

SwapsInfo Full Year 2018 and Fourth Quarter of 2018 Review: Summary

The ISDA SwapsInfo Review provides analysis of interest rate derivatives (IRD) and credit derivatives trading activity. The report provides a breakdown of cleared and non-cleared activity, swap execution facility (SEF) and off-SEF traded notional, product taxonomy and currency. This summary provides a high-level overview of key trends in the fourth quarter of 2018 and the full year 2018.

IRD and credit derivatives traded notional and trade count data is taken from the ISDA SwapsInfo website (swapsinfo.org), using information from the Depository Trust & Clearing Corporation and Bloomberg swap data repositories (SDRs). This report covers only those trades required to be disclosed under US regulations.

KEY HIGHLIGHTS FOR FULL YEAR 2018 AND FOURTH QUARTER OF 2018

Interest Rate Derivatives

IRD traded notional amount and trade count continued to increase in 2018. In the full year 2018, IRD traded notional and trade count rose by 21.9% and 13.5%, respectively, compared with the full year 2017. Single currency fixed-for-floating interest rate swaps (IRS) traded notional increased by 25.0%, while forward rate agreements (FRAs) and overnight index swaps (OIS) traded notional grew by 20.8% and 12.7%, respectively, in the full year 2018 compared with the full year 2017.

In the full year 2018:

- IRD traded notional increased to \$236.4 trillion from \$193.9 trillion in the full year 2017. Trade count grew to 1.3 million from 1.2 million. Single currency fixed-for-floating IRS traded notional increased to \$73.0 trillion from \$58.4 trillion. FRA traded notional rose to \$77.8 trillion from \$64.4 trillion, and OIS traded notional increased to \$53.0 trillion in the full year 2018 from \$47.0 trillion in the full year 2017.
- Single currency fixed-for-floating IRS accounted for 65.6% of total IRD trades but represented only 30.9% of IRD traded notional. FRAs and OIS represented 32.9% and 22.4% of traded notional and 14.2% and 5.3% of total trade count, respectively.
- Cleared IRD transactions represented 88.1% of total traded notional, compared with 87.6% in the full year 2017. About 96% of fixed-for-floating IRS, 99% of FRA, 97% of OIS, and 31% of other IRD traded notional was cleared in 2018.
- SEF-traded swaps represented 55.8% of total traded notional, compared with 54.9% in the full year 2017. About 58% of fixed-for-floating IRS, 79% of FRA, 31% of OIS and 37% of other IRD traded notional was executed on SEFs in 2018.
- IRD contracts in US dollars remained the most actively traded instruments, contributing 68.6% of traded notional and 55.5% of trade count. Euro-denominated transactions accounted for 12.8% of traded notional and 14.1% of trade count.

In the fourth quarter of 2018:

- IRD traded notional rose by 27.8% to \$56.9 trillion from \$44.5 trillion in the fourth quarter of 2017. Trade count grew by 13.6% over the same period to 321,219 from 282,795. Single currency fixed-for-floating IRS traded notional increased to \$19.3 trillion from \$15.1 trillion. FRA traded notional rose to \$16.6 trillion from \$14.1 trillion, and OIS traded notional increased to \$13.3 trillion in the fourth quarter of 2018 from \$9.4 trillion in the fourth quarter of 2017.
- Single currency fixed-for-floating IRS accounted for 67.9% of total IRD trades but represented only 33.8% of IRD traded notional. FRAs and OIS represented 29.2% and 23.4% of traded notional and 11.7% and 5.6% of total trade count, respectively.
- Cleared IRD transactions represented 88.7% of total traded notional and 82.9% of trade count. About 96% of fixed-for-floating IRS, 99% of FRA, 96% of OIS and 35% of other IRD traded notional was cleared.
- SEF-traded transactions represented 52.6% of total traded notional and 61.4% of trade count. About 58% of fixed-for-floating IRS, 74% of FRA, 26% of OIS and 37% of other IRD traded notional was executed on SEFs.
- IRD contracts denominated in US dollars remained the most actively traded instruments, contributing 68.3% of traded notional and 56.3% of trade count. Euro-denominated transactions accounted for a far smaller percentage of traded notional (12.6%) and trade count (12.7%).

Credit Derivatives

Credit derivatives traded notional and trade count increased by 39.2% and 30.3%, respectively, in the full year 2018 compared with the full year 2017. There was more trading activity across all major indices, including CDX HY, CDX IG and iTraxx Europe.

In the full year 2018:

- Credit derivatives traded notional increased to \$9.5 trillion from \$6.8 trillion in the full year 2017. Trade count grew to 252,108 from 193,519 over the same period. CDX HY traded notional increased by 51% to \$1.6 trillion from \$1.0 trillion in the full year 2017, and CDX IG traded notional rose by 52.2% over the same period to \$3.2 trillion from \$2.1 trillion. iTraxx Europe traded notional increased by 27.9% to \$1.8 trillion in the full year 2018 compared with \$1.4 trillion in the full year 2017.
- CDX HY and CDX IG represented 16.4% and 34% of traded notional and 27.7% and 22.5% of total trade count, respectively. iTraxx Europe accounted