THE PURPLE

BY EQUILEND

EQUILEND DATA & ANALYTICS H1 2025 IN REVIEW

ISSUE 19

SECURITIES FINANCE REVENUE H1 2025

GLOBAL
$5,202,868,834
+9% YOY

AMERICAS
$2,938,477,785
+5% YOY

EMEA
$984,382,232
+5% YOY

ASIA PACIFIC
$1,280,008,818
+26% YOY

Figures represent lender to broker activity only.

Nancy Allen
Managing Director,
Head of Data & Analytics Solutions
nancy.allen@equilend.com

As we round the corner of 2025, EquiLend's The Purple takes a deep dive into the top political-economic issues and their impact on the securities finance markets.

It certainly has been a rapidly changing environment with geopolitical uncertainty and the introduction of global tariffs by the Trump Administration. We know that market volatility can drive opportunities in financing markets, and this year has not disappointed, with revenue up nearly 10% compared to the first half of last year. Read all the detail in our H1 2025 Market Review on page 9 and our focus on tariffs on page 12.

As we publish Issue 19 of The Purple, we are excited to **introduce our all-new AI-powered assistant**, designed to help users interact with securities finance and short interest insights more efficiently.

The assistant is now available via the DataLend interface and the Orbisa app on the Bloomberg Terminal. We are very excited to launch this market-differentiating tool and look forward to hearing your feedback! Feel free to reach out to us at datalendproductspecialists@equilend.com with any questions or feedback!

Please enjoy this H1 2025 issue of The Purple, and as always, thank you for your continued support.

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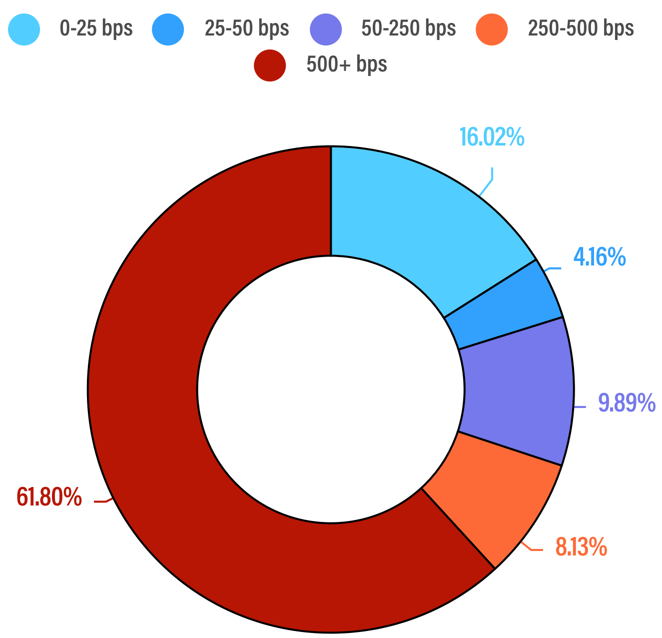
AMERICAS

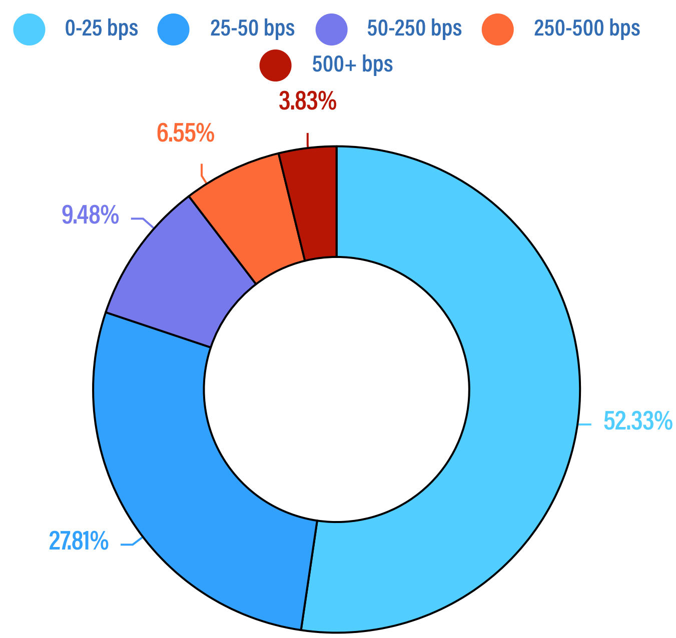
Figures displayed represent lender to broker activity only from Jan 1 to June 30 2025. Deltas represent year on year change. All currency values are in USD and fees in bps.

LENDABLE	ON LOAN	REVENUE	FEE
$30.30 Trillion +15.2%	$1.98 Trillion +12.8%	$2.94 Billion +4.5%	28.10 bps -8.3%

Equity Revenue By Fee Band



Fixed Income Revenue By Fee Band



Top Equity Earners

	Security	Revenue (USD)
	COREWEAVE INC COM	167,588,839
	ENDEAVOR GROUP HOLDINGS INC	49,264,861
	QUANTUM COMPUTING INC	32,212,512
	PLUG POWER INC	27,867,965
	ROCKET COMPANIES INC	27,761,267
	ENBRIDGE INC COM NPV	24,456,605
	NANO NUCLEAR ENERGY INC	23,289,162
	PACIFIC BIOSCIENCES CALIFORNIA INC	21,498,742
	UNITED MICRO ELECTRONICS	20,402,817
	VISA INC	19,049,909

Top Corporate Debt Earners

	Security	Revenue (USD)
	MPT 0 5% 15/10/27	5,211,239
	FLORI 1.258% 01/07/2025	5,127,564
	CONCE 6.6% 02/08/2028	3,070,595
	CABLE 4% 15/11/30	2,839,609
	HERTZ 5% 01/12/29	2,479,555
	CAESA 6% 15/10/32	2,176,973
	XPLR 8.625% 15/03/33	1,940,015
	DOLLA 5.45% 5% SNR 05/07/33	1,932,570
	GN BO 9.5% 15/10/2031	1,866,658
	OLYMP 6.25% 5% SNR 01/10/29	1,806,153

