

CASLA

Canadian Securities
Lending Association

Tuesday, June 6, 2017
SHANGRI-LA HOTEL TORONTO



**7TH ANNUAL CASLA
CONFERENCE ON CANADIAN
SECURITIES LENDING**

PRESENTATION: WHAT'S NORMAL?

Benjamin Tal

Managing Director and
Deputy Chief Economist
CIBC

What's Normal?



Benjamin Tal

June 2017



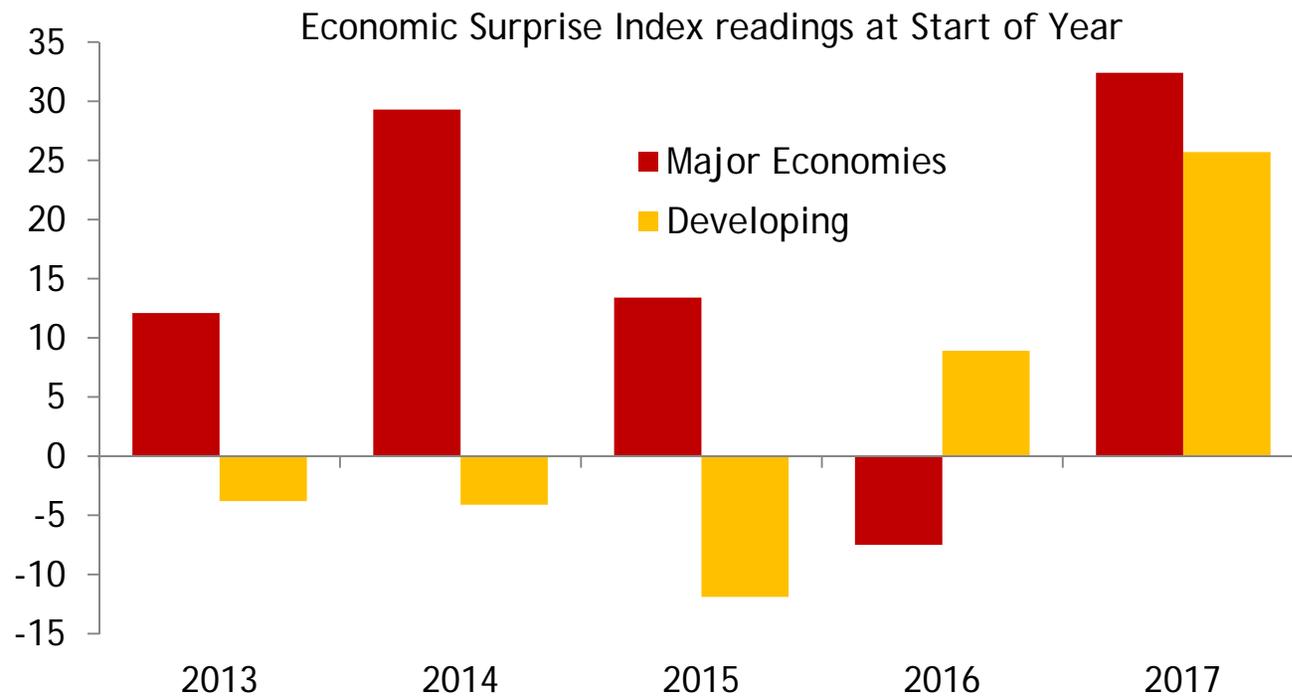
Canada: Share of Low-Paying Jobs - Rising



Source: Statistics Canada, CIBC



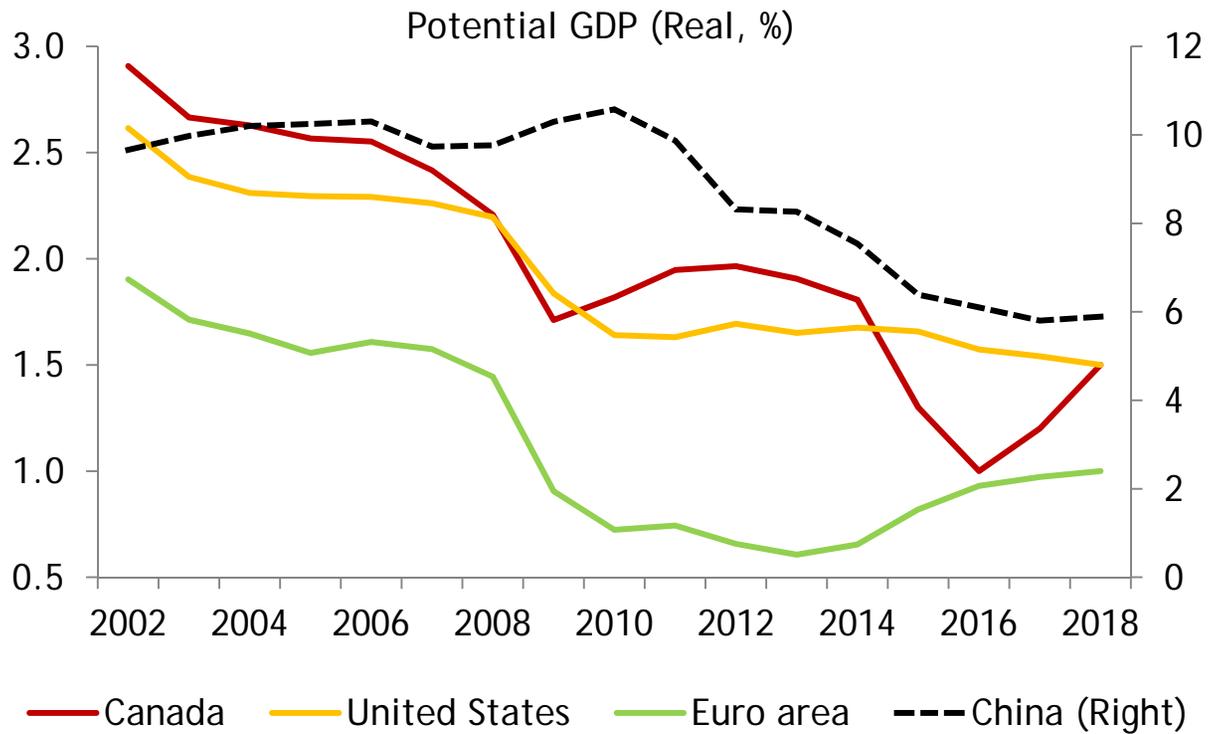
Surprise Indexes Show 2017 Starting Strong



