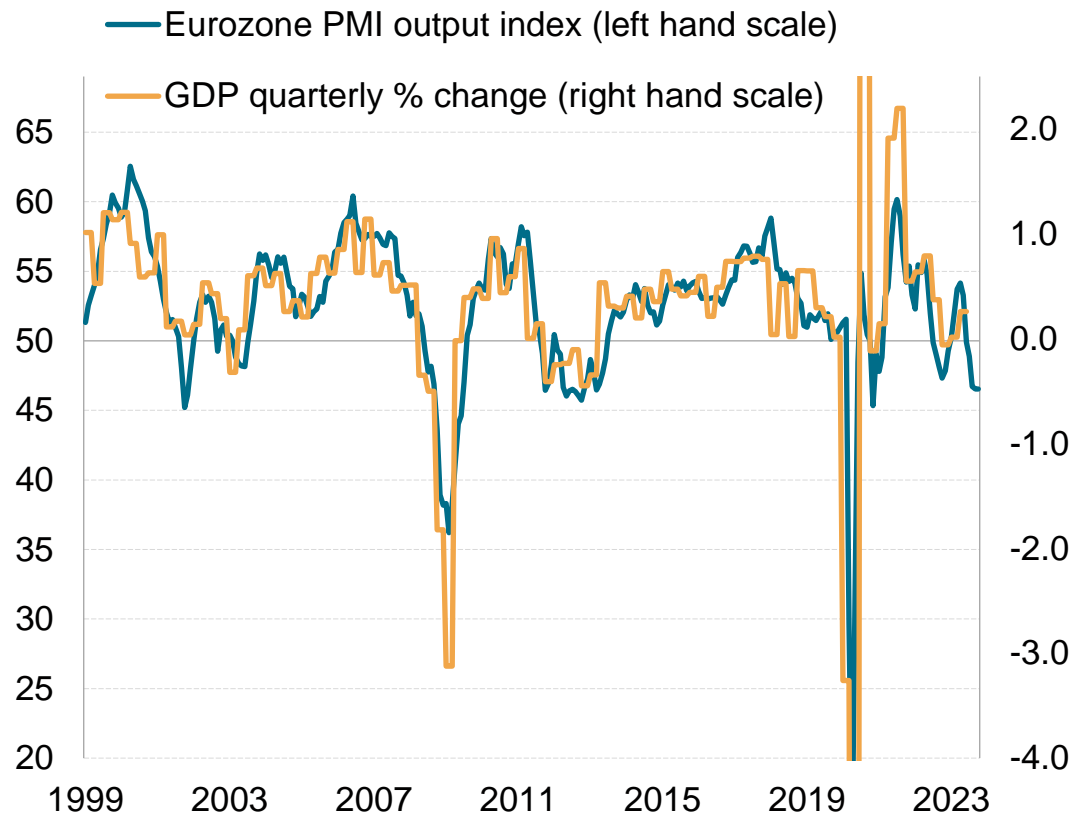


Data compiled Oct 2023, PMI data updated to Sep 2023, CPB data to July 2023.  
 PMI (Purchasing Managers' Index) 50 = no change on prior month.  
 Sources: S&P Global PMI with J. P. Morgan, CPB, S&P Global Market Intelligence.  
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# Eurozone recession risks rise amid PMI decline

## Eurozone PMI vs. GDP



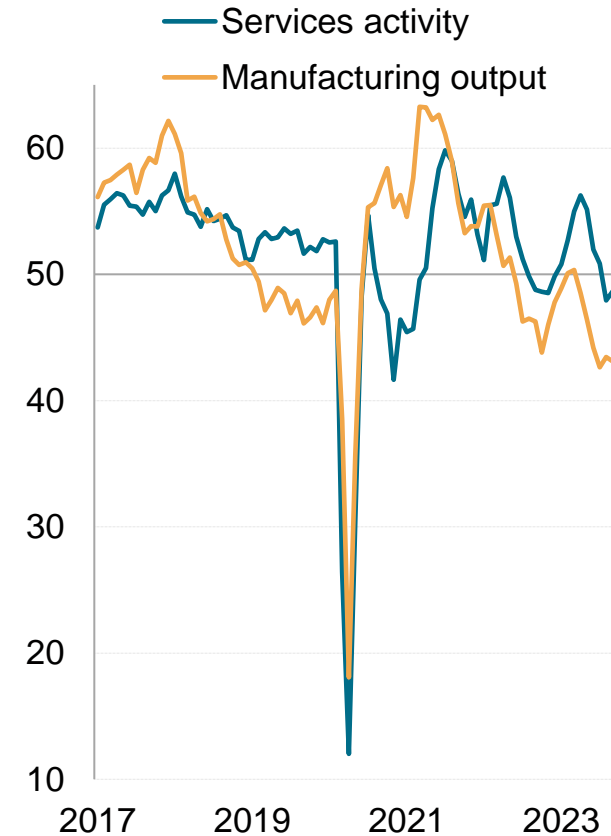
Data compiled October 24, 2023.

PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services.

Sources: S&P Global PMI with HCOB, Eurostat via S&P Global Market Intelligence.

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## Eurozone PMI output by sector



Data compiled October 24, 2023

PMI (Purchasing Managers' Index) based on 50 = no change on prior month.

Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.

