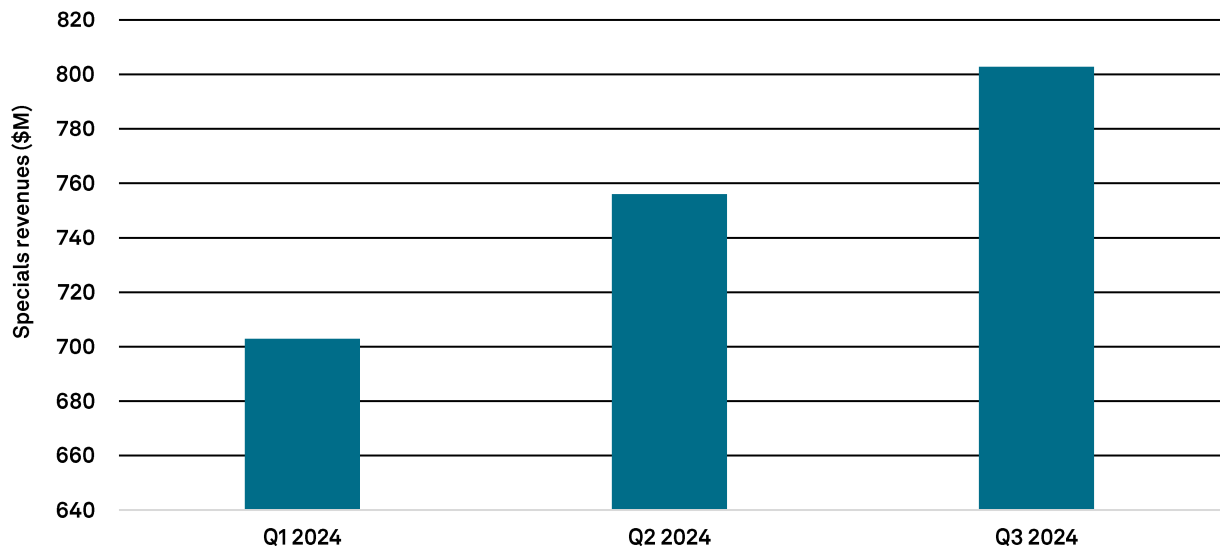


Q3 observes a surge in US Specials activity.

US equity specials activity peaked during Q3 generating \$802M.

Securities lending specials¹ revenues for U.S. equities in Q3 2024 outpaced every other quarter of the year so far, reflecting heightened demand to borrow stocks across multiple sectors. The robust borrowing activity, primarily concentrated in Media & Entertainment, Pharmaceuticals, Biotechnology & Life Sciences, Capital Goods, Automobiles & Components, and Energy, was fuelled by a confluence of deal-making activity, rising equity valuations, geopolitical tensions, and an anticipated shift towards a more dovish monetary policy stance by the Federal Reserve.



Source: S&P Global Market intelligence Securities Finance

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One of the primary drivers behind the surge in securities lending revenues was the increased demand for Media & Entertainment stocks, as investors sought to capitalize on potential price discrepancies and arbitrage opportunities created by the high-profile merger and acquisition (M&A) announcement between Sirius XM Holdings Inc (SIRI) and Liberty Sirius XM Group. This M&A activity drove borrowing demand as investors looked to capitalize on the exchange ratio offered in this deal, pushing Sirius XM Holdings Inc (SIRI) into "specials" territory, where fees are significantly higher due to elevated borrowing interest. During the quarter, Sirius XM Holdings Inc (SIRI) was the top earner across the entire securities lending market, generating \$189.7M.

¹ Specials are defined as any loan with a fee greater than 500bps.