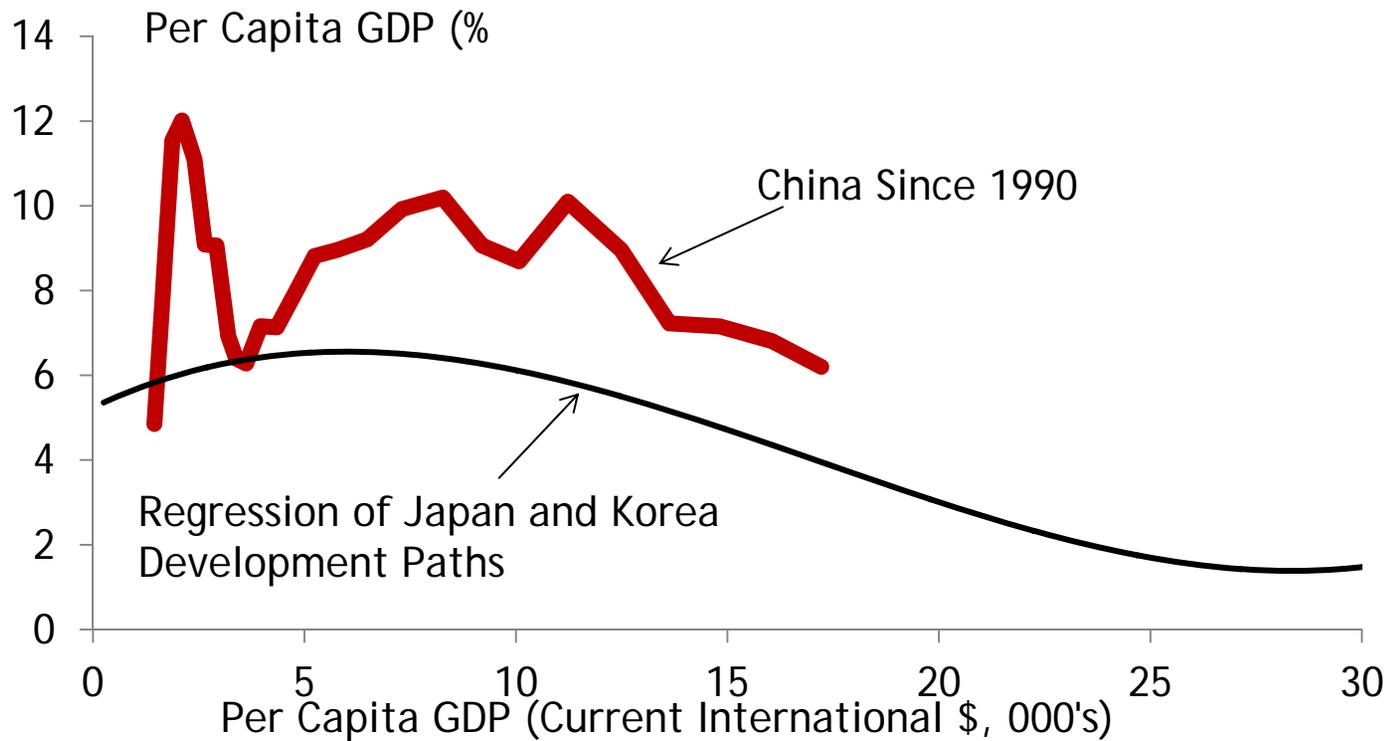
Source: Bloomberg, Citi, CIBC



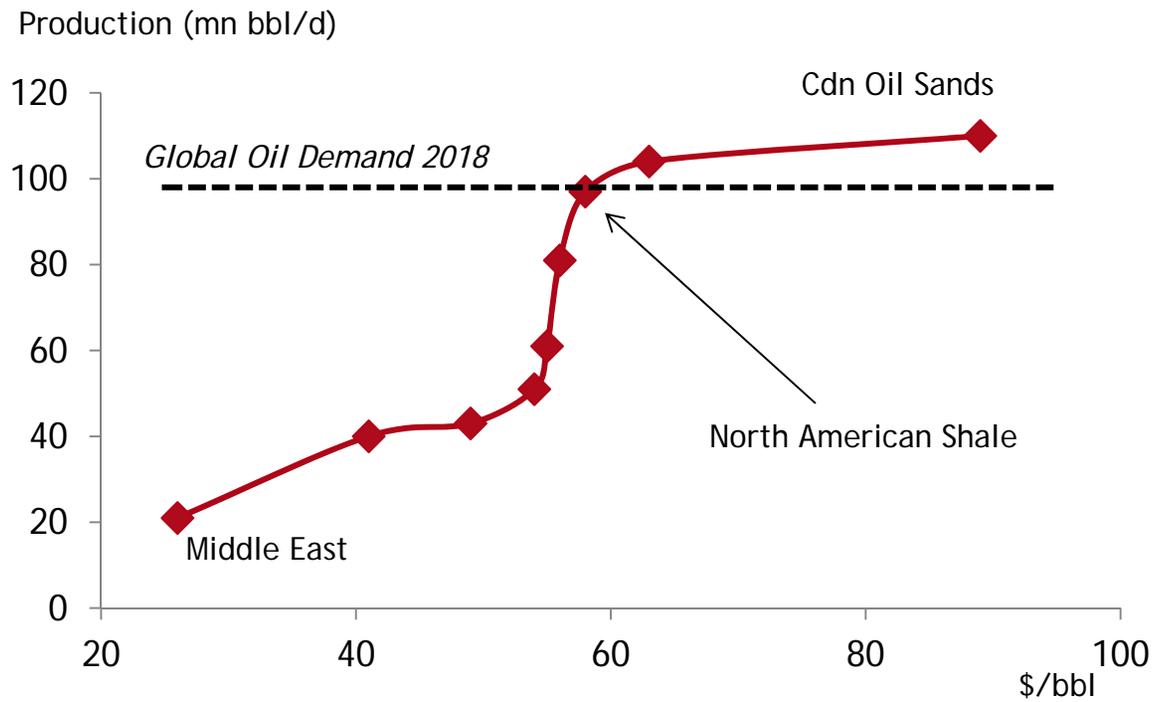
Slower Speed Limits: GDP Bar is Lower for Full Employment



Chinese Growth is Likely to Slow in the Years Ahead



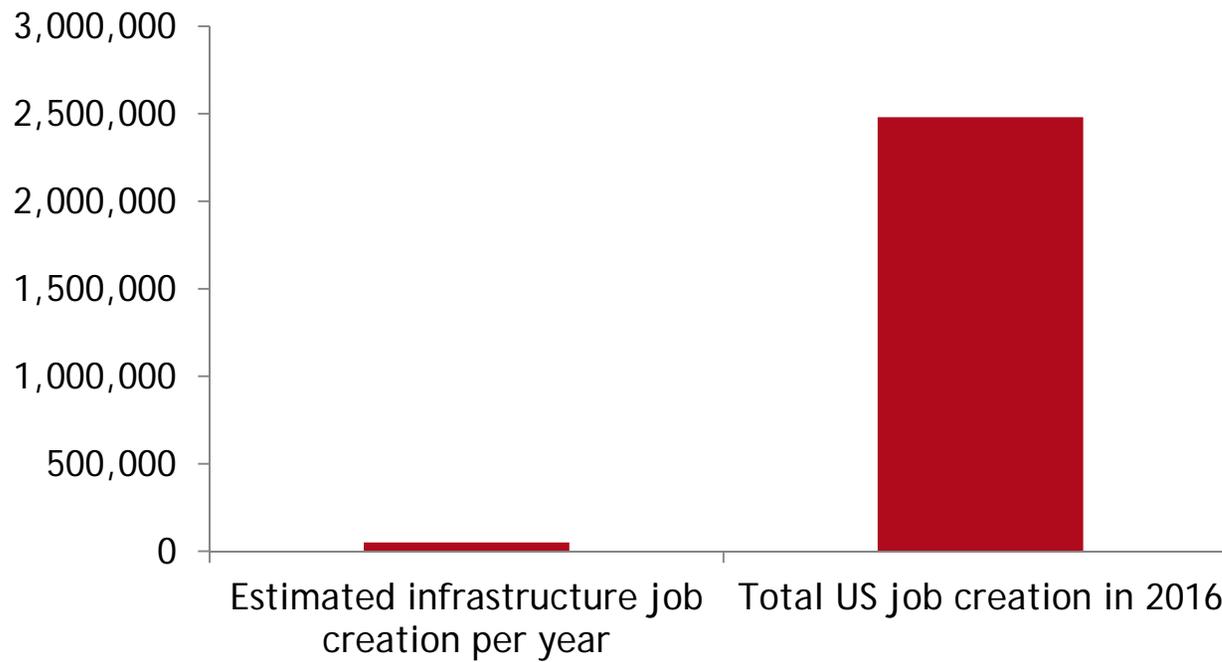
Shale Marginal Supplier in the Medium Term