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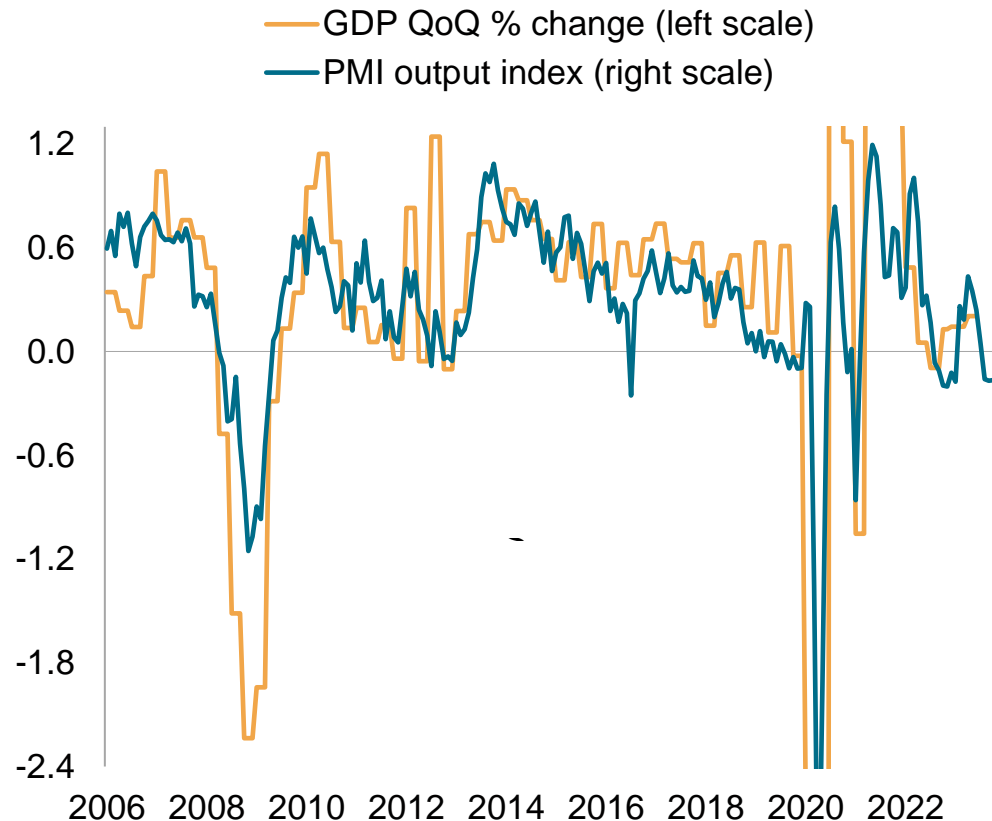
The current level of the eurozone PMI is broadly consistent with eurozone GDP falling at a quarterly rate of 0.4% at the start of the fourth quarter, having signalled a 0.3% contraction in the third quarter.

A seventh successive month of falling output in the manufacturing sector was accompanied by a third month of contracting service sector activity.

Factories notably remain in the deepest downturn since 2009 barring the early pandemic lockdowns.

# UK skirts with recession as service sector upturn stalls

## UK GDP (economic growth) and the flash PMI



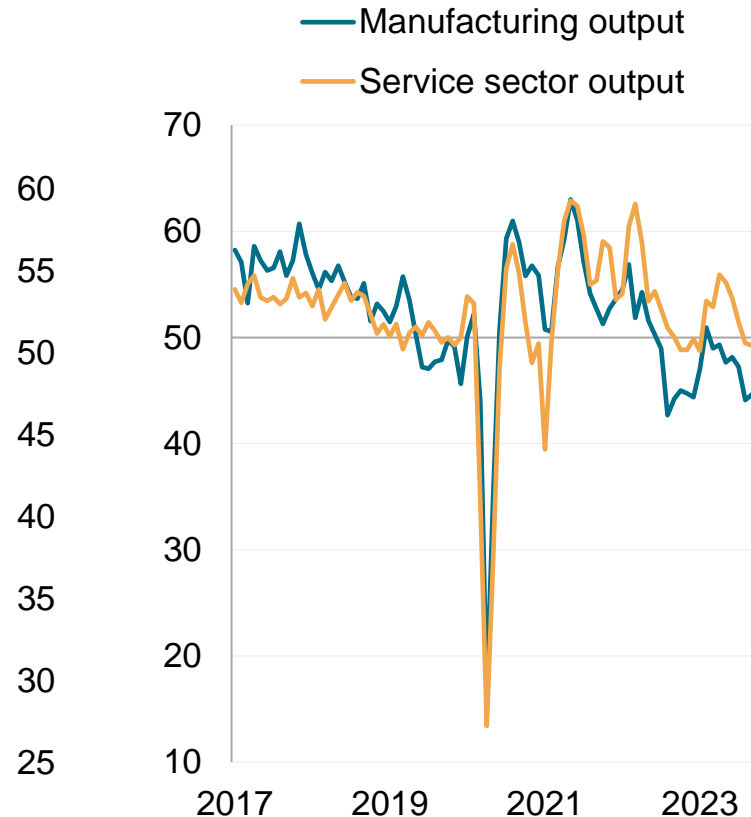
Data compiled October 24, 2023.

PMI covers manufacturing and services, 50 = no change on prior month

Sources: S&P Global PMI with CIPS, ONS via S&P Global Market Intelligence.

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## UK PMI output by sector



Data compiled October 24, 2023.

PMI (Purchasing Managers' Index) 50 = no change on prior month.

Source: S&P Global PMI with CIPS.

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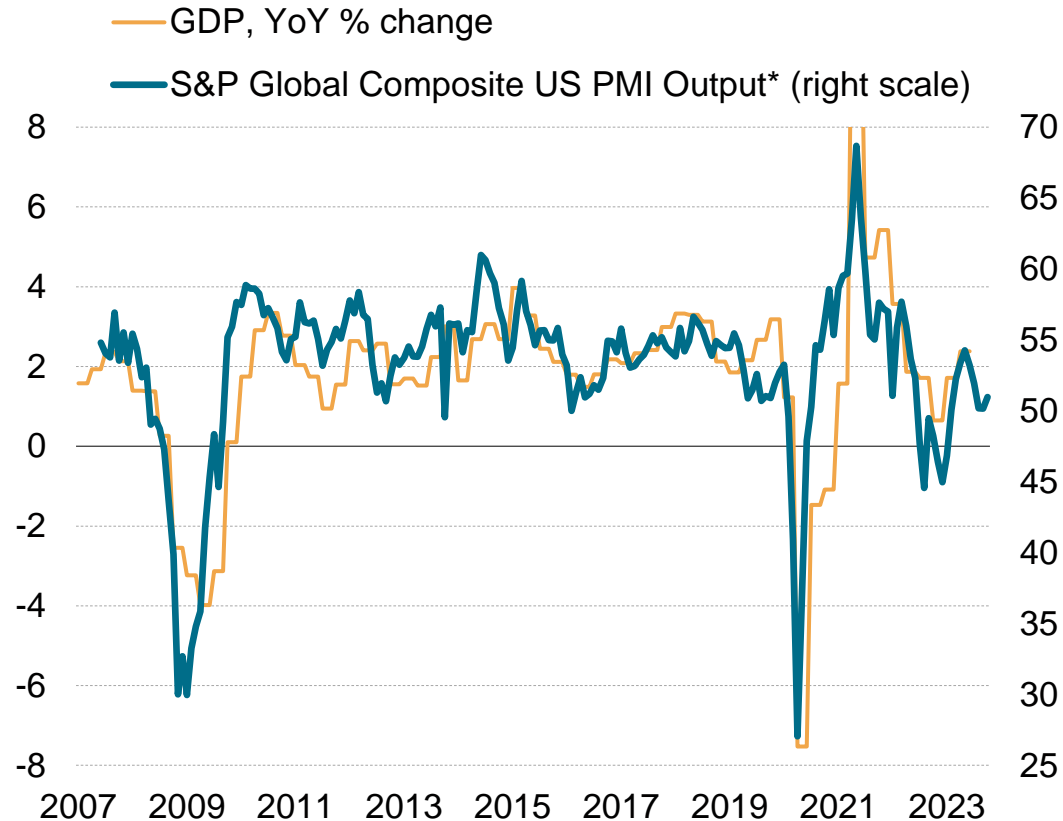
The UK PMI is broadly indicative of GDP falling at a quarterly rate of just over 0.1%, having pointed to a 0.1% quarter-on-quarter GDP contraction in Q3.