AMERICAS

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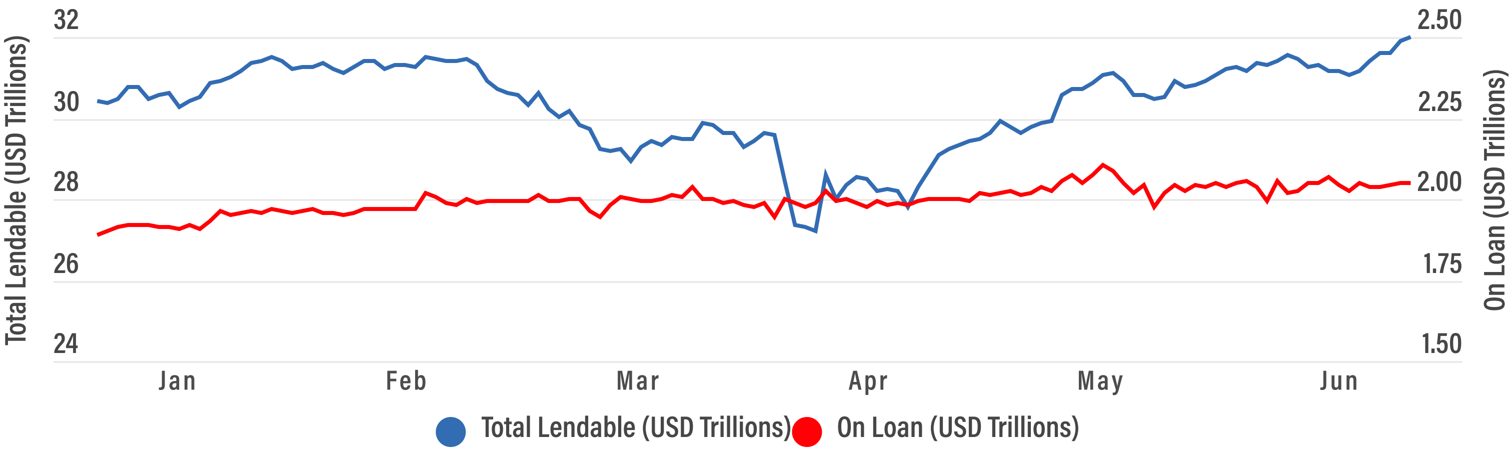
On Loan Vs Lendable



Top Sectors By Revenue

	Information Technology	Health Care	Financials	Industrials	Consumer Discretionary	Energy
Revenue (USD)	$508.79M	$264.07M	$239.93M	$213.43M	$154.53M	$133.83M
Loan Value (USD)	$115.23B	$75.04B	$119.16B	$80.64B	$89.76B	$59.52B
Fees (bps)	87.97 bps	69.85 bps	41.16 bps	52.74 bps	33.65 bps	45.97 bps

Market Breakdown

EQUITY

Market	Lendable	Delta	On Loan	Delta	Fees	Delta	Revenue	Delta
UNITED STATES	$22.90T	16.0%	$732.63B	12.7%	51.73	-8.1%	$1.91B	3.6%
CANADA	$847.38B	17.1%	$47.98B	-4.8%	79.74	-6.6%	$181.95M	-10.2%
LATIN AMERICA	$36.70B	-23.5%	$2.83B	9.9%	151.78	54.6%	$21.32M	69.2%

FIXED INCOME

Market	Lendable	Delta	On Loan	Delta	Fees	Delta	Revenue	Delta
UNITED STATES	$5.36T	12.4%	$1.06T	14.8%	11.05	-6.1%	$735.77M	10.7%
CANADA	$923.76B	11.0%	$125.99B	3.1%	11.01	-5.1%	$69.98M	-1.7%
LATIN AMERICA	$225.83B	23.5%	$13.91B	44.8%	32.13	-23.1%	$23.60M	17.7%

EMEA

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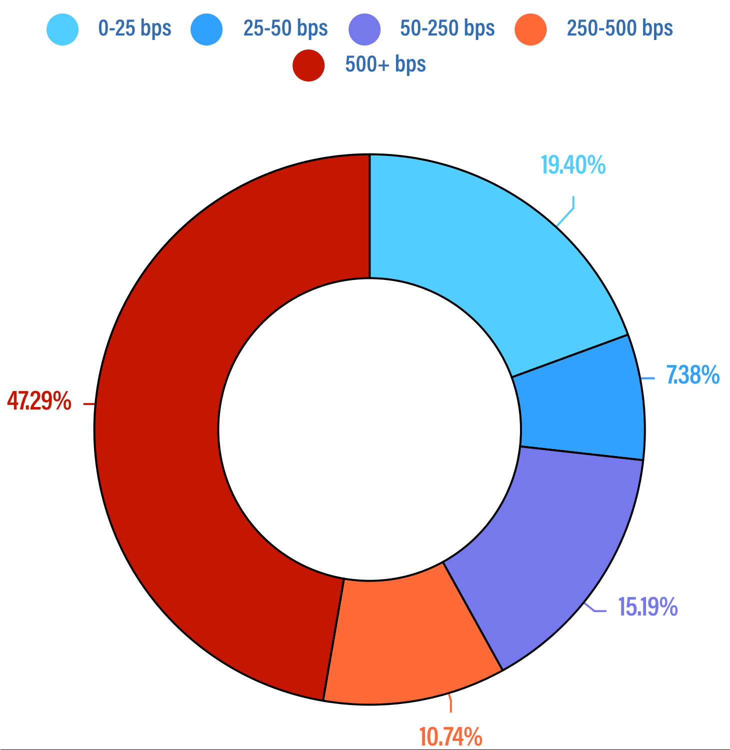
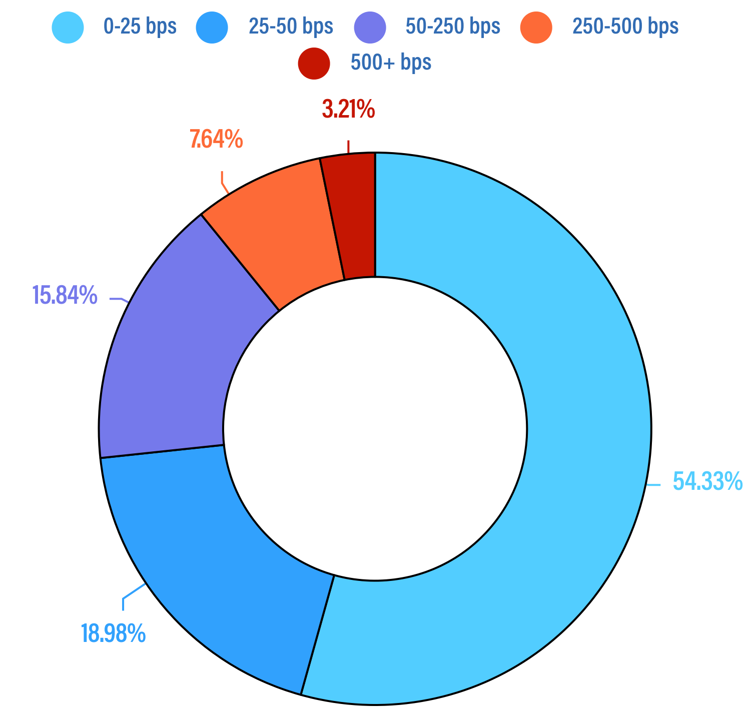
LENDABLE	ON LOAN	REVENUE	FEES
$6.02 Trillion +15.7%	$617.09 Billion +20.8%	$984.38 Million +4.8%	32.22 bps -14.1%