Source: BP, CIBC



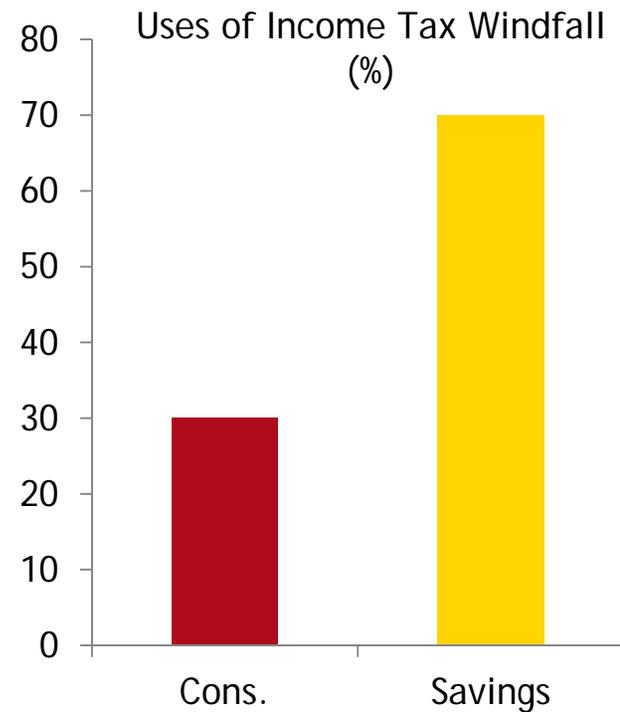
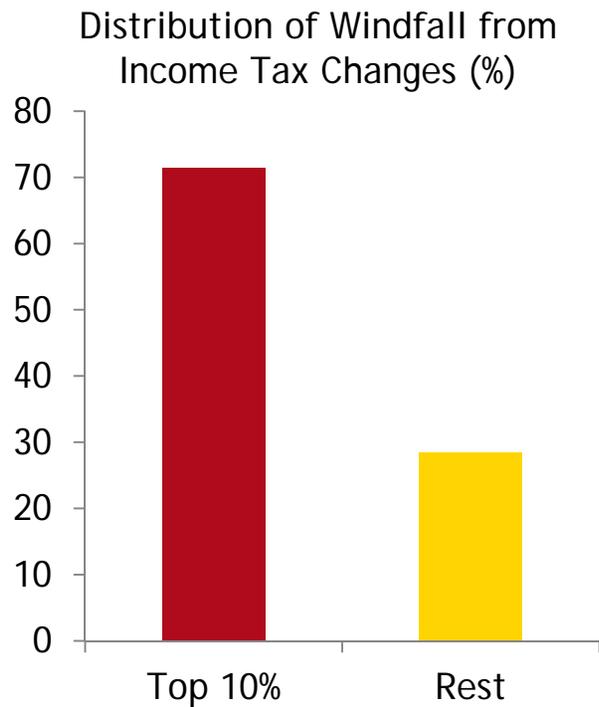
The Infrastructure "Bonanza"