Service sector output fell for a third successive month. Although again only modest, the sustained downturn represents a major change to the buoyancy seen in this part of the economy earlier in the year. The decline was the steepest since January.

Manufacturing output meanwhile continued to fall sharply in October, dropping for an eighth successive month with the rate of contraction easing only slightly.

# US sustains expansion in October as growth ticks higher

## US GDP growth and the PMI



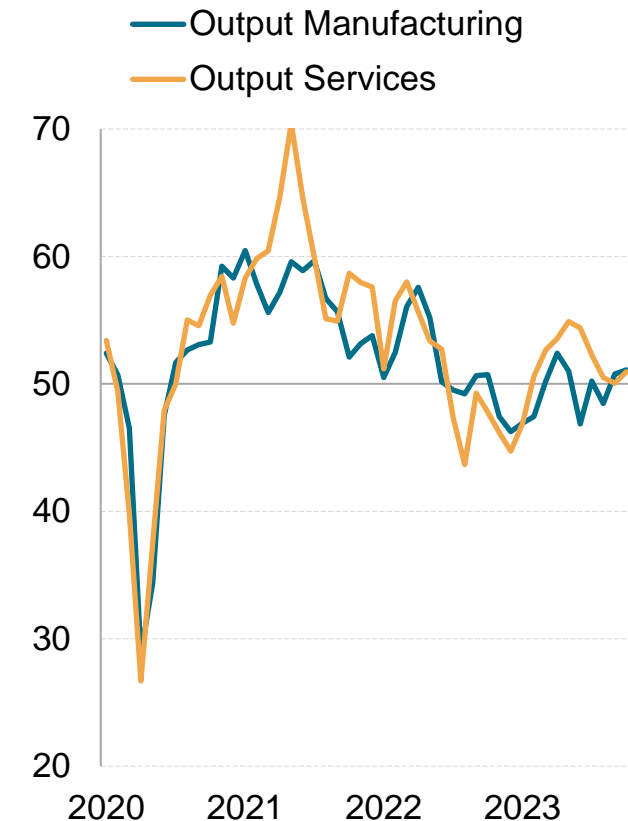
Data compiled October 24, 2023.

\* PMI covers manufacturing only prior to 2009 but manufacturing & services thereafter.

Sources: S&P Global PMI, S&P Global Market Intelligence, BEA.

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## US PMI output by sector



Data compiled October 24, 2023.

PMI (Purchasing Managers' Index) 50 = no change on prior month.

Source: S&P Global PMI.

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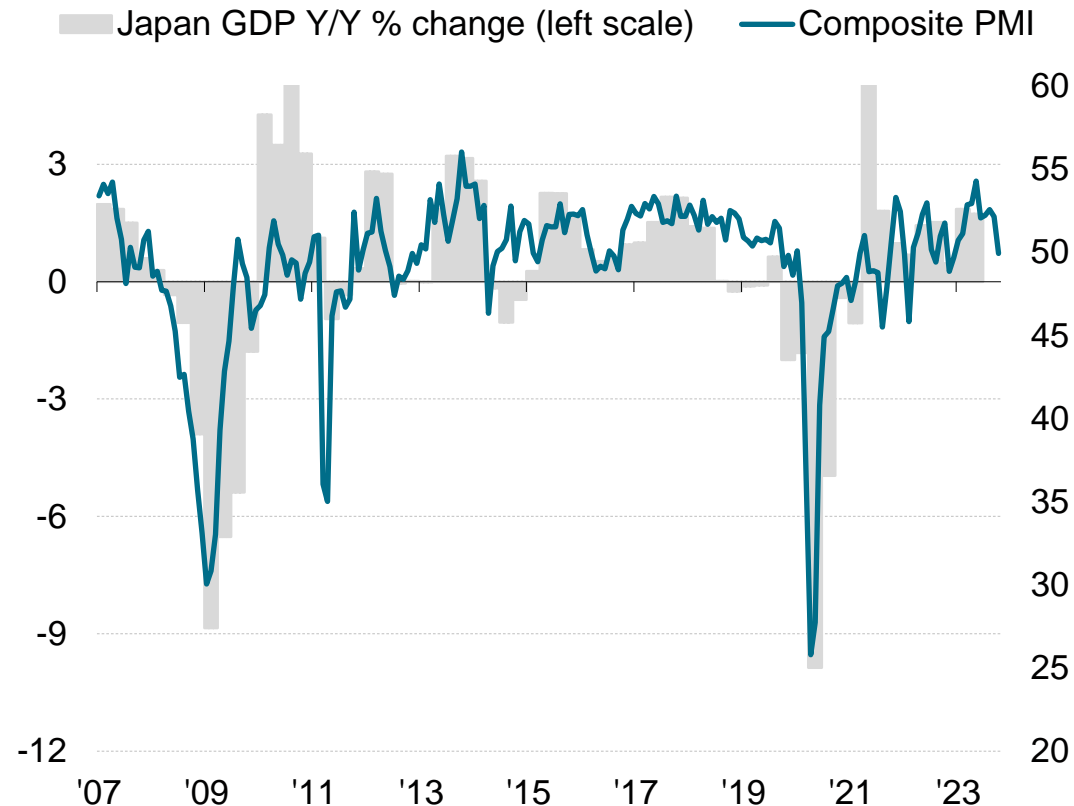
The US flash PMI is consistent with annual GDP growth of approximately 1.5%, hinting at a lower underlying growth profile than official GDP data are expected to show for Q3.

