



Capital Markets Update

July 31, 2023

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- All Markets were up for the last week of July
- Three significant events that influenced price action:
 - FOMC raised interest rates by 25bps (target range of 5.25% to 5.5%), a largely expected move; less than half of one hike priced through year end
 - BoJ announced intent to allow greater flexibility of their yield control program (widened yield band to +/- 100bps)
 - US Q2 GDP reading was well above estimated (+2.4% vs. 2.0% estimated)
- Personal consumption index (PCE) rose 4.1% yoy in June, smallest increase in nearly 2 years

Performance of selected benchmarks as of Jul. 28, 2023:

	ACWI LOCAL	MSCI Europe Local	S&P500	MSCI EM LOCAL	MSCI WORLD USD	MSCI ACWI GBP	MSCI ACWI EUR	US Small Cap	MSCI EM (USD)	US 10 Yr Futures	UK Gilt Index	EM Bonds	HY
MTD Jul 2023	2.9%	1.5%	3.1%	4.9%	3.4%	2.2%	2.2%	5.0%	5.8%	-0.4%	0.6%	1.4%	1.2%
YTD 2023	17.3%	12.2%	20.5%	10.7%	17.8%	10.2%	14.0%	13.5%	11.0%	0.9%	-2.8%	5.2%	6.6%
12 Months	13.1%	13.3%	14.5%	7.6%	14.0%	7.5%	4.9%	7.4%	7.6%	-5.2%	-15.6%	5.7%	5.0%

	ConsDiscr	ConsStapl	Energy	Financials	Health Care	Industrials	InfoTech	Materials	RealEstate	Comm Services	Utilities
MTD Jul 2023	1.9%	2.6%	5.3%	4.4%	1.8%	2.7%	2.5%	2.9%	0.5%	7.0%	2.4%
YTD 2023	35.6%	3.9%	-0.5%	3.8%	0.3%	13.1%	46.4%	10.8%	4.3%	45.7%	-3.4%
12 Months	11.4%	5.1%	19.2%	8.1%	3.5%	19.7%	28.7%	13.1%	-10.9%	21.7%	-5.7%

Source: Bloomberg, SECOR. Data as of July 28, 2023

Treasury General Account (TGA) – Replenishing

- Debt Ceiling was raised, the Treasury General Account (US' checking account) has been refunded, and is now up to over \$500bn after dipping below \$50bn in June
- To accomplish this, the US Treasury executed an unprecedented amount of Treasury bill issuance in just a few months in order to allow government to pay its bills
- US Treasury has raised over \$600bn by selling short term bills since June. Will likely raise another \$700bn by year end
 - (~\$1.3 trillion of new supply required to pay for government obligations)