Source: CIBC



Windfall from Income Tax Cuts Will Boost Savings... Not Consumption

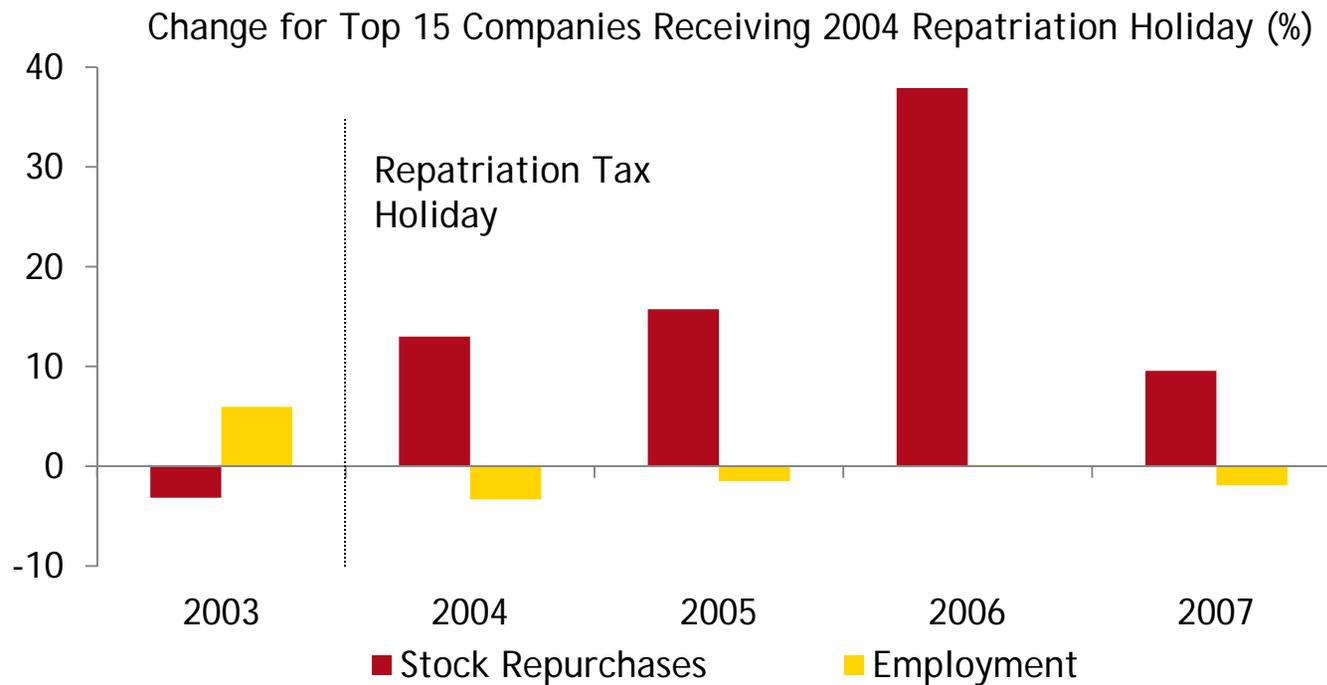


Source: Department of the Treasury Internal Revenue Service, CIBC



Cash Repatriation - Positive for Valuations... Not So Much for Employment

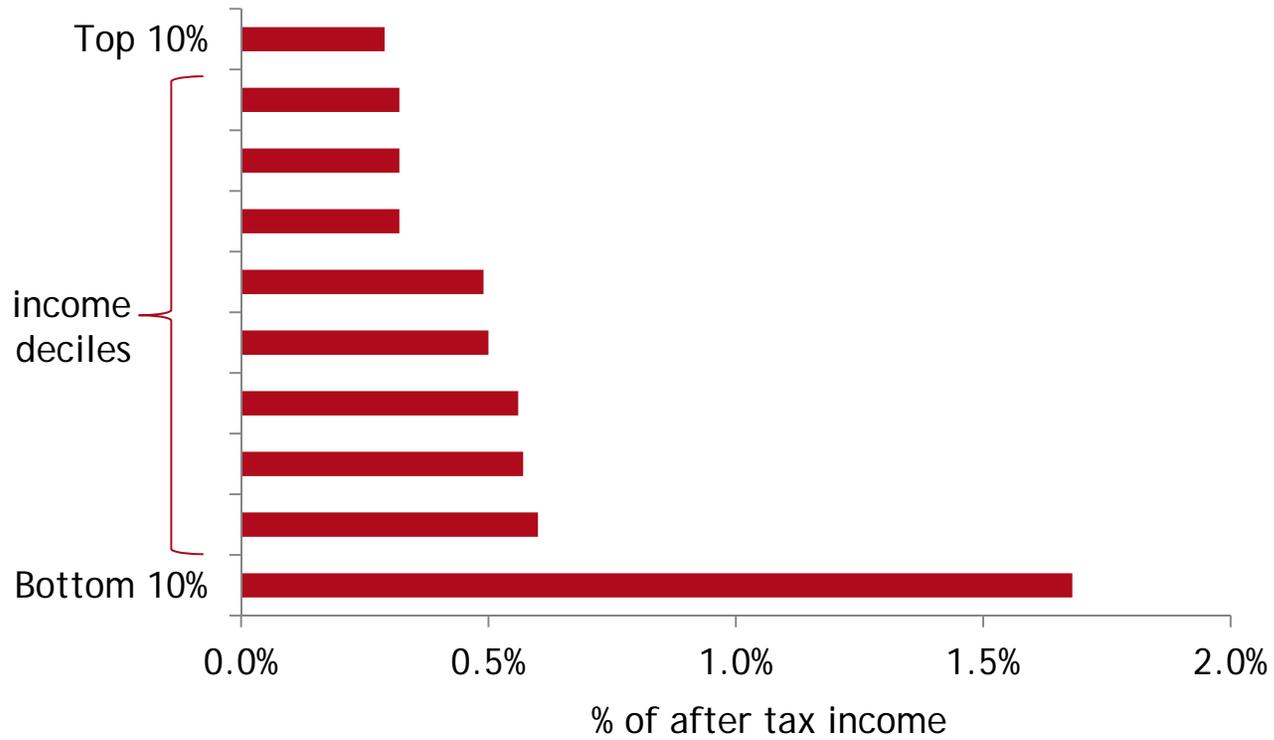
8



Source: US Senate Staff Report, CIBC



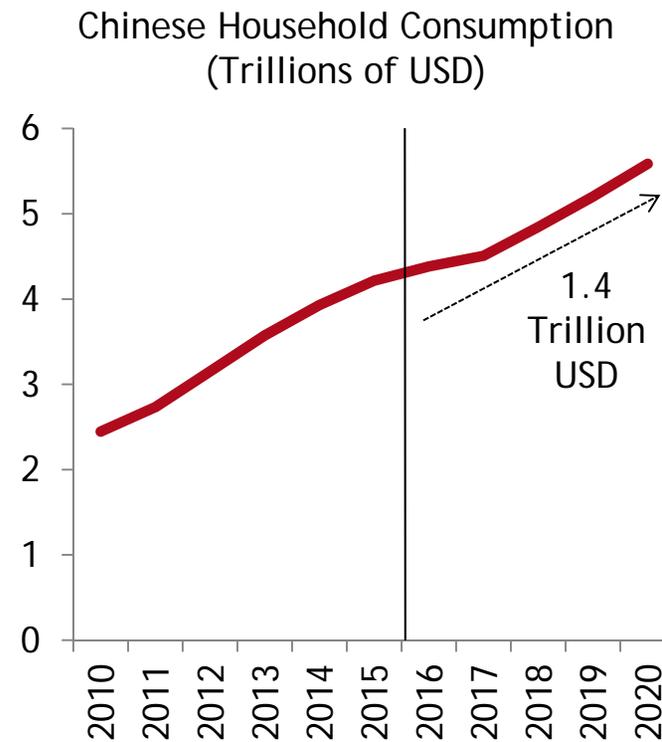
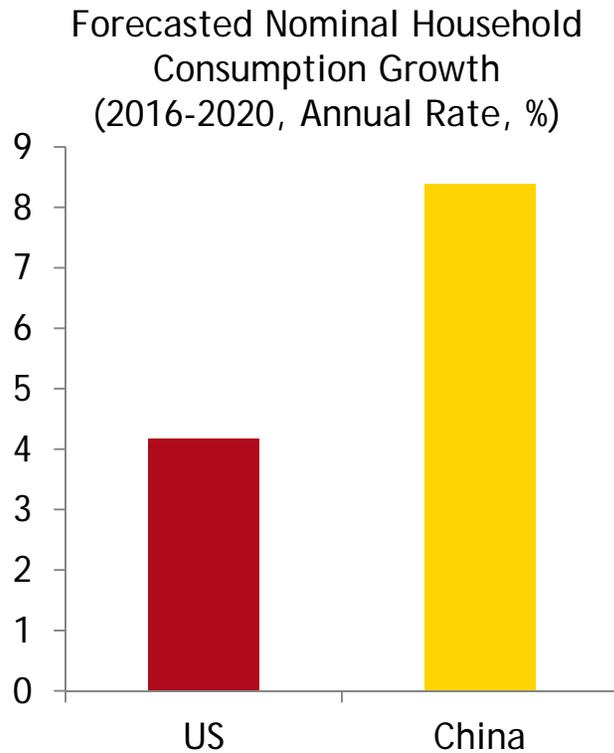
Tax Equivalent Tariff



Source: CEA, CIBC



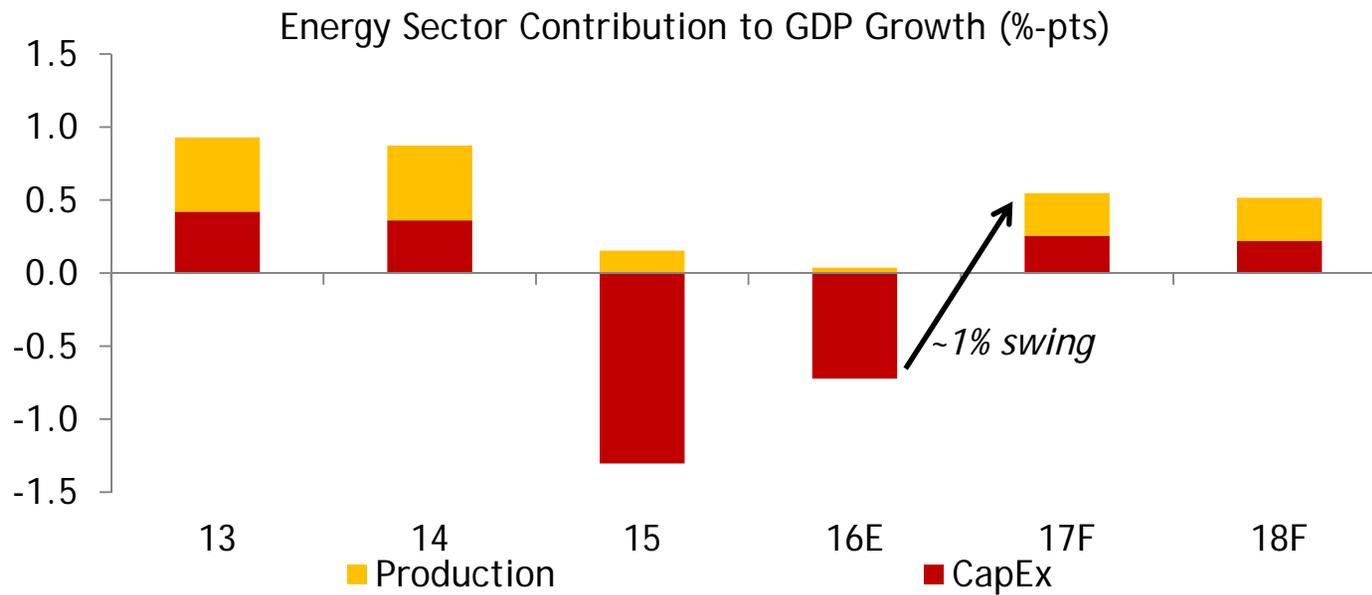
Consumer Spending in China to Rise at Double the US Rate (L), Leaving it \$1.4 tn Higher in 2020 (R)



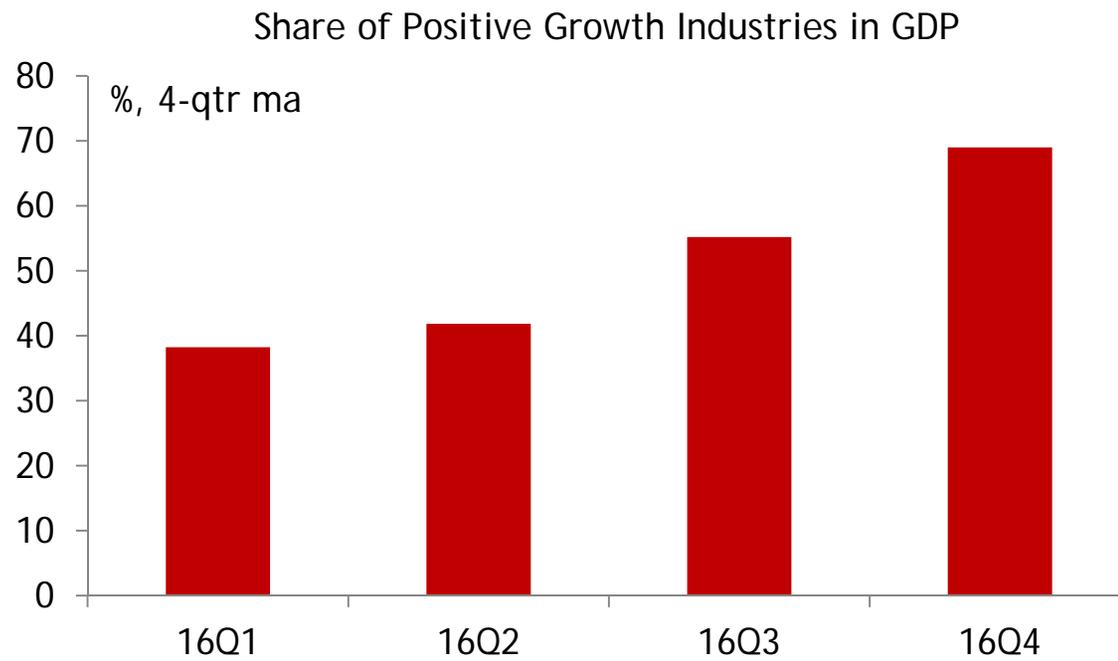
Source: BEA, National Bureau of Statistics of China, CIBC