In contrast to Europe, the US saw growth of both manufacturing output and services activity in October, albeit with rates of growth remaining lacklustre (despite improving on September).

Notably, like Europe, the US has seen a marked cooling of its service sector expansion since earlier in the year.

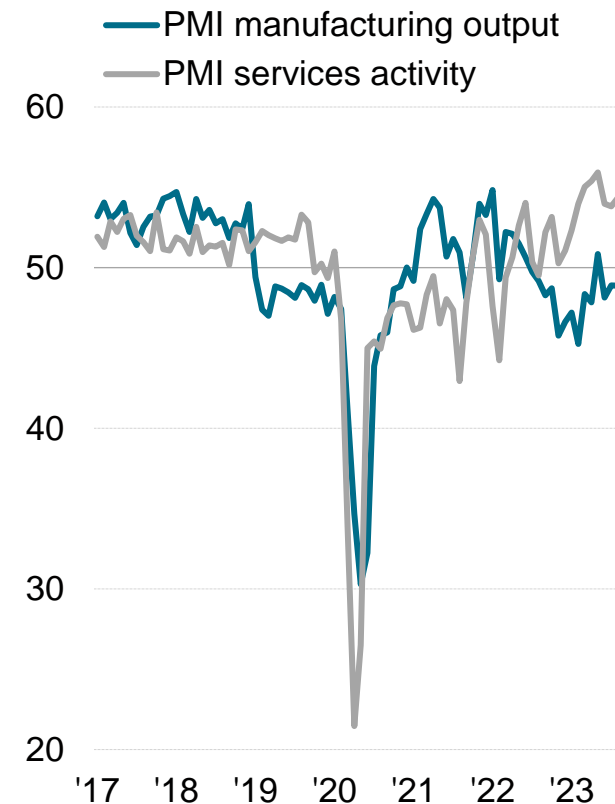
# Japan's resilience falters

## Japan PMI vs. GDP



Data compiled October 24, 2023.  
 PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services.  
 Sources: S&P Global PMI with au Jibun Bank, S&P Global Market Intelligence.  
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## Japan PMI output by sector



Data compiled October 24, 2023.  
 PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services.  
 Sources: S&P Global PMI with au Jibun Bank.  
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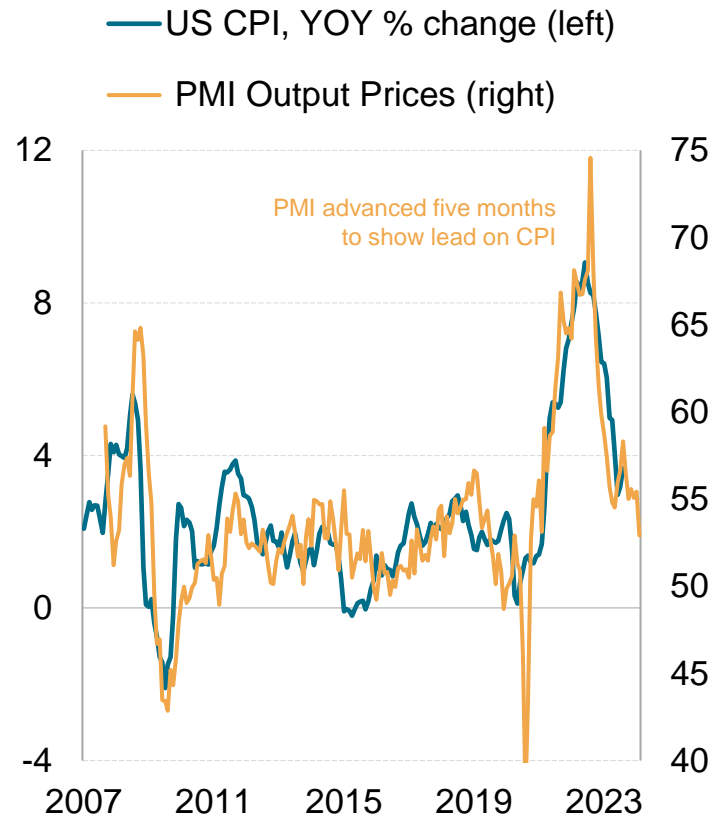
The Japan flash PMI points to GDP growing at an annual rate just under 1.0% at the start of Q4, which is in line with the pre-pandemic 10-year average.

Factory output fell at the quickest rate since February as destocking exacerbated weaker demand growth.

Services activity remained in expansion amid still-robust consumer services demand. Anecdotal evidence highlighted that tourism demand continued to support service sector growth, but the expansion slowed sharply.

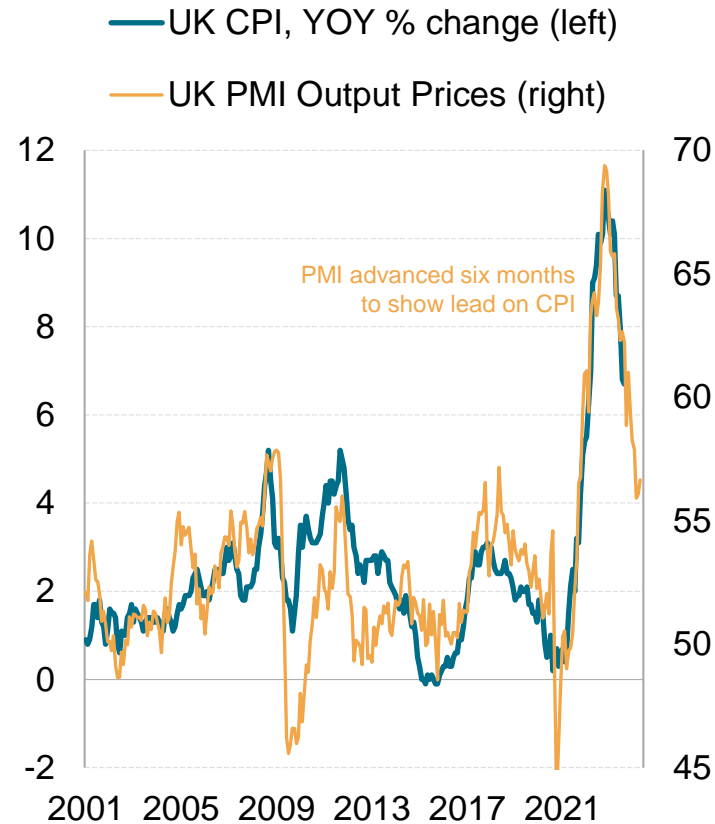
# Flash PMI: inflation targets in sight in US and Eurozone