Equity Revenue By Fee Band



Fixed Income Revenue By Fee Band



Top Equity Earners

	Security	Revenue (USD)
	SGS SA (REGD)	16,376,523
	VOLVO(AB) SER'B'NPV	11,294,142
	KONINKLIJKE PHILIPS NV	9,374,767
	SVENSKA HANDELSBANKEN AB	8,812,826
	IDORSIA LTD	6,161,659
	YUBICO AB NPV (SPAC)	6,035,036
	SWEDBANK AB SER'A'NPV	5,765,999
	SKANDINAVISKA ENSKILDA BANKEN	5,645,845
	EUTELSAT COMMUNICATIONS	5,635,699
	TELEFONICA SA	5,623,226

Top Corporate Debt Earners

	Security	Revenue (USD)
	SES S 2.875%	2,714,924
	WORLD 4.125% 12/09/2028	2,304,034
	VISTA 6.375% 5% SNR 01/02/30	1,342,458
	ARDAG 4.125% 15/08/2026	1,192,707
	SES S 5.5% 12/09/2054	1,055,898
	SES S 3.5% 14/01/2029	981,749
	BNP P 5.738% 20/02/2035	937,387
	MEDIOB 12/31 EUR	915,600
	TELEP 5.75% 22/11/31	868,385
	ENGIN 11.125% 15/05/2028	821,095

EMEA

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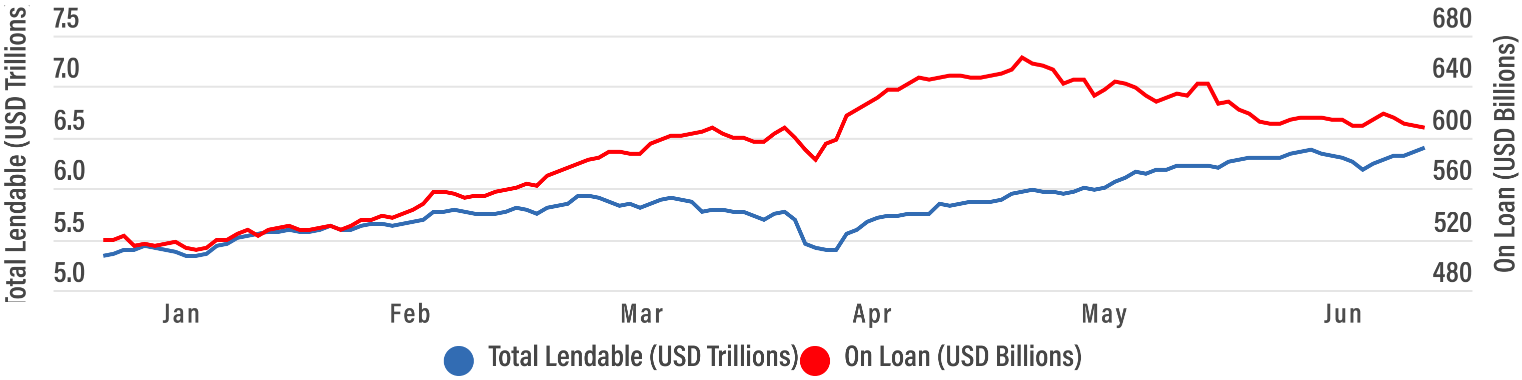
On Loan Vs Lendable



Top Sectors By Revenue

	Financials	Industrials	Health Care	Consumer Discretionary	Materials	Information Technology
Revenue (USD)	$120.69M	$110.03M	$56.87M	$47.54M	$42.55M	$40.40M
Loan Value (USD)	$43.86B	$35.69B	$17.90B	$19.65B	$13.84B	$9.00B
Fees (bps)	56.56 bps	63.11 bps	66.26 bps	48.03 bps	62.23 bps	90.72 bps

Market Breakdown

EQUITY

Market	Lendable	Delta	On Loan	Delta	Fees	Delta	Revenue	Delta
Sweden	$183.86B	12.1%	$17.60B	4.7%	95.70	-21.5%	$86.79M	-13.8%
France	$599.56B	4.5%	$25.70B	-9.2%	57.62	-13.8%	$69.55M	-22.2%
United Kingdom	$989.06B	14.0%	$35.84B	32.3%	37.45	1.2%	$68.88M	34.3%
Germany	$440.70B	30.7%	$26.75B	38.1%	50.87	-24.1%	$67.39M	1.7%
Switzerland	$458.13B	16.9%	$22.93B	15.2%	61.70	-31.2%	$66.66M	-19.0%

FIXED INCOME

Market	Lendable	Delta	On Loan	Delta	Fees	Delta	Revenue	Delta
France	$370.88B	12.2%	$104.23B	25.9%	20.66	-22.3%	$108.87M	-1.2%
United Kingdom	$568.76B	18.8%	$95.59B	23.6%	16.81	2.6%	$80.12M	26.2%
Germany	$284.53B	21.4%	$65.24B	3.2%	17.65	-8.2%	$58.18M	-4.7%
Luxembourg	$142.27B	51.5%	$28.46B	39.5%	18.81	-6.1%	$27.17M	33.4%
Italy	$140.45B	21.4%	$26.43B	16.8%	16.66	-7.5%	$21.93M	7.1%

ASIA PACIFIC

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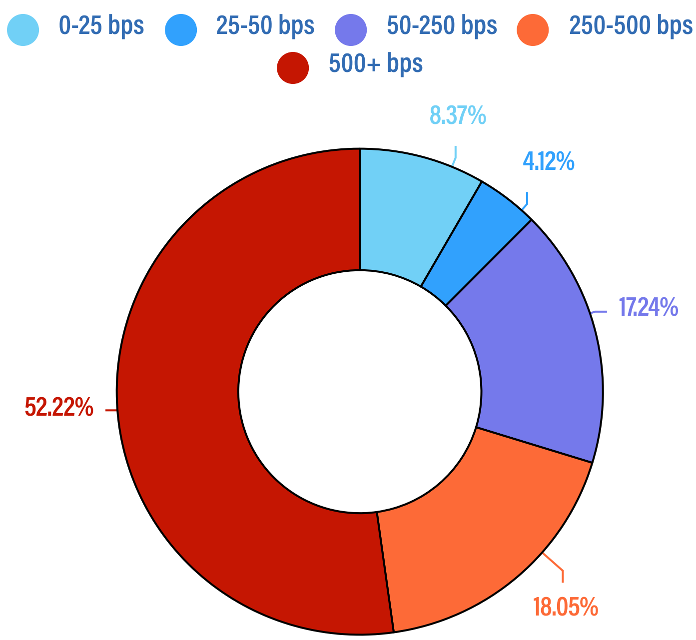
LENDABLE	ON LOAN	REVENUE	FEES
$3.43 Trillion +12.6%	$282.71 Billion +13.6%	$1.28 Billion +25.6%	90.38 bps +10.6%