2017 Canadian Growth: Refueled by Oil & Gas



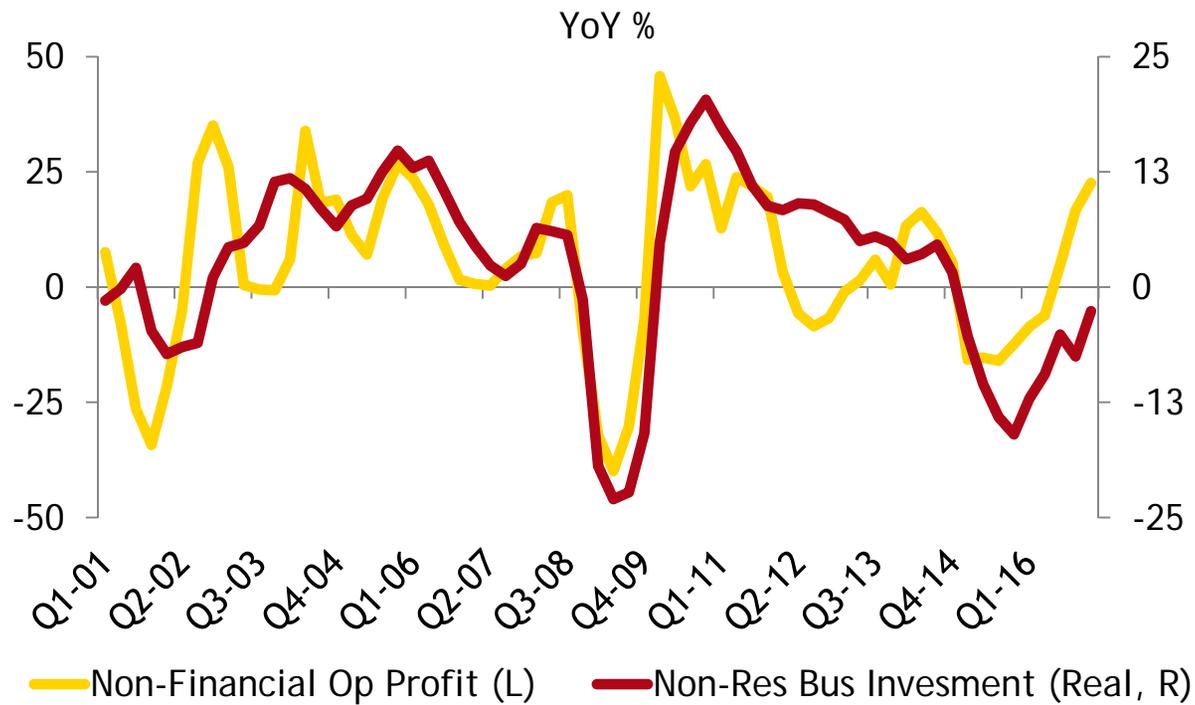
Broadly-Based Growth



Source: Statistics Canada, CIBC



Operating Profits Point to Business Investment Turning Back Positive



Source: Statistics Canada, CIBC



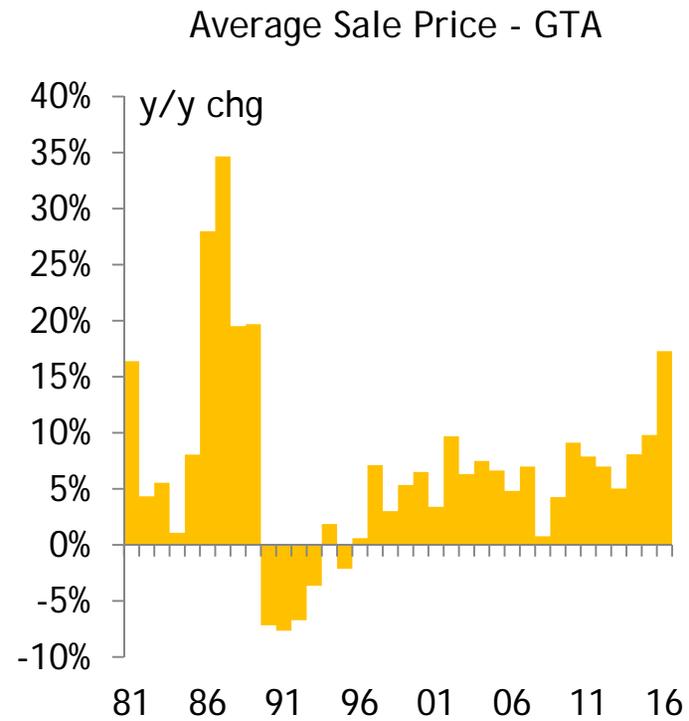
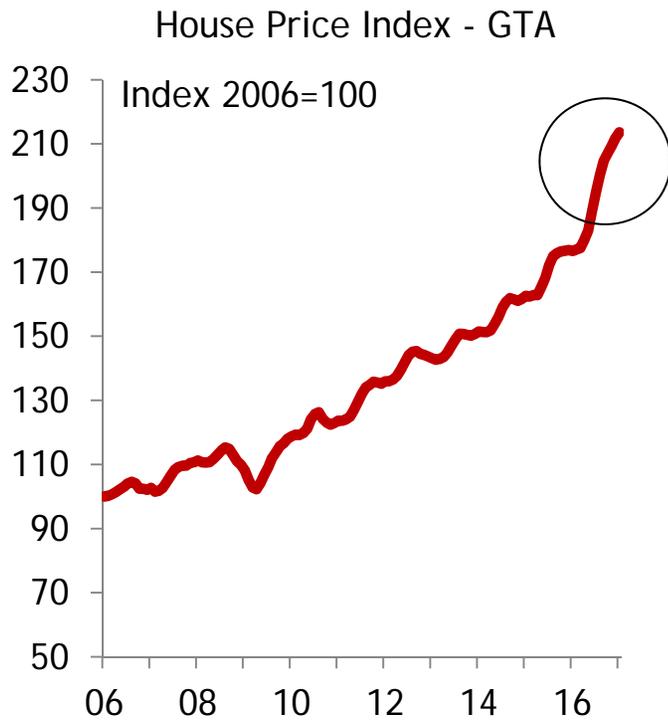
Still Foggy

14

- BAT
- NAFTA
- Trade by Twitter
- Regulatory Policy
- Tax Changes



Something Happened in 2016



Source: Teranet/National Bank of Canada, CIBC



PRESENTATION: A DATA-DRIVEN PERSPECTIVE

Chris Benedict
Director, DataLend



DATALEND

Securities Lending:
A Data-Driven Perspective

Chris Benedict, Director, DataLend

AGENDA

- 1) GLOBAL PERSPECTIVE
- 2) MARKET TRENDS
- 3) CANADIAN PERSPECTIVE



INTRODUCTION

SECURITIES LENDING DATA IS **BIG DATA**

- **3.25 MILLION** TRANSACTIONS PROCESSED DAILY
- **45,000** UNIQUE SECURITIES ON LOAN
- **150,000** UNIQUE SECURITIES IN INVENTORY
- **23 TERABYTES** OF DATA

DATALEND COVERS:

- **\$2.1 TRILLION** OF ON LOAN ASSETS
- **\$16.7 TRILLION** OF LENDABLE ASSETS



GLOBAL PERSPECTIVE



\$9,159,863,746

Global Revenue in 2016

\$491,727,524

Canada Revenue in 2016

Q1 2017 REVENUE

(JAN 1 – MAR 31)