## US inflation



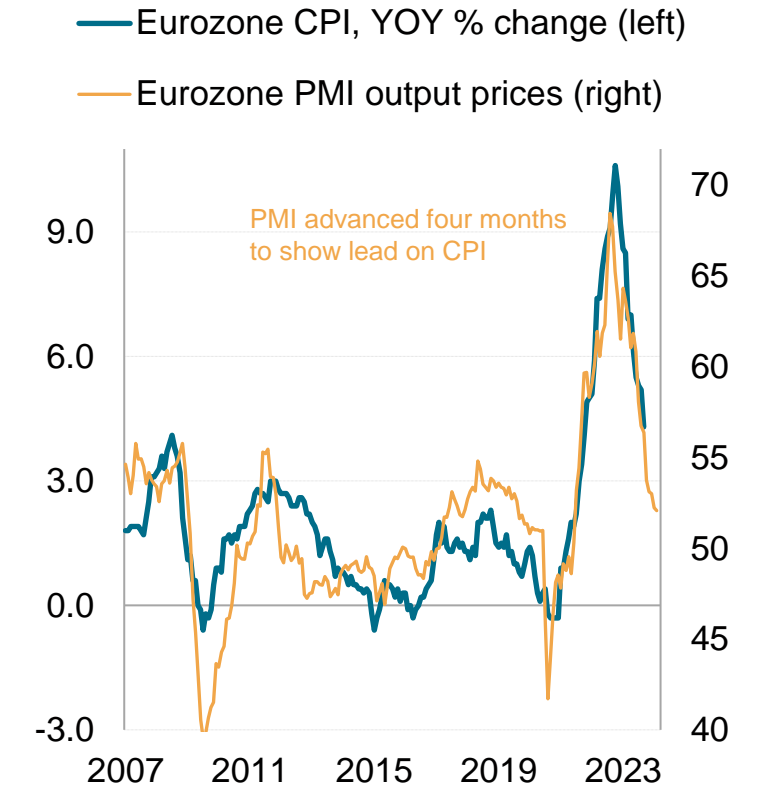
Data compiled October 2023.  
PMI covers manufacturing only pre-2009 but manufacturing & services thereafter.  
Source: S&P Global PMI, BEA via S&P Global Market Intelligence.  
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## UK inflation



Data compiled October 2023.  
PMI based on 50 = no change on prior month, covers manufacturing and services.  
Source: S&P Global PMI with CIPS, ONS via S&P Global Market Intelligence.  
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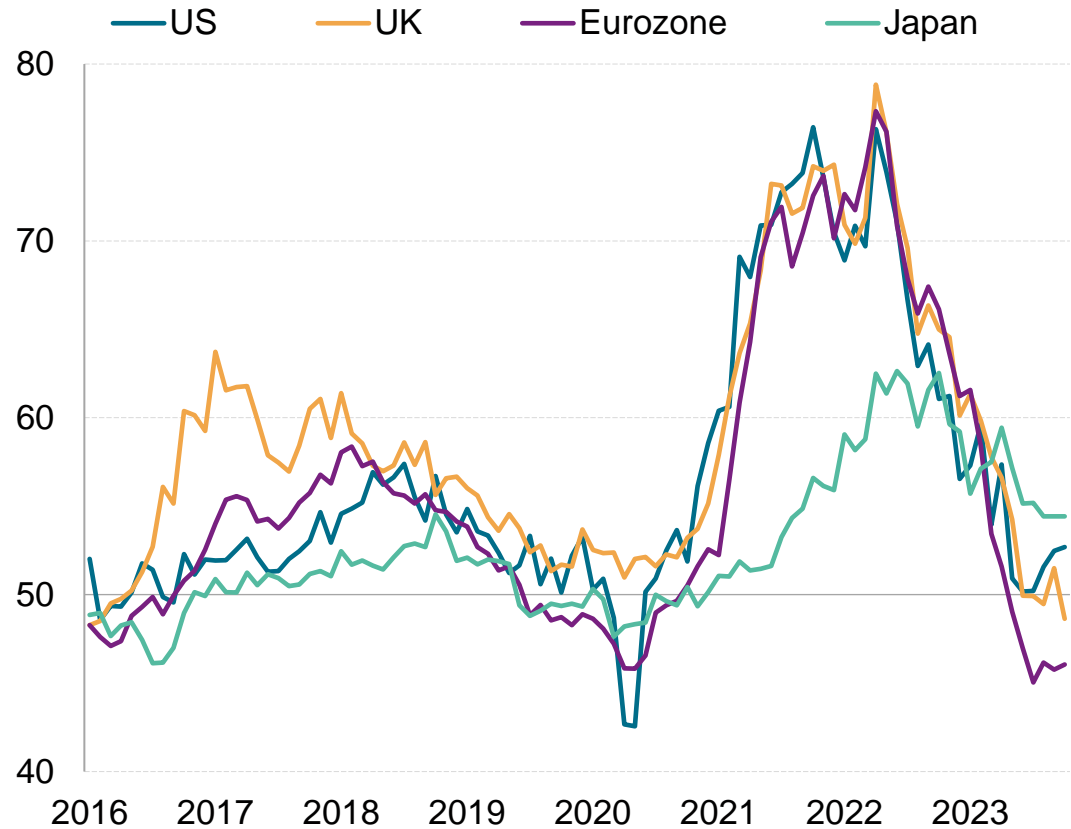
## Eurozone inflation



Data compiled October, 2023.  
PMI (Purchasing Managers' Index) value of 50 = no change on prior month, covers manufacturing and services.  
Source: S&P Global PMI with HCOB, Eurostat via S&P Global Market Intelligence.  
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# Flash PMI inflation rates for goods and services