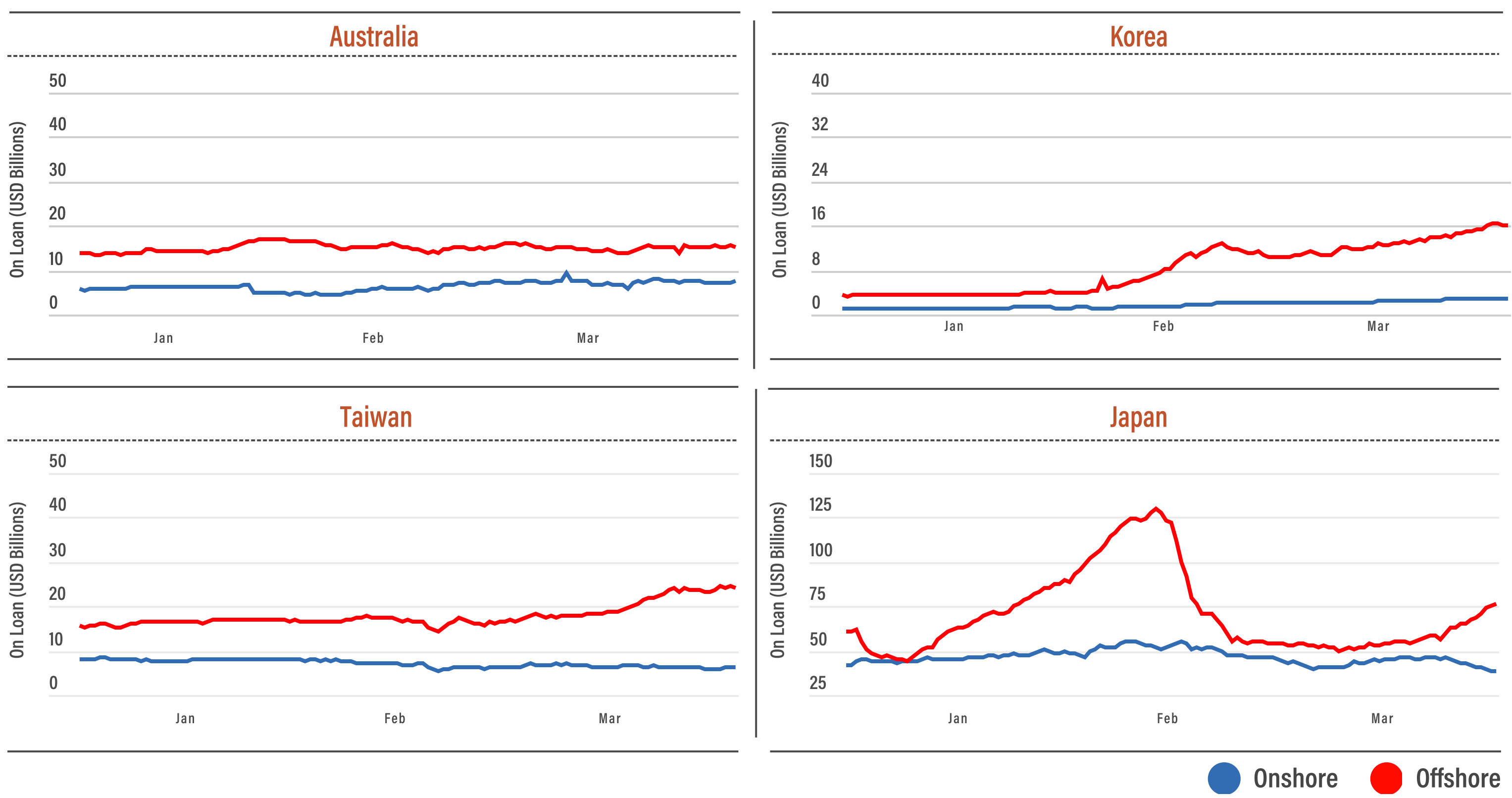
Equity Revenue By Fee Band



Top Equity Earners

Security	Revenue (USD)
METAPLANET INC	31,494,103
LG ENERGY SOLUTION LTD	25,484,146
ALIBABA HEALTH INFORMATION TECH LTD	17,240,292
UNITED MICRO ELECTRONICS	15,749,541
SUNAC CHINA HLDGS	9,664,496
ECOPROBM CO.LTD	9,469,230
EAST BUY HOLDING LIMITED	9,454,774
LAOPU GOLD CO LTD	8,807,201
POSCO FUTURE M CO	8,322,706
KIOXIA HOLDINGS CORPORATION	7,511,405

Offshore Vs Onshore Loan Balance



ASIA PACIFIC

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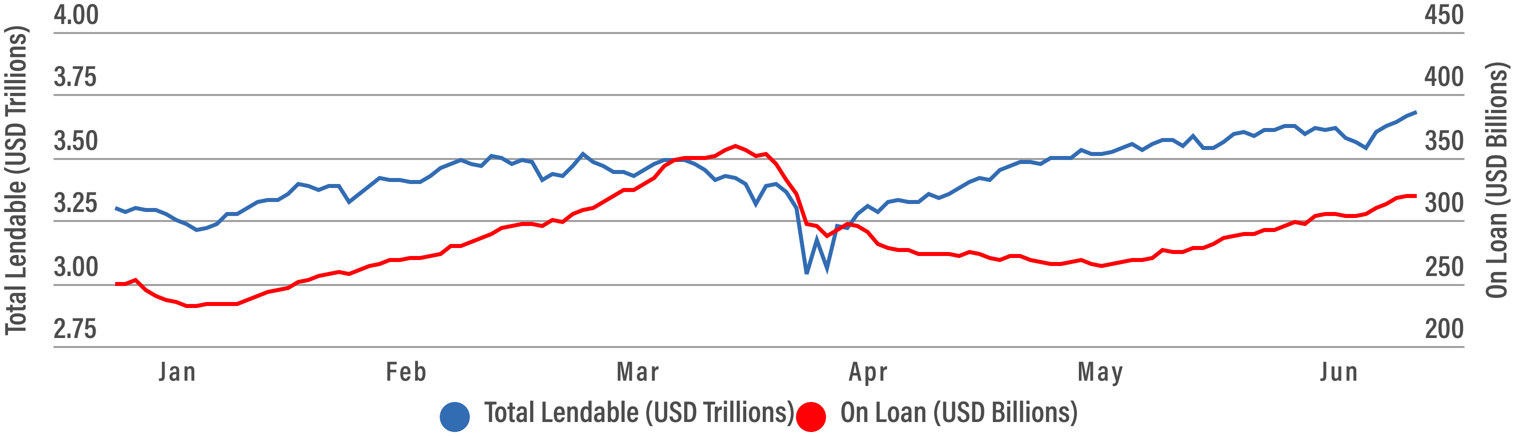
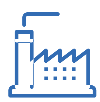
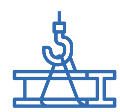
On Loan Vs Lendable



