EquiLend Data & Analytics constantly strives to deliver unique, data-driven insights by unlocking the full potential of our proprietary securities lending data. Beyond identifying short squeeze candidates, our data provides a rich foundation for developing robust standalone and integrated models that enhance alpha generation, risk management, and trading strategies.

Here are five model categories we can develop to showcase the value of our data, integrating with macro and market data where relevant:

1. Thematic & Sector Deep Dives

Objective: To provide a unique, data-driven perspective on crowded trades and identify potential points of inflection within prevailing market narratives across specific themes or sectors.

Our Approach: We can apply a multi-factor threshold analysis using our proprietary Orbisa data, which offers global coverage and daily updates, providing a significant advantage over publicly available, often delayed, data.

Key EquiLend Metrics: We will leverage key metrics such as Utilization (percentage of lendable shares on loan, indicating supply-side tightness), Borrow Fee (Orbisa Rate) (annualized cost of borrowing, a direct signal of short-seller conviction), and Days to Cover (DTC) (measures the liquidity risk for short sellers and the potential impact of covering activity). We can also incorporate the Surprise in Short Interest metric, which captures rapid changes in shorting activity and can be more predictive than absolute levels.

Dynamic Thresholds: Moving beyond static thresholds, we would develop dynamic thresholds for these metrics that adapt to a security's historical behavior and its sector peers. For example, we might consider using standard deviations from a security's 1-year average utilization as a trigger.

Integration with Macro & Market Data: We would align our analysis with current hot-button themes (e.g., Artificial Intelligence, Commercial Real Estate, EV manufacturers) or specific GICS sectors. By analyzing the entire value chain, we can observe where short sellers are concentrating their bets. Contextualizing our data with broader market narratives and relevant economic indicators enhances the insights.

Client Value: This model provides clients with an early warning system and unique sentiment overlay for their thematic or sector-specific investments, helping them identify emerging risks or opportunities that might not be visible through traditional fundamental or price-based indicators.

2. Corporate & Market Events Analysis

Objective: To demonstrate how our real-time securities lending data provides a crucial informational edge around discrete, catalyst-driven events.

Our Approach: We would analyze patterns in our real-time Orbisa securities lending data, specifically focusing on the behavior of Short Interest, Utilization, and Borrow Costs in the days leading up to and following significant corporate and market events.

Event-Specific Analysis:

\* Earnings Announcements: We can examine shifts in borrow demand and cost before and after earnings releases. Our data can highlight informed trading activity that often precedes such announcements.

\* Mergers & Acquisitions (M&A) Deals: Tracking short interest around M&A news can reveal market sentiment regarding deal success, potential counter-bids, or the prospects of the combined entity.

\* Index Inclusion/Exclusion: Changes in our data can signal market positioning ahead of index rebalances, which often drive significant flows and impact liquidity.

\* Major Regulatory Changes: We can observe how shorting activity and borrowing dynamics react to new regulations, providing insights into potential impacts on affected industries or individual securities.

Leveraging Timeliness: Our daily data frequency provides a significant advantage over lagging public data, allowing for timely identification of market movements related to these events.

Client Value: This model offers tactical trading insights, allowing portfolio managers and analysts to anticipate or react to informed trading around specific catalysts, thereby optimizing entry and exit points or managing event-driven risk.

3. Enhanced Short Squeeze Prediction and Management

Objective: To improve the efficacy of existing short squeeze detection by integrating additional factors and developing a more dynamic, regime-aware framework, thereby providing a more robust signal for both identifying opportunities and managing risk.

Our Approach: While a foundational Short Squeeze Score (SSS) exists, we can enhance its predictive power and utility by incorporating advanced factor refinement and dynamic modeling techniques.

Refining the Squeeze Signal:

The current Squeeze Score is calculated as a weighted average of Price Momentum, Total Borrow P&L, Active Utilization, Days to Cover, and Squeeze Mentions. We can explore additional securities lending factors that may offer further predictive capability:

\* On-Loan Stability: This factor measures the percentage of loans from "stable" funds, typically large, passive funds with low portfolio turnover. A low On-Loan Stability could suggest that the short positions are held by more tactical traders, who might be quicker to cover, potentially exacerbating a squeeze.

\* Re-rate Percentage & Direction: Capturing the daily repricing activity in the loan market, a high percentage of "hotter" re-rates (where the new volume-weighted average fee is more expensive) indicates that demand is outstripping supply and borrowing costs are escalating in real-time. This real-time cost pressure could act as an early warning for impending squeeze conditions.