## Flash manufacturing PMI output prices



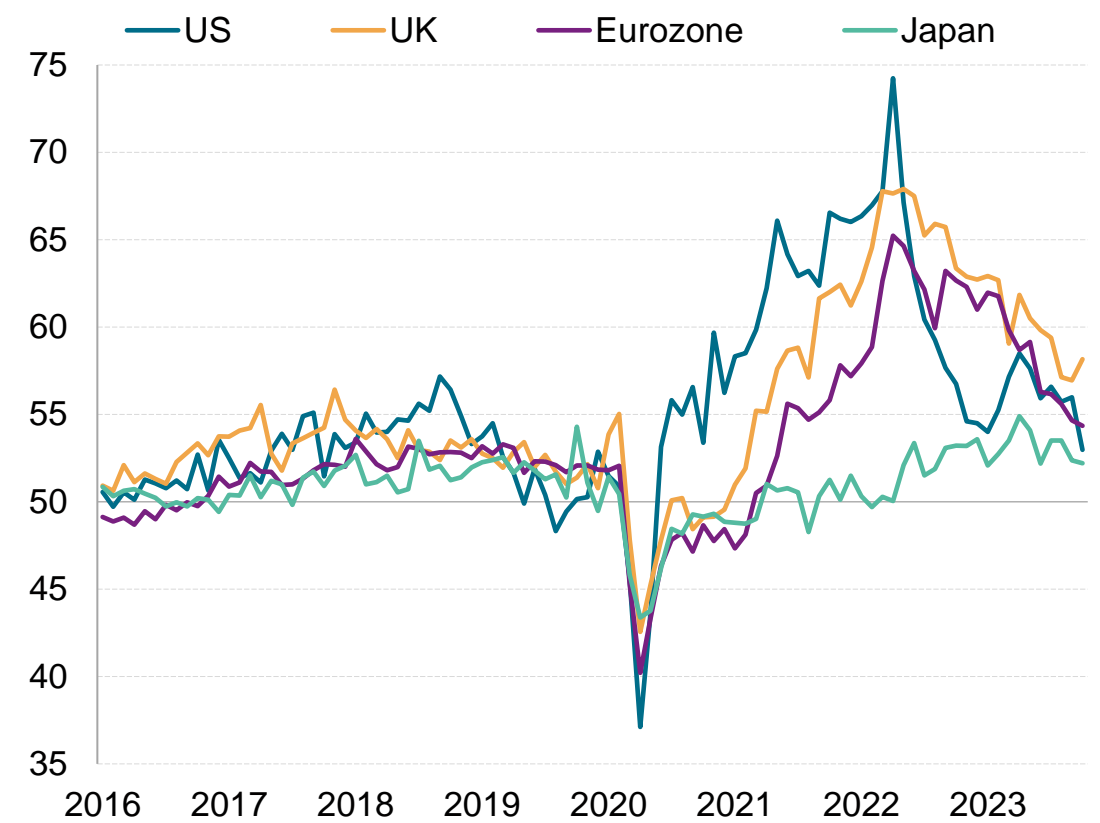
Data compiled October 24, 2023.

PMI 50 = no change on prior month

Sources: S&P Global Market Intelligence with HCOB (Eurozone), CIPS (UK), au Jibun Bank (Japan).

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## Flash services PMI output prices



Data compiled October 24, 2023.

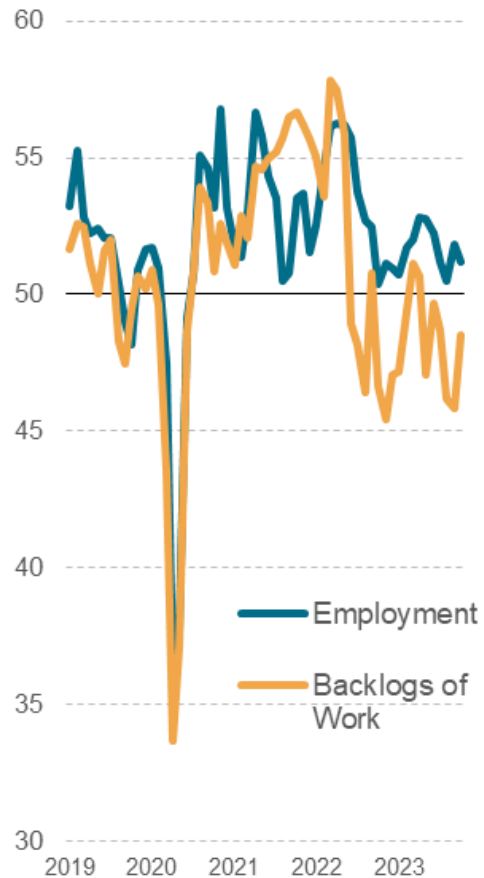
PMI 50 = no change on prior month.

Sources: S&P Global PMI with HCOB (Eurozone), CIPS (UK), au Jibun Bank (Japan).

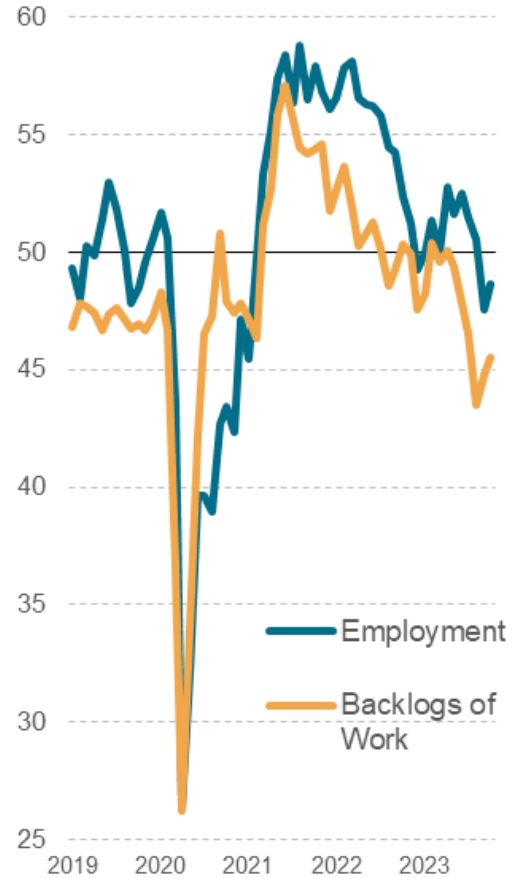
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# Flash PMI: employment under pressure as backlogs of work fall