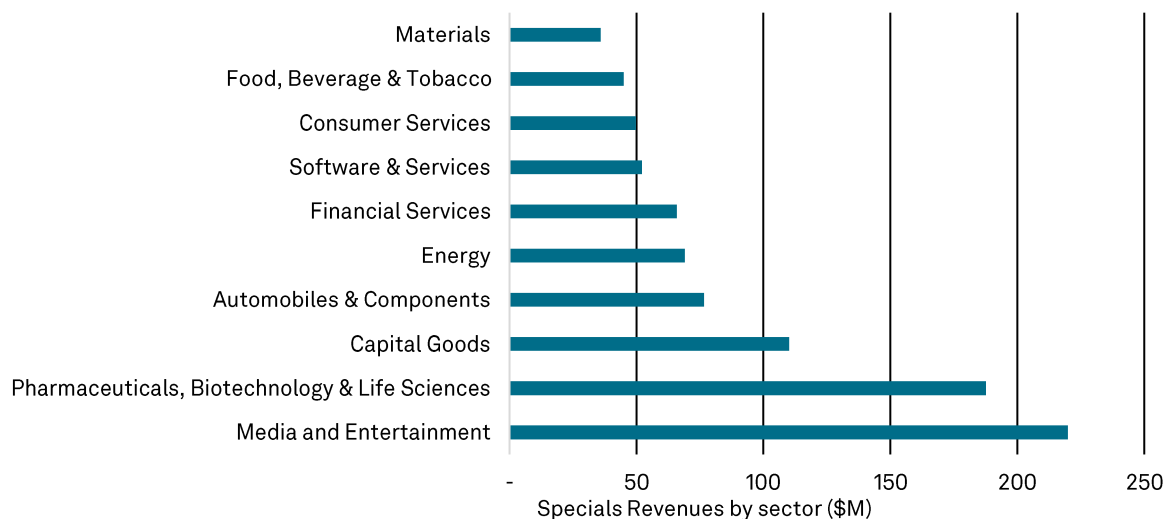
In the Pharmaceuticals, Biotechnology & Life Sciences sectors, borrowing demand rose as companies navigated regulatory approvals, clinical trial results, and M&A speculation. The biopharma industry is typically sensitive to changes in monetary policy, as a lower cost of capital can boost research and development funding and M&A transactions. Anticipation of a Federal Reserve pivot towards a more dovish stance may soon change investor sentiment, as it could signal more favourable financing conditions for future deals after a prolonged period of elevated interest rates. Cassava Sciences Inc (SAVA) and Tempus AI Inc (TEM) were the fourth and fifth highest revenue generating stocks throughout the quarter, generating \$35M and \$34.6M respectively.

Similarly, the Capital Goods sector saw increased borrowing, reflecting investor expectations of volatility amid geopolitical tensions and supply chain disruptions. These factors spurred hedging strategies and directional short trades, particularly around earnings reports and forward guidance. Companies such as Nikola Corp (NKLA) (\$19M), Nuscale Power Corp (SMR) (\$13.6M), Archer Aviation Inc (ACHR) (\$8.2M) and Nano Nuclear Energy Inc (NNE) (\$5.7M) were popular borrows during the quarter.

In the Automobiles & Components sector, borrowing interest continues to be driven by a divergence in performance among traditional automakers and electric vehicle (EV) manufacturers. The shift towards EVs, coupled with regulatory developments and changing consumer preferences, has created a number of opportunities for investors, increasing borrowing demand. Lucid Group Inc (LCID) continues to be a high revenue generating stock, returning revenues of \$31.5M during the quarter. Other popular borrows in the sector included Canoo Inc (GOEV) (\$15M), [Vinfast Auto Ltd \(VFS\)](#) (\$9.6M), Luminar Technologies Inc (LAZR) (\$5.5M) and Mullen Automotive Inc (MULN) (\$2.2M).

Finally, the Energy sector remained a focal point for borrowing, given the volatile commodity prices, geopolitical risks, and ongoing energy transition. New Fortress Energy Inc (NFE) was the highest revenue generating US Energy stock throughout the third quarter (\$5.6M).