➤ *Where has this liquidity come from?*



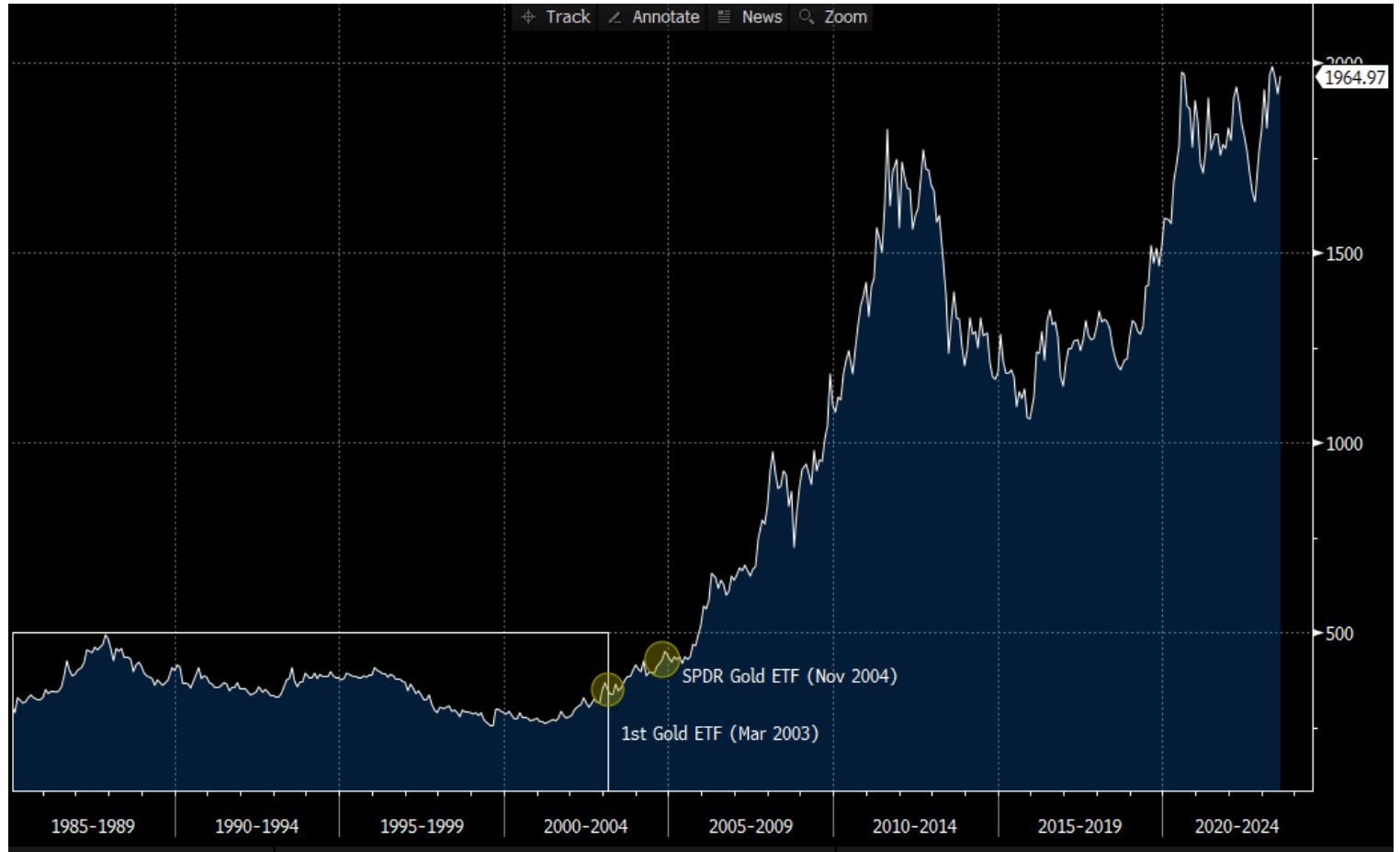
Reverse Repo – Significant Outflows

- Money market funds purchased 66% of June bill issuance, after shifting funds from Reverse Repo (RRP)
- Reverse repo facility has drained from ~\$2.2 trillion to \$1.7 trillion YTD (roughly \$400 bn change since debt ceiling was raised)
- **Implication: Positive news for the Treasury – government was funded without draining bank reserves or liquidity from other parts of the market – SPX 9.9% and NDX 10.6% since June amid very low volatility**
 - ❖ Long term debt path is unsustainable – see April 24th presentation



Spot Bitcoin ETFs – Likely Coming to Market

- Several new applications to launch bitcoin ETFs have been filed - All spot BTC ETFs over the past 7 years have been rejected by the SEC (28 in total)
 - Blackrock’s record of ETFs approved by the SEC is 575-1
- Gold price was stagnant from 1985 up to 2003; in 2003 the first gold spot ETF was launched
 - **Price of gold skyrocketed thereafter**
- The ETF will help unlock Bitcoin exposure for the masses
 - Could be among the top ETFs in revenue generation (“digital gold” theme)
 - GLD is 4th in revenue among the 3,143 ETFs in the US, despite a slew of lower cost ETFs on the market – deep liquidity and trusted brand



Spot Bitcoin ETFs (cont'd)

- It's a race to be first – SEC is playing the role of kingmaker
- Bitcoin Futures: ProShares Bitcoin Strategy ETF (BITO), which the SEC allowed to launch before peers, has captured 93% of category assets and 98% of volume
 - Valkyrie, Vaneck, and Advisorshares Bitcoin Strategy ETFs make up residual

Issuer (Ticker)	Company	Filing Date	19b-4 Posted Date	19b-4 SEC Date	Exchange	Custodian	SEC Next Deadline	SEC Final Deadline
ARK 21Shares Bitcoin ETF (Re-filing) (ARKB)	21Shares & ARK	6/28/21	4/25/23	5/9/23	CBOE	Coinbase	8/13/23	1/10/24
iShares Bitcoin Trust	BlackRock	6/15/23	6/29/23	--	Nasdaq	Coinbase	~9/2/23	~3/15/24
Bitwise Bitcoin ETP Trust (Re-filing)	Bitwise	10/14/21	6/28/23	--	NYSE	Unknown	~9/1/23	~3/14/24
VanEck Bitcoin Trust (Re-filing)	VanEck	12/30/20	6/30/23	--	CBOE	Unknown	~9/3/23	~3/16/24
Wisdomtree Bitcoin Trust (Re-filing) (BTCW)	Wisdomtree	12/8/21	6/30/23	--	CBOE	Wisdomtree?	~9/3/23	~3/16/24
Invesco Galaxy Bitcoin ETF (Re-filing)	Invesco & Galaxy	9/21/21	6/30/23	--	CBOE	Unknown	~9/3/23	~3/16/24
Wise Origin Bitcoin Trust (Re-filing)	Fidelity	3/24/21	6/30/23	--	CBOE	Fidelity	~9/3/23	~3/16/24
Valkyrie Bitcoin Fund (Re-filing) (BRRR)	Valkyrie	1/22/21	7/3/23	--	Nasdaq	Unknown	~9/6/23	~3/19/24

Note: ~ Denotes a guess on decision dates. Actual date depends on 19b-4 Acknowledgement Date.

Source: Bloomberg Intelligence, SEC.gov

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