\* Surprise in Short Interest: This factor is constructed as a Z-score, measuring the current level of short interest relative to its own historical rolling mean and standard deviation. A sharp, positive surprise indicates a rapid deterioration in sentiment, and in conjunction with other squeeze metrics, might signal a rapidly increasing "crowdedness" that could unwind violently.

Dynamic, Regime-Aware Squeeze Model:

The 'Spark' model framework, which adapts to changing market conditions, can be applied to enhance the SSS. The performance of short-side factors is path-dependent and highly conditional on the prevailing market environment, being susceptible to catastrophic losses during sharp, risk-on rallies. By identifying market regimes using market momentum indicators, we can dynamically adjust the weighting or interpretation of our SSS.

\* Ensemble of Sub-Models: Similar to the 'Spark' model, we could train separate machine learning models for "Oversold," "Range-Bound," and "Overbought" market regimes, each trained on historical data points within its specific regime.

\* Adaptive Weighting: In an "Oversold" regime, where short squeezes are more probable due to market mean reversion, the model learns to place a much more modest, almost flat, weight on the short interest signal. Conversely, in "Range-Bound" regimes, the relationship is more linear and traditionally negative, allowing the SSS to be given a more pronounced weighting.

\* Rules-Based Alternative: For simpler implementation, a rules-based system could switch from a standard short interest factor to a risk-factor-neutralized version during extreme market regimes (e.g., when the market's 3-month return is outside a +/-10% band). This helps to dampen the volatility and reduce the large drawdowns associated with regime shifts.

Client Value: This enhanced approach offers clients a more sophisticated and resilient short squeeze signal. By incorporating additional, nuanced data points and adapting to market regimes, the model can provide more timely and accurate warnings, helping clients to either capitalize on potential squeeze opportunities or, critically, manage the associated risks more effectively. This goes beyond simply identifying a score to providing context-aware, actionable intelligence.

4. Cost of Borrow as a Sentiment Indicator (Deep Dive)

Objective: To provide a sophisticated understanding of borrowing costs, moving beyond the simple "how many" shares are shorted to "how much are short sellers willing to pay," thereby signaling true conviction and supply/demand imbalances.

Our Approach: This model would focus exclusively on the dynamics and predictive power of our proprietary borrowing cost data.

Driving Factors Analysis: We would analyze what drives Borrow Costs (Orbisa Rate) higher, distinguishing between "general collateral" and "special" stocks based on their fees. We would investigate the influence of supply/demand imbalances, market liquidity constraints, and corporate actions on these costs.

Conviction Signal: A sustained rise in borrow costs can signal increasing short-seller conviction or tightening supply. We would explore how the magnitude and rate of change in these costs correlate with future stock performance, identifying potential thresholds for profitable strategies.

Integration with Macro & Market Data: We would contextualize borrow costs within the broader market environment, considering the impact of general interest rates (e.g., Fed Funds Rate on implied fees) and overall market volatility.

Client Value: This provides a nuanced and sophisticated signal for clients. Understanding the "price of pessimism" offers deeper insights into the conviction behind short positions, which can be a crucial input for assessing downside risk or identifying opportunities where short positions may be fundamentally challenged due to high costs.

5. Cross-Asset Sentiment Aggregation

Objective: To develop a holistic view of investor sentiment across a company's entire capital structure by combining securities lending data with information from related asset classes.

Our Approach: This advanced technique involves looking for confirmation of negative sentiment across a company's entire capital structure. A firm's equity and its corporate bonds are ultimately claims on the same underlying pool of assets and cash flows. Negative sentiment can therefore manifest in the equity market (high stock borrowing), the bond market (high bond borrowing), and the credit derivatives market (widening Credit Default Swap spreads).

Methodology: We can build powerful composite indicators by combining multiple, partially-correlated signals. A composite signal can be created by averaging the percentile ranks of Equity Utilization, Bond Utilization, and 5-year CDS spreads. Studies have found that this cross-asset signal can produce a significantly higher Information Ratio than using Equity Utilization alone.

Economic Rationale: When negative signals appear simultaneously in the equity, bond, and CDS markets, it represents a high-conviction, consensus view of distress among a diverse set of sophisticated investors. This confirmation across asset classes filters out noise and isolates a much stronger signal of fundamental deterioration. An advanced quantitative model should therefore seek to incorporate this capital structure perspective, as it provides a more holistic and robust view of investor sentiment than looking at equity lending data in isolation.

Client Value: This model provides a more robust and holistic perspective on investor sentiment, moving beyond isolated equity market signals. For clients seeking a comprehensive understanding of a company's health and potential downside risk, a cross-asset view offers a more reliable and less noisy indicator, particularly for fundamental deterioration. This can be a powerful tool for enhancing long-term investment and risk management strategies.