Top Sectors By Revenue

Information Technology	Industrials	Consumer Discretionary	Health Care	Materials	Consumer Staples
					
$353.23M	$228.04M	$164.05M	$98.42M	$84.12M	$75.00M
$38.58B	$37.20B	$35.97B	$13.40B	$18.81B	$15.70B
184.04 bps	123.23 bps	91.81 bps	147.37 bps	90.17 bps	95.80 bps

Revenue (USD)   Loan Value (USD)   Fees (bps)

Market Breakdown

Market	Lendable	Delta	On Loan	Delta	Fees	Delta	Revenue	Delta
Japan	$1.41T	6.9%	$117.78B	5.0%	62.11	3.3%	$362.36M	7.9%
Taiwan	$221.51B	22.5%	$24.76B	5.8%	293.82	3.5%	$361.92M	8.8%
Hong Kong	$561.54B	28.9%	$34.68B	59.4%	154.11	12.5%	$265.12M	78.7%
Korea, Republic of	$136.64B	-9.7%	$10.08B	34.5%	238.20	96.4%	$119.70M	164.7%
Australia	$547.01B	12.4%	$22.06B	-7.0%	38.78	-7.5%	$44.94M	-12.6%
Thailand	$21.71B	-9.8%	$2.09B	10.1%	302.23	4.2%	$31.36M	14.3%
Malaysia	$12.19B	12.6%	$892.59M	52.9%	574.49	23.5%	$25.50M	87.7%
Singapore	$68.44B	28.5%	$2.81B	22.3%	49.37	-21.4%	$6.89M	-3.8%

H1 2025: Securities Lending Market Revenue

EquiLend looks back on the drivers of lending revenue in the first half of 2025.

By Max Baker, Analyst, Data & Analytics and Thomas Ashton, Vice President, Data & Analytics

As we arrive at the midway point of 2025, trade and market volatility remain the global topics of conversation. The Trump Administration continues to dominate headlines following the Tariff announcement back at the beginning of April and more recently, the U.S. involvement in the Middle Eastern conflict. Geopolitical uncertainty and the knock-on turbulence in U.S. Equities resulted in a strong first half for 2025, with EquiLend Data & Analytics recording $5.2 billion in lending revenue, a significant 9% increase year-on-year and 7% from H2 2024. The rise in revenue was driven by a 15% increase year-over-year in the volume of securities on loan, negating a 5% fall in lending fees. Both the equity and fixed income markets contributed heavily to this overall upsurge (both +9%). Regionally, all areas saw a positive year-on-year trend in revenue, but most notably the South American market rose by 38%, as well as a sizeable increase in the APAC market which grew by $260 million.

North American Equities

The start to President Trump's second term in office included the announcement of the 'Liberation Day' tariffs and an administration at odds with the Federal Reserve, pushing for cuts as Chairman Powell continues to keep rates unchanged. However, following a slump in equity prices after the tariff announcement in early April, North American equities have significantly rebounded to hit record high prices across major U.S. equity indices by late June. The S&P 500 closed the first half up 5.5%, with the NASDAQ closing 3.6%.

Despite the volatility in the U.S., the securities lending market was relatively flat year-over-year. Based on EquiLend Data & Analytics' insights, while Northern American equity loan balances increased 11% year-over-year, fees fell 8% resulting in lending revenue only moving up by 2% from the first half of 2024, with a $65 million rise in U.S. revenue and a $21 million fall in Canada.

Information Technology was the highlight for lending revenue with a 96% increase in fees year-over-year, generating overall revenue of $509 million, a staggering 147% increase year-over-year. The surge in revenue was driven by high market volatility in big tech names, most prevalently in the ever-growing AI ecosystem. One of the top earning IT securities throughout Q2 has been Coreweave (CRWV). The company generated $168 million in lending revenue, contributing a monumental 44% of the overall global year-on-year revenue gain in the entire securities lending market. Coreweave, a Nasdaq-listed AI cloud computing provider founded in New Jersey, went public on March

28th this year, raising $1.5 billion. This was the largest AI-tech IPO in the past 18 months however, it generated mixed sentiment due to complex debt structuring. A combination of riding a GPU-powered expansion wave and a landmark $11.9 billion deal with OpenAI caused an avalanche of lending volume in Coreweave.

EMEA and APAC Equities

With global markets feeling the ripple effects of the U.S. trade tariffs and the ever-evolving geopolitical issues in Eastern Europe and the Middle East, both the European and Asian markets tell a story of resilience in the first half of 2025. Many currencies have strengthened relative to the U.S. dollar, equities have rallied and proactive central banking strategies have helped navigate this period smoothly. The FTSE 100 delivered its best first half showing since 2021, up 6.58% for the period. Asian equity markets also performed well, with Japan being particularly helped by diverging monetary policy.

In the EMEA securities lending market, the overall performance was mixed from the latter half of 2024. A 21% increase in the volume of securities on loan was mitigated by a 17% fall in fees, causing a marginal 2% increase in revenue year-on-year. Many positive performances were seen across the industrial sectors in H1 2025 but most notably, the Utilities sector experienced a 35% year-over-year revenue increase, taking the total revenue for Utilities just shy of $30 million for the 6-month period. The top 3 EMEA revenue earners in the first half of this year were (1) SGS SA (SGS SA) ($16.4 million), (2) VOLVO (VLVLY) (AB) SER'B'NPV ($11.3 million) and (3) KONINKLIJKE PHILIPS (PHG) ($9.3 million).

It was the APAC equities market however, that contributed most to the global increase in revenue during 2025, with a $256 million increase, taking the revenue to $1.22 billion for H1. Large contributions due to the lifting of the short selling ban in South Korea at the close of Q1 and a significant increase in the volume of Hong Kong securities on loan (up 59%) powered this revenue increase in region. Meanwhile, the Hang Seng Index was up more than 20% while Chinese President Xi Jinping responded to President Trump's tariff threats with aggression of his own.

Two of the most significant H1 2025 movers in the Asian equity lending market were Metaplanet (MTPLF) and LG Energy (373220). Metaplanet - formerly a Tokyo-listed hotel developer - rebranded completely in 2024 to become a fully focused Bitcoin treasury company, focused on holding and growing bitcoin reserves. In the past month, Metaplanet acquired a further $108 million of Bitcoin, increasing reserves to approximately 13,350 BTC and has since announced plans to target 210,000 BTC by 2027. Uncertain investment activity has caused repeated fluctuations in Metaplanet share prices and has made it one of the most profitable equities in the securities lending market, returning over $31 million to lenders in H1 2025, with fees up 685% year-over-year. Likewise, LG Energy Solution, a South Korean based battery producer, generated $25.5 million in lending revenue so far this year. As one of the biggest battery manufacturers for EVs globally and a provider to some of the largest car companies on the planet, LG Energy have been central to the volatility produced by the US tariff implementations and the effect on the EV market as a whole. The impact of lifting the short selling ban in South Korea has further fuelled LG Energy to be a significant earner for lenders in H1 2025.