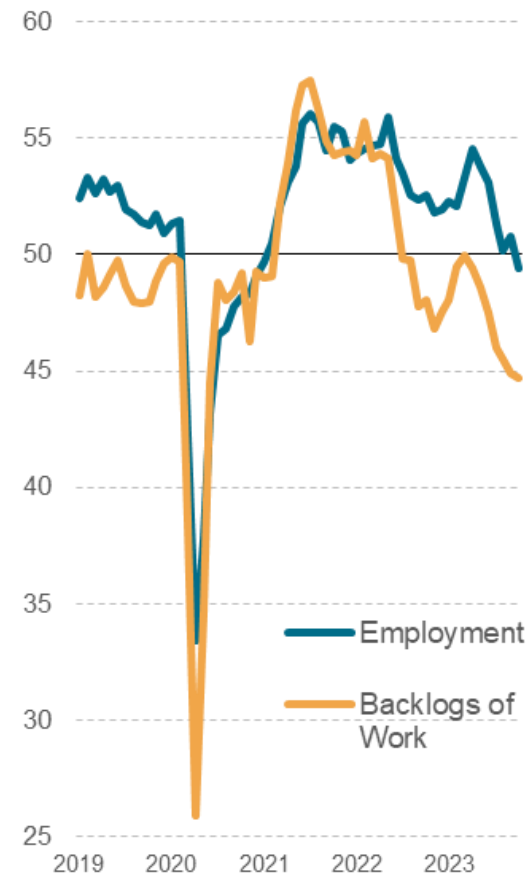
**US** Composite PMI



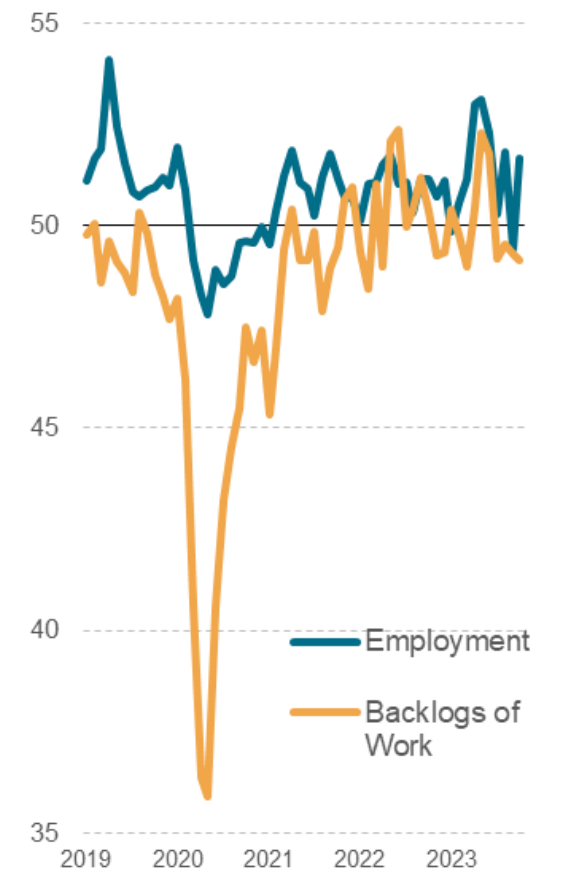
**UK** Composite PMI



**Eurozone** Composite PMI



**Japan** Composite PMI



Data compiled October 24, 2023.

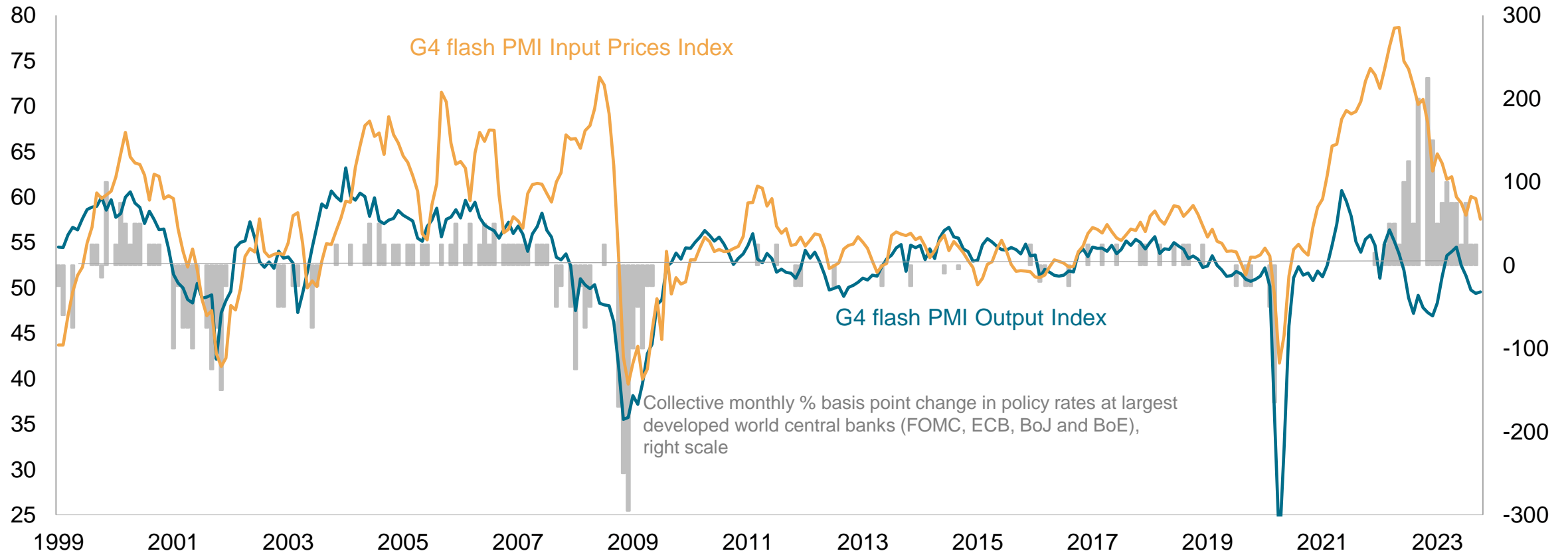
\* PMI covers manufacturing only prior to 2009 but manufacturing & services thereafter.

Sources: S&P Global PMI, S&P Global Market Intelligence, CIPS, HCOB, au Jibun Bank.

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# Peak rates

## G4 flash PMI output and prices vs. monetary policy



Data compiled October 24, 2023.

PMI (50 = no change on prior month) covers manufacturing and services in the US, Eurozone, UK and Japan.