CANADA
\$137,404,051

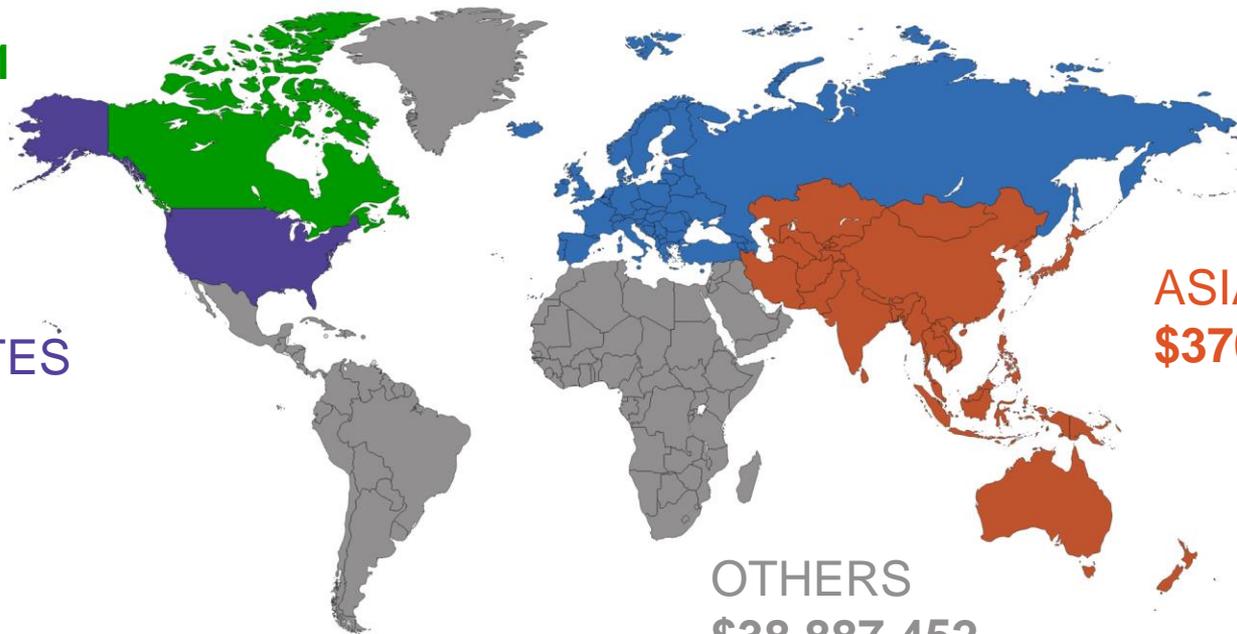
UNITED STATES
\$955,529,458

EUROPE
\$548,688,102

ASIA PACIFIC
\$370,171,977

OTHERS
\$38,887,452

GLOBAL \$2,050,681,040



SUMMARY: Q1 2017 (Jan 1 – Mar 31)

| | LENDABLE | ON LOAN | FEE | REVENUE |
|---------------|----------------------|----------------------|---------------|----------------|
| UNITED STATES | 8.8 trillion | 1.14 trillion | 32 bps | 955m |
| CANADA | 1.2 trillion | 138 bn | 39 bps | 137m |
| EUROPE | 3.9 trillion | 506 bn | 42 bps | 549m |
| ASIA PACIFIC | 1.7 trillion | 163 bn | 88 bps | 370m |
| OTHERS | 287 bn | 27 bn | 58 bps | 39m |
| EQUITY | 10 trillion | 899 bn | 68 bps | 1.53bn |
| FIXED INCOME | 5.9 trillion | 1.08 trillion | 18 bps | 517m |
| TOTAL | 15.9 trillion | 1.97 trillion | 40 bps | 2.05 bn |

REVENUE: Q1 2016 vs 2017 (Jan 1 – Mar 31)

| | Q1 2016 | Q1 2017 | Δ |
|---------------|---------|---------|---------|
| REGION | | | |
| UNITED STATES | 1.10bn | 955m | ↓ -145m |
| CANADA | 121m | 137m | ↑ 16m |
| EUROPE | 602m | 549m | ↓ -53m |
| ASIA PACIFIC | 417m | 370m | ↓ -47m |
| OTHERS | 54m | 39m | ↓ -15m |
| TOTAL | 2,294m | 2,050m | -244m |

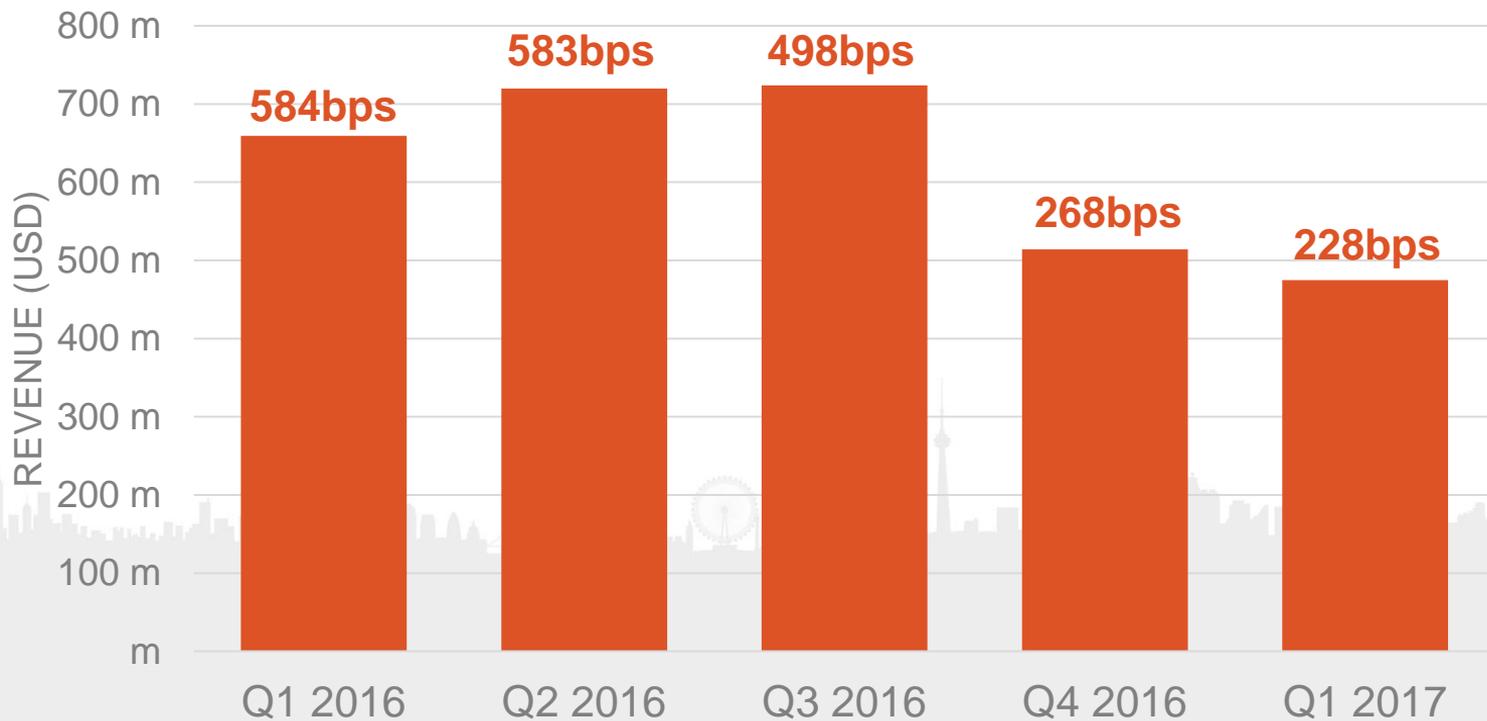
REVENUE: Q1 2016 vs 2017 (Jan 1 – Mar 31)

| | Q1 2016 | Q1 2017 | Δ |
|--------------|---------|---------|---------|
| ASSET | | | |
| EQUITY | 1,933m | 1,533m | ↓ -400m |
| FIXED INCOME | 361m | 517m | ↑ 156m |
| TOTAL | 2,294m | 2,050m | -244m |