North American Fixed Income

The Fixed Income market continued to significantly contribute to revenue, generating nearly two thirds of the $110 million global revenue increase year-over-year. The Fixed Income market experienced gains across the board, with both Government and Corporate Debt prospering at similar rates (up 10% and 8% respectively year-on-year).
Corporate Debt performed well in North America during H1, as the corporate lending market grossed $218 million in revenue, a 9% increase year-over-year. This can be credited largely due to an uptake in high yield instruments which saw a 23% increase in revenue compared to the same time last year. U.S. treasury revenue increased by $52 million as the on loan value increased 13% compared to H1 2024.

EMEA Fixed Income

Continuing with the positive direction seen globally in the securities lending fixed income markets, EMEA revenue increased 9% year-on-year in the first half of 2025. The first six month's gains can largely be credited to the UK fixed income market which contributed an additional $16.6 million in revenue (26% increase year-over-year). UK Gilts, which rose by 48% year-over-year, attributed almost a quarter of the $82 million increase in Government Debt lending revenue over H1 2024. A reduction in fees for Investment Grade Corporate Instruments resulted in slightly lower revenue compared with H1 2024, while a 16% rise in High Yield Corporates on loan resulted in the overall Corporate Debt revenue up 7%. Government Debt revenue increased by just shy of 10% in H1 2025, creating the positive movement seen in the EMEA fixed income space overall.

Tariff Turbulence: How Trade Wars Reshaped Securities Lending in H1 2025

By Keith Min & Bob Sheehan, Vice President, Data & Analytics

The securities lending market thrives on market volatility and since Trump took office the VIX volatility index peaked to levels not seen since March 2020, when COVID rattled the globe. According to President Trump, "Tariffs is the most beautiful word to me in the dictionary" but to many sectors dependent on global supply chains, commodity inputs or export markets, tariffs represent operational challenges that trigger shifts in investor sentiment, which makes real-time securities finance data crucial to help identify short interest trends. Join the Data & Analytics team as we investigate the industries that were impacted most in the first half of 2025.

Semiconductors and Semiconductor Hardware

While large-cap chipmakers drew most headlines during the tariff era, smaller and specialized semiconductor firms like United Micro Electronics (UMC US) and Wolfspeed (WOLF US) led the semiconductor and equipment sector within securities lending. United Micro Electronic, a major Taiwanese chip manufacturer with foundries in China, faced pressure from escalating U.S.–China tensions as its customers shifted to other manufacturers with less geopolitical risk. Concerns about cross-border chip flows and tightening export controls led to investors questioning upcoming earnings estimates and the company's ability to redirect production amongst foundries outside of the U.S. While average fees were elevated in the first half of 2024 at 530 basis points, 2025 saw average fees of 1,400 basis points resulting in the Taiwanese chip foundry being the top earner in the sector with over $20.4 million revenue generated in the securities financing market.

Wolfspeed (WOLF), a key supplier of silicon carbide semiconductors used in EVs and power electronics, was affected by tariffs on Chinese automotive parts and materials which disrupted its downstream customers and increased raw material costs. The company's exposure to clean tech and industrial markets made it sensitive to macro trade dynamics while reduced consumer demand for EVs and planned changes to tax credit policies in the U.S. lead to erratic stock movements and growing short interest. H1 2024 was banner half for EV sales in the U.S. and its supply chain with Wolfspeed trading at general collateral levels, but 2025's tariffs and uncertain consumer demand increased financing costs to over 1,000 basis points for the half with $12.5 million in revenue generated.

These companies, while diverse in focus, both experienced heightened uncertainty and securities lending demand due to their niche positions in a sector deeply entangled with tariff policy and national security concerns.

Automobiles and Components

The automotive sector was among the most severely affected by Trump's tariffs, with General Motors (GM US) and Ford (F US) bearing the brunt due to their reliance on cross-border supply chains and imported materials. When the 25% tariff on imported vehicles and parts was announced in early 2025, GM's stock plunged 7.8% in a single day, wiping out billions in market capitalization. The company suspended its full-year earnings guidance and projected a $4-5 billion hit from increased input costs and weaker demand in key markets like China. With securities lendable inventory never in question, fees remained at general collateral levels throughout the first half of 2025. However, short activity for the American car manufacturer drove the average loan balance by just under 500% from $377 million to $1.835 billion in H1 2025.

Ford, while slightly less exposed, still suffered a 4.6% stock decline, with analysts estimating a $1.5 billion earnings impact tied to tariffs on steel, aluminum and critical components. Both automakers faced mounting cost pressures and operational uncertainty, triggering elevated short interest and securities lending activity. Loan balances during the first half of 2025 increased by 80% year-over-year to $1.031 billion.

While EV manufacturers like Rivian (RIVN US) and Lucid (LCID US) generated higher lending revenue due to consumer demand issues, the American automotive industry stalwarts are poised to experience greater volatility as tariff negotiations continue.

Agriculture, Food Beverage and Tobacco

Archer Daniels Midland (ADM US) and Tyson Foods (TSN US) were among the most affected agricultural stocks during Trump-era tariffs. When China imposed a 34% tariff on U.S. soybeans in April 2025, ADM's stock plunged 8.9% in a single day—its sharpest drop in over two years—as collapsing export demand and falling soybean prices threatened its core processing margins. Within the lending market, the average borrow value rose by 201% to just over $500 million compared to the first half of 2024. While fees remained low, revenue generated by ADM increased by 188%.

Tyson Foods, heavily reliant on meat exports, saw its stock drop 5.2% following retaliatory Chinese tariffs on U.S. pork and beef. These tariffs disrupted export volumes and pressured domestic pricing, creating margin compression across Tyson's protein divisions. Although lending balances rose by a marginal 14% year-over-year, the true impact to Tyson and the other companies mentioned will be seen on August 1, the new effective date for the tariffs.

Both stocks experienced spikes in borrow demand as short sellers positioned around supply chain disruption and commodity price volatility, making the food and beverage industry one of the most reactive sectors to tariff headlines.

Looking Forward

As tariffs re-enter the center of U.S. trade policy under the Trump administration, market volatility has surged, bringing renewed attention to sectors most exposed to global supply chains and geopolitical risk. In the first half of 2025, semiconductor, automotive and agricultural stocks demonstrated the sharpest reactions to tariff-related headlines—through both stock price volatility and securities lending activity. While the long-term policy outlook remains uncertain with negotiations well underway, these sectors have become early barometers of investor sentiment and short demand as tariff enforcement intensifies. As we move into the second half of the year, the Data & Analytics team will continue monitoring loan activity, short positioning and sector-specific lending behavior as global markets price the real cost of the U.S. President's favorite word in the dictionary.