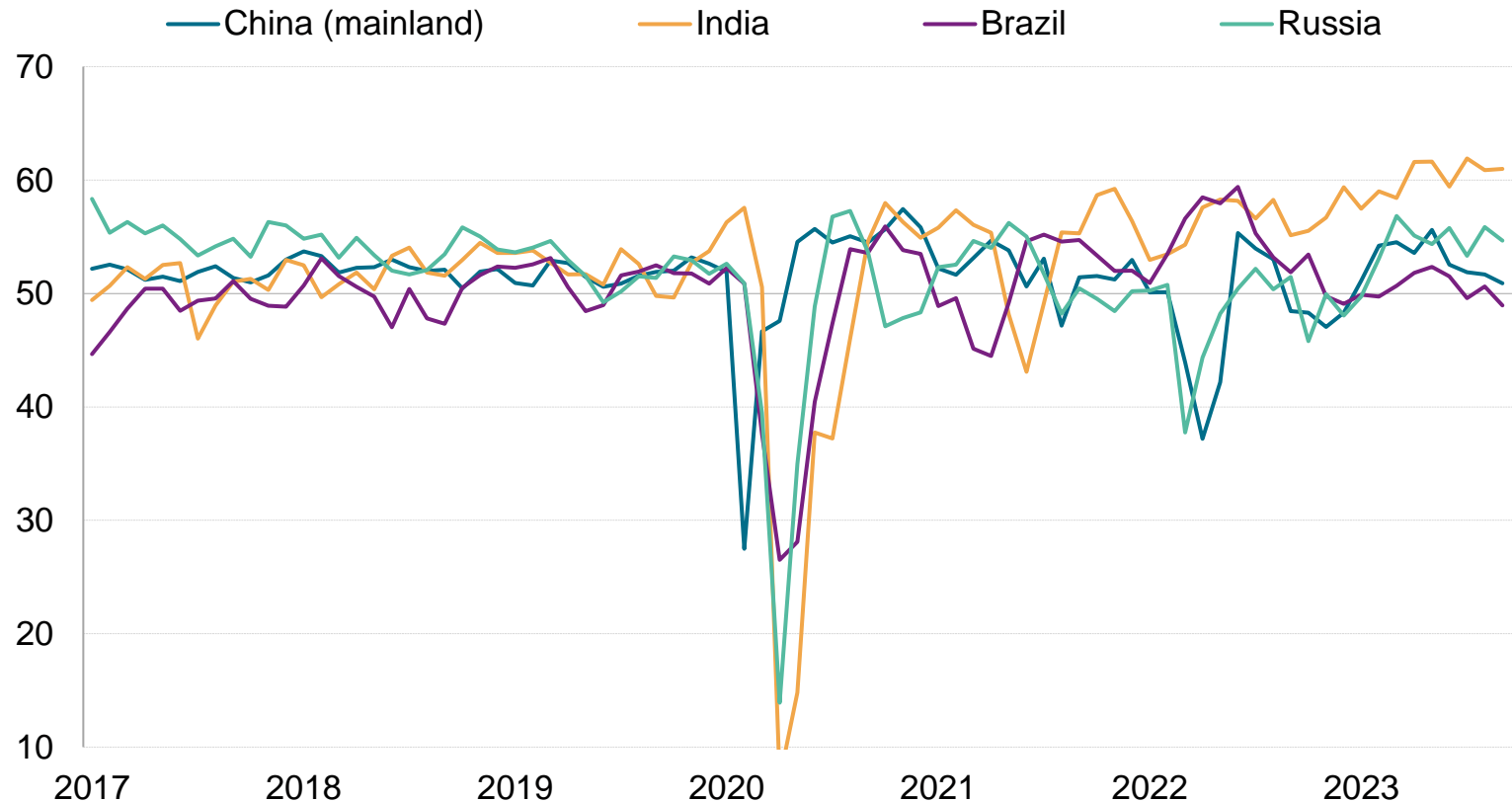
Sources: S&P Global PMI, S&P Global Market Intelligence.

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# Emerging market growth weakest since January despite India's boom

## Major emerging economies, output (manufacturing & services)



Data compiled October 2023 including PMI data to September 2023.

PMI index value of 50 = no change on prior month, covers manufacturing and services.

Sources: S&P Global PMI, S&P Global Market Intelligence, Caixin.

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The **emerging markets** collectively reported the weakest output gain since January, though trends continued to vary markedly among the largest emerging economies in September.

**India** remained the stand-out performer, extending its current boom that has seen both manufacturing and services grow at impressive rates to generate one of the strongest overall expansions seen over the past 15 years.

Robust growth was also reported in **Russia**, but **China's** mainland expansion slowed to the weakest since its recovery began in January to signal only very modest growth, thanks mainly to a near-stalled service sector revival, which offset signs of faster output growth in manufacturing.

**Brazil** meanwhile slipped into contraction for the second time in the past three months, with output falling in both manufacturing and services.

# ECR outlook

## **Global growth is forecast to slow over the coming quarters**

Our global real GDP growth forecast for 2023 remains unchanged at 2.6%, although this masks an expected halving of growth rates during the second half of the year. The global growth aggregate also masks significant regional differences (notably US growth vs. Western Europe recession).

GDP growth is forecast to slow to 2.3% in 2024, with the risk of a more prolonged period of weakness increasing.

## **2024 inflation forecasts have been revised up across most regions**

The moderation in global consumer price inflation is temporarily stalling given energy-related pressures. Our forecast of annual global consumer price inflation in 2024 of 4.3% is more than 1% higher than our January forecast.

Global producer price inflation will remain subzero in the near term although a return to positive territory is expected in early 2024 and our forecast has been lifted in line with recent rebounds in the MPI and surveys of industrial firms' pricing intentions.

## **Financial conditions are shaping up to be tighter for longer**

Higher yields have been doing some of the tightening for central banks, reinforcing our view that peak policy rates have been reached already or are close at hand. Nonetheless, persistent concerns over underlying price pressures suggest rate cuts in advanced economies still remain some way off.

Equity markets have also suffered a setback, with demand for safe-haven assets keeping the US dollar stronger for longer.

## **Central bank easing expectations continue to shift**

Geopolitical developments adds to chances of a delay in the US Fed's final rate hike from November to December 2023, with the expected peak unchanged at 5.50%-5.75%.

Given the shift in the Fed's 'dots plot', we now see a later and slower reversal of policy tightening, with the fed funds rate set to return to 2.5%-2.75% in late '26.

The forecast pace of easing from some other central banks is also being tempered accordingly.

Securities finance Q2 2023 market activity review webinar

Please send all questions to.....

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Thank you for your participation

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