MARKET TRENDS

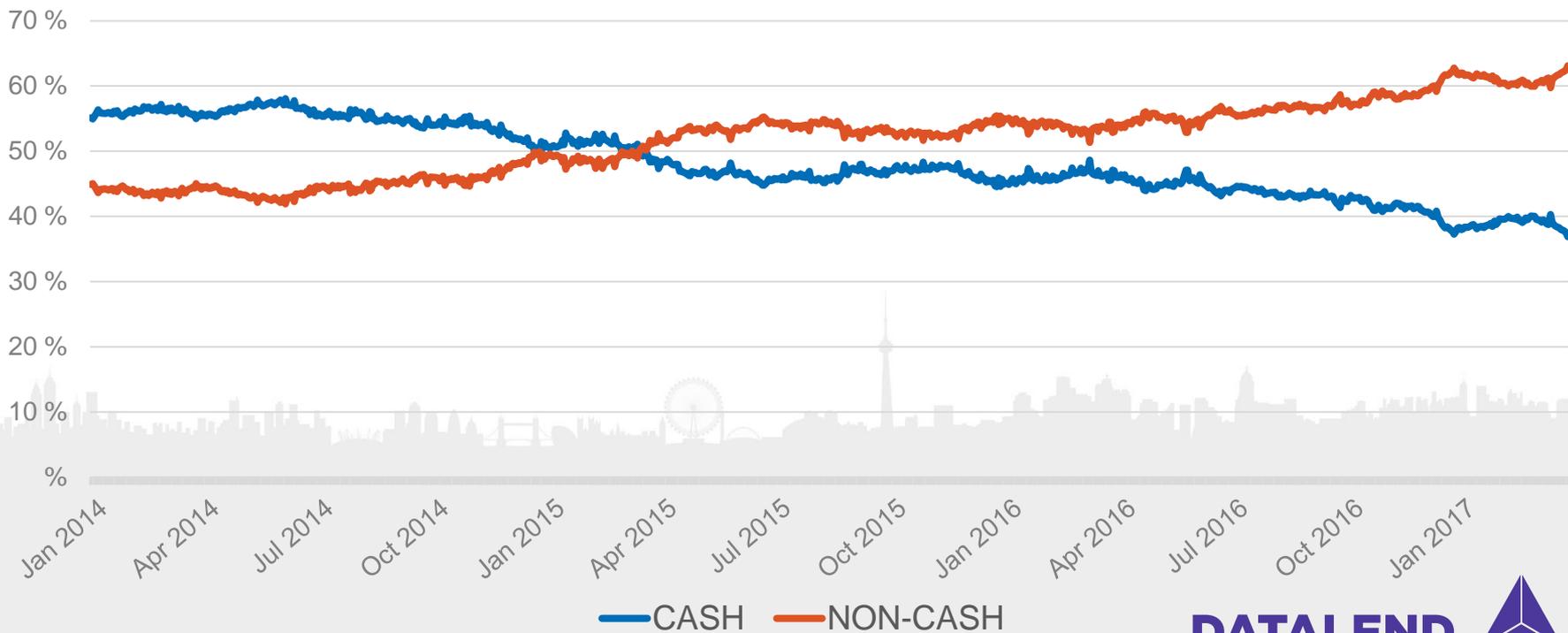


REVENUE - GLOBAL TOP 50 EARNING SECURITIES



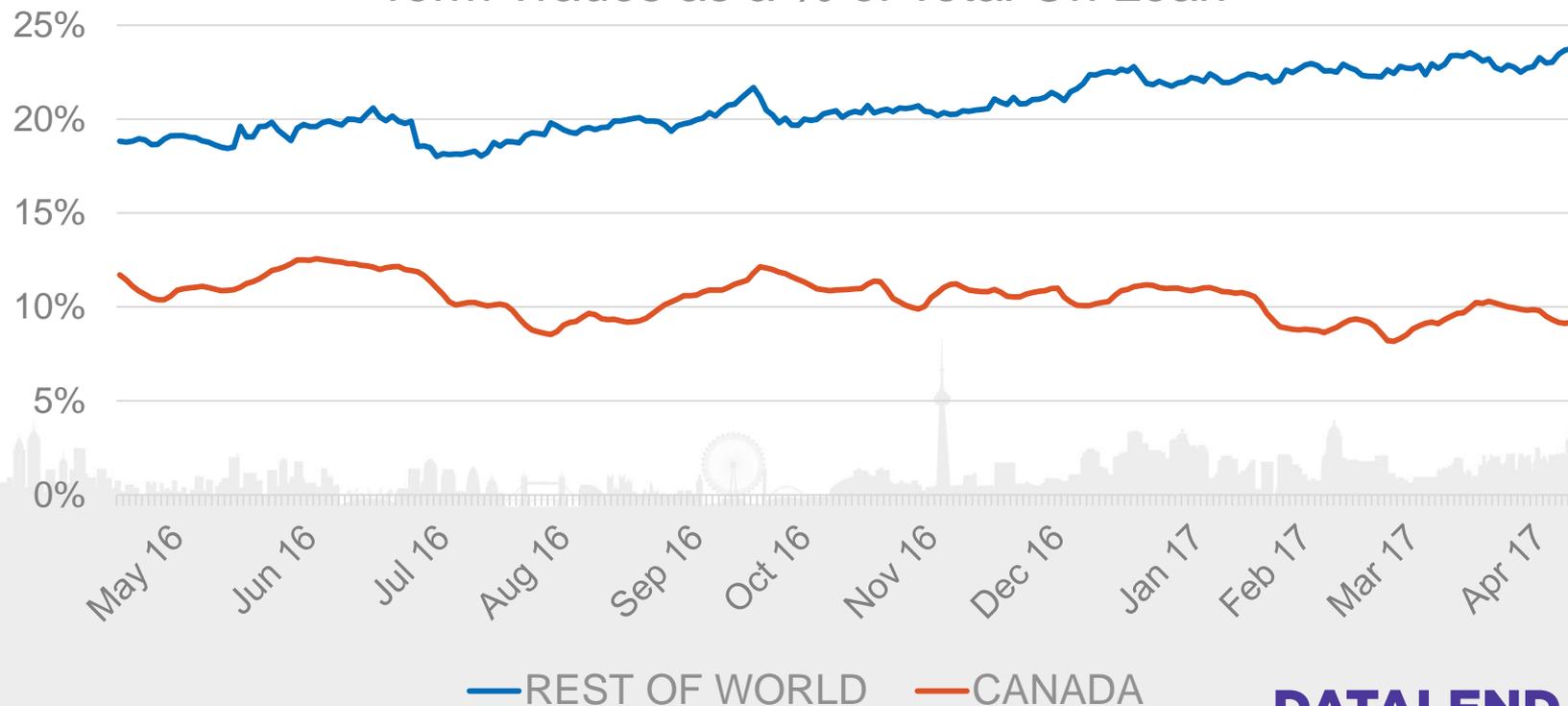
RISE OF NON-CASH COLLATERAL GLOBALLY

Cash vs Non-Cash collateral as a % of Total On Loan

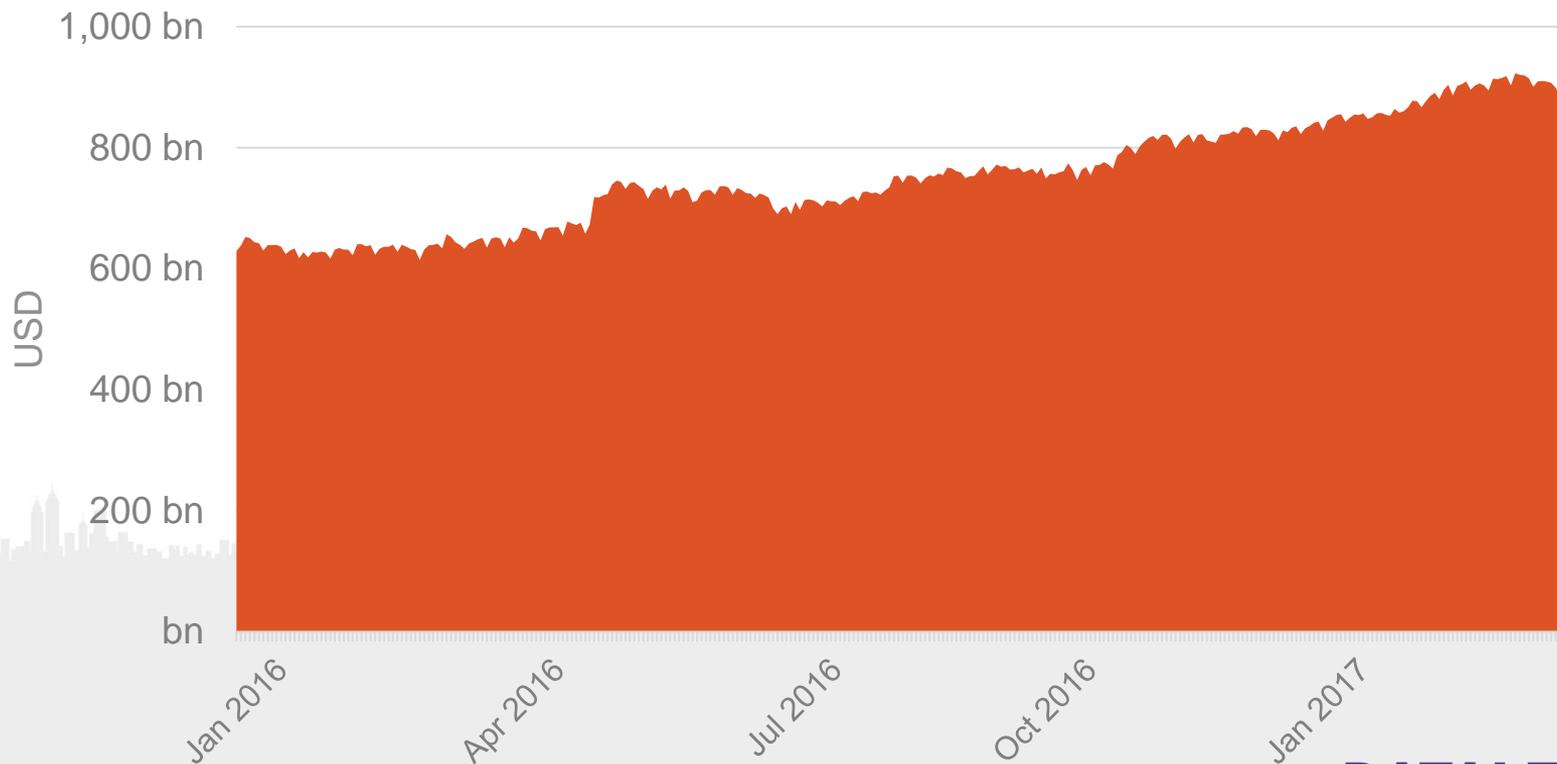


RISE OF TERM TRADES GLOBALLY

Term Trades as a % of Total On Loan



GLOBAL SOVEREIGN DEBT ON LOAN VALUE



CANADIAN PERSPECTIVE

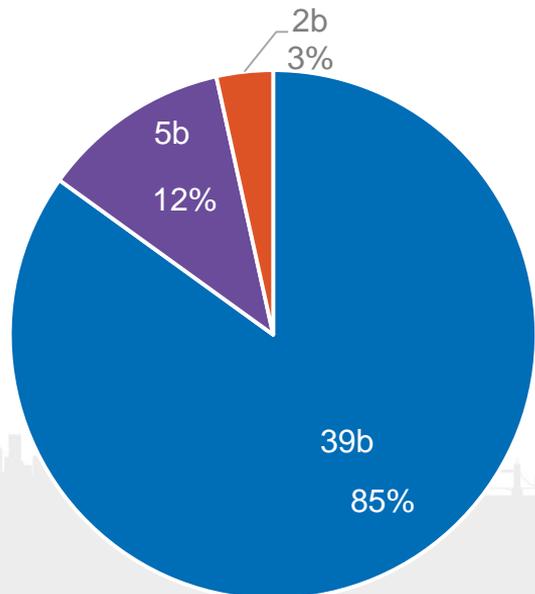


REVENUES BY ASSET – CANADA

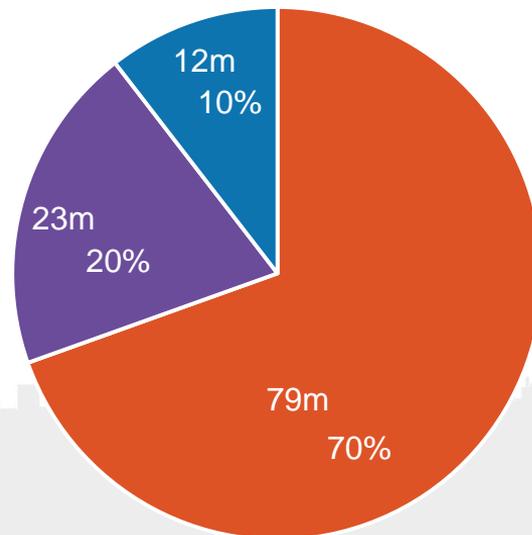
| | Q1 2016 | Q1 2017 | △ |
|---------------------|---------------|--------------|---------------|
| Equity | 105.6m | 114m | ↑ 8.4m |
| Common Shares | 104.7m | 112.3m | ↑ 7.6m |
| Other equity issues | 0.9m | 1.7m | ↑ 0.8m |
| Fixed Income | 15.3m | 23.2m | ↑ 7.9m |
| Sovereign | 9.8m | 13.4m | ↑ 3.6m |
| Agency / Provincial | 2m | 5m | ↑ 3m |
| Corporate | 3.5m | 4.8m | ↑ 1.3m |

CANADA EQUITY ON LOAN AND REVENUES BY FEES