A Market's Maturation: The Continued Growth of ETF Securities Finance

By Bob Sheehan, Vice President, Data & Analytics

The long-term growth of the Exchange-Traded Fund (ETF) market is one of the most significant structural developments in modern finance. As ETFs have become foundational components of institutional portfolios, the ecosystem supporting them has matured in tandem. A key part of this story is the continued growth of the ETF securities finance market, where the use of these instruments for hedging, expressing macroeconomic views and generating alpha has reached substantial scale.

The global securities finance industry saw robust growth in the first half of the year, with revenues for lenders reaching $5.2 billion, a 9% increase over the same period in 2024. EquiLend Data & Analytics analysis shows the ETF lending trend accelerated further in H1 2025. On-loan balances for ETFs grew 18% from January to June, with monthly lending balances exceeding $85 billion in peak months.

Drivers of a Continuing Trend

The robust activity in H1 2025 is underpinned by several powerful, long-term drivers that illustrate the market's ongoing maturation.

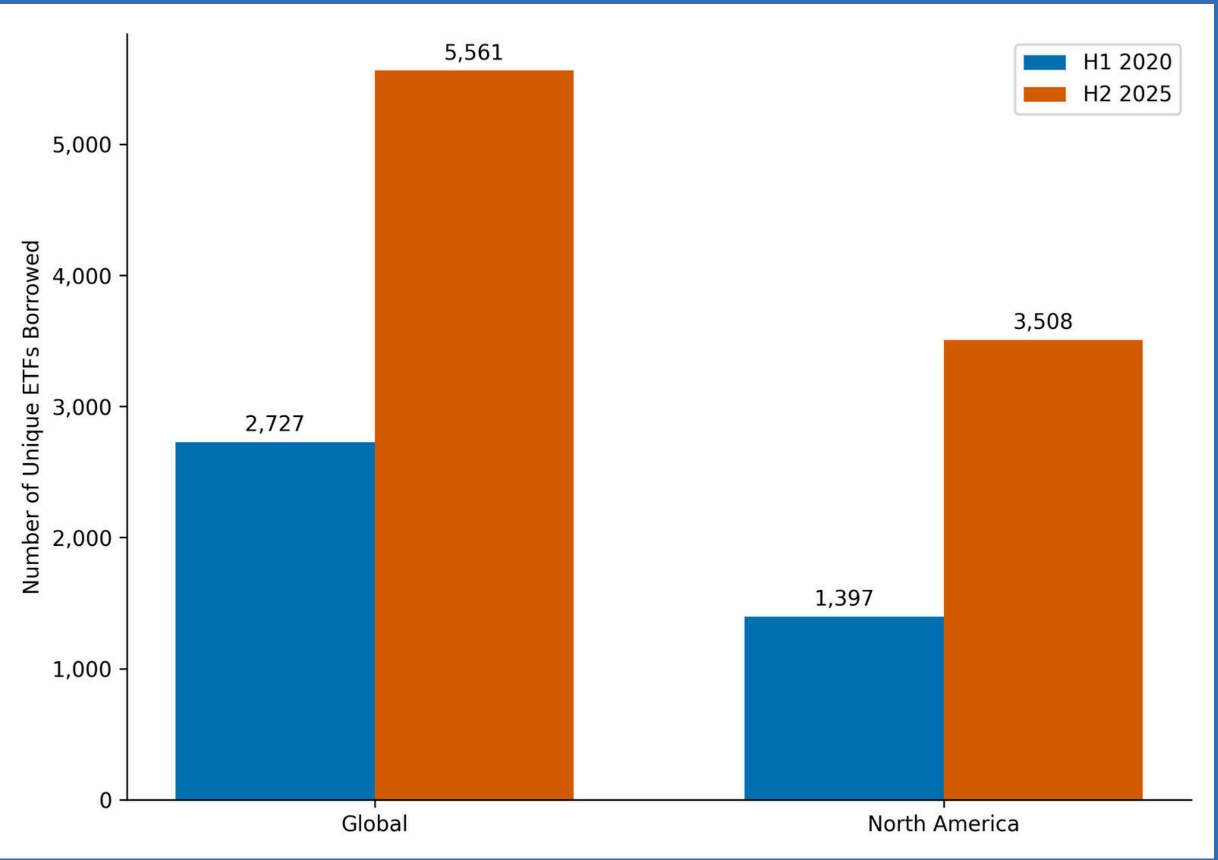


Fig 1. Growth in Unique ETFs Utilized in Securities Lending

1. Broadening Participation and Deepening Usage:

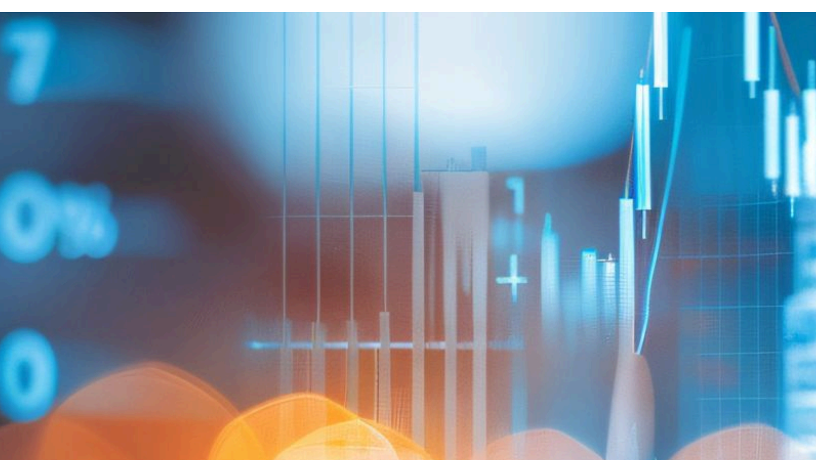
The most direct evidence of the market's expansion is the significant growth in the number of unique ETFs utilized in securities finance. The number of actively borrowed ETFs globally has grown to almost 5,600: more than 100% increase in the past 5 years (Fig. 1, previous page). This growth was consistent through the first half of the year, with the number of securities on loan growing by nearly 10% globally since January 1. North America saw a similar trajectory, with a 150% increase since H1 2020 to more than 3,500 unique ETFs, and a 9.5% increase in H1 of this year alone. This indicates that a wider range of funds are being used for financing and shorting strategies.

2. Institutional Adoption as a Core Strategy:

The primary driver remains the deepening adoption of ETFs by institutional investors. In the securities lending market, this translates into consistent demand for borrowing ETFs as an efficient, single-transaction method for hedging portfolios or expressing a directional view on a broad sector or theme.

3. The New Era of Fixed Income:

A significant portion of the growth in H1 2025 was concentrated in fixed-income products, with HYG (iShares High Yield Corporate Bond ETF) leading with a reported $25.5 million in lending revenue, followed by LQD (iShares Investment Grade Corporate Bond ETF) at $13.5 million. The high demand for these products suggests sophisticated investors are actively using these ETFs to position for credit spreads widening in the event of an economic slowdown or to hedge against long bond positions.