Top ten US equity specials revenue generating sectors Q3 2024



Source: S&P Global Market Intelligence Securities Finance

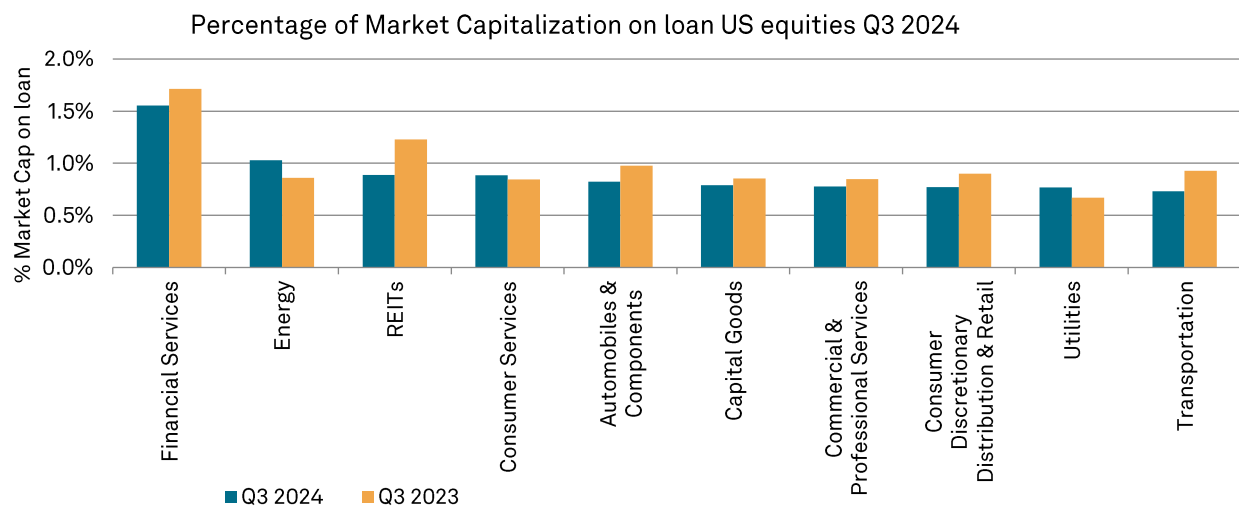
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As U.S. equity market valuations climbed in Q3 and the Federal Reserve signalled a potential soft landing for the economy, sectors that are traditionally more sensitive to interest rate changes—such as Healthcare, Industrials, and Consumer Discretionary—became prime targets for both long and short

strategies. A successful soft-landing scenario could lead to sustained borrowing interest, as investors balance optimism about economic stability with caution over sector-specific risks.

Looking back over Q3 2024, across the whole US equity securities lending market, Financial Services was the most shorted sector when looking at the average percentage of market capitalization on loan over the period. The Financial Services sector often faces high short-selling activity due to several factors. Firstly, market volatility and economic uncertainty can lead investors to position against banks and financial institutions, anticipating declines in stock prices. Additionally, regulatory changes, interest rate fluctuations, and credit risk concerns can heighten fears about the sector's stability.

Moreover, during periods of declining interest rates, financial companies may report lower earnings, further attracting short sellers. The sector's inherent leverage also makes it more susceptible to market shifts, prompting investors to short stocks as a hedge against potential losses. Overall, these dynamics contribute to the Financial Services sector being the most shorted as a percentage of market capitalization.



Source: S&P Global Market Intelligence Securities Finance

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As Q4 2024 unfolds, securities lending markets face a turbulent landscape shaped by heightened geopolitical risks impacting commodity prices, an uncertain trajectory of monetary policy loosening, and record-high equity valuations. With mounting volatility and uncertainty across global markets, conditions are becoming increasingly fertile for more hedging and shorting strategies.

Investors remain alert to potential flashpoints in global politics that could exacerbate commodity price fluctuations, influencing the outlook for sectors such as Energy and Capital Goods. Meanwhile, the Federal Reserve's pace of easing remains unsure, creating further uncertainty. A slower-than-expected pivot could dampen sentiment in rate-sensitive sectors like Pharmaceuticals and Biotechnology, where valuations are already under pressure.

Despite hopes for a soft landing, the interplay of these factors is likely to keep the demand for borrowing elevated, as traders seek to navigate the volatile environment through tactical short positions and arbitrage opportunities. The remainder of the year could see continued strength in securities lending revenues, especially as investors brace for new surprises in an already unpredictable economic landscape.

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