AVERAGE ON LOAN Q1 2017



TOTAL REVENUE Q1 2017

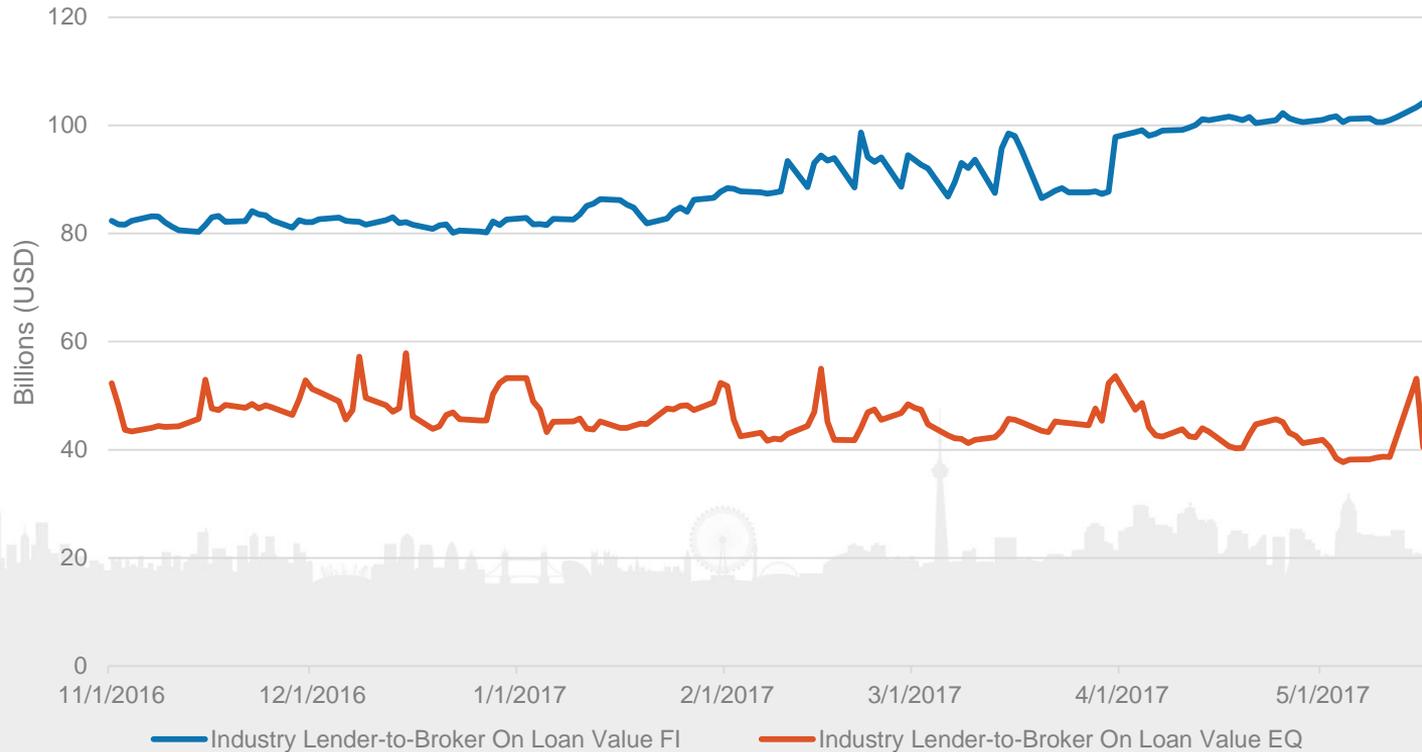


- Hot (250+ bps)
- Warm (50-250 bps)
- GC (<50+ bps)

REVENUE – HOT CANADIAN SECURITIES Q1 2017

| Security Name | Sector | Revenue |
|------------------------|------------------------|---------|
| Home Capital | Financial Services | \$18m |
| Badger Daylighting | Industrial Goods | \$3.3m |
| Prometic Life Sciences | Health Care | \$1.67m |
| Canopy Growth | Health Care | \$1.58m |
| Boardwalk REIT | Real Estate | \$1.54m |
| Hudson's Bay | Consumer Discretionary | \$1.24m |

CANADA – EQUITY VS FIXED INCOME ON LOAN (USD)



SUMMARY



| | Q1 2016 | Q1 2017 | Δ |
|--------------------|---------|---------|-------|
| TOTAL REVENUE | 2,294m | 2,050m | -244m |
| EQUITY REVENUE | 1,933m | 1,533m | -400m |
| SOVEREIGN REVENUE | 212m | 372m | 160m |
| TRADES VS NON-CASH | 52% | 62% | 10% |
| TERM TRADES | 17% | 23% | 6% |

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