4. Expanding Supply and Market Liquidity:

Demand growth has been met with a corresponding increase in supply. Our analysis of "Total Inventory Quantity" shows ETF inventory growing by 12% in the first half of the year, compared to a reported 1% for all other asset classes. This expansion enhances overall liquidity and creates a virtuous cycle that attracts more participants.

A Holistic Framework for Interpreting Market Signals

To truly understand market intent, a holistic view of securities lending data is essential. A combination where high utilization is met with a rising borrow fee can signal strong directional conviction. At a high level, the value-weighted average borrowing fees for broad asset classes are often comparable, with ETFs ending June with a borrow cost of 53 bps and Equities ex-ETFs at 58 bps.

Drilling deeper into specific ETF categories reveals significant divergence. The highest average fees are found in the Leveraged and Inverse ETFs segment. These ETFs utilize derivatives, allowing investors to get unique exposure through owning a single liquid asset. Leveraged ETFs aim to amplify, or deliver a multiple (2x, 3x) of the return of the specific index or security it tracks, while Inverse ETFs give investors short exposure to the underlying security. These tactical instruments, with over $12.4 billion on loan, had a value-weighted average fee of 212.7 bps, nearly four times the broader market average and indicative of the premium paid for their specialized exposures.

The market structure also shows significant concentration. The top 10 most-borrowed ETFs account for 36.4% of total asset class lending volume, a much larger share compared to the top 10 single stocks (7.1%).

Market Leaders & Sector Dynamics

Securities financing activity among ETFs helps provide insight into investor appetites over the first half of the year. The data provides unique insights into sector rotation and hedging:

- **Core Hedging**: The SPDR S&P 500 ETF (SPY) maintains its position as a broad market hedging vehicle with $4.1 billion in on-loan balances.
- **Credit & Policy Concerns**: Fixed income ETFs dominated, with $6.0B in LQD (Investment-Grade) on loan at 71.6% utilization, which may be a sign of positioning around credit spreads widening in the event of an economic slowdown
- **Small-Cap Skepticism**: The $3.9B borrowed in IWM (Russell 2000) at 79.6% utilization indicated widespread doubt about small-cap resilience.
- **Emerging Market Views**: The $1.6B borrowed in INDA (India ETF) at 62.4% utilization pointed to targeted concerns about emerging market valuations.

A Maturing Market with Deepening Insights

The continued expansion of the ETF securities finance market in the first half of 2025 is a clear indicator of its integral role in the broader financial ecosystem. The significant growth in both the number of unique ETFs on loan and the total on-loan balances is not a fleeting trend, but rather a sign of a maturing market characterized by deep institutional adoption and expanding liquidity. The data reveals a sophisticated landscape where ETFs are used for a range of strategies, from broad market hedging to targeted bets on specific sectors like fixed income. As this market continues to grow in scale and complexity, the insights derived from securities lending data—from on loan values and utilization rates to borrowing costs—become an increasingly vital tool for understanding market structure and interpreting investor conviction.

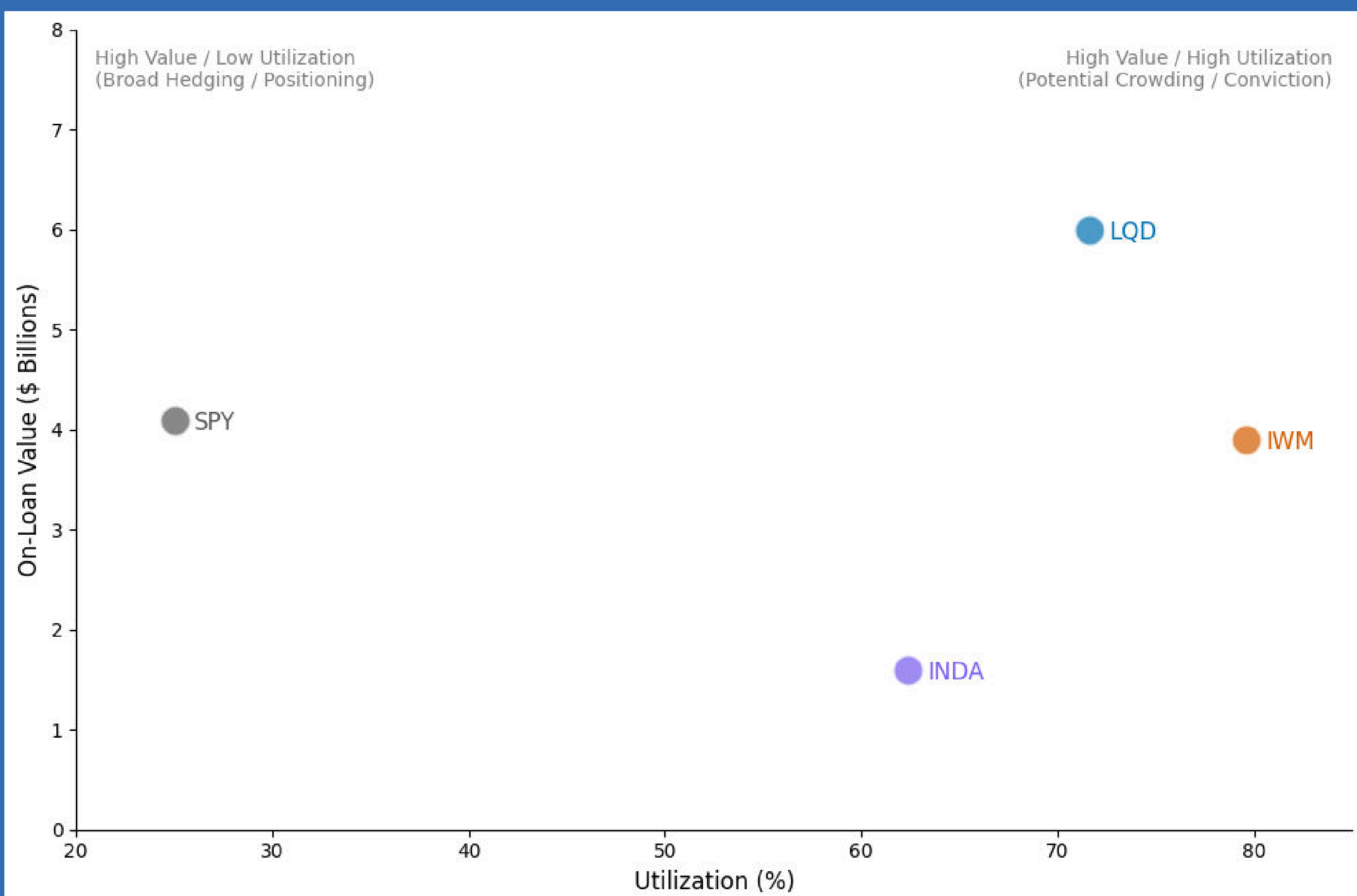


Fig 2. On-Loan Value v. Utilization For Key ETFs (June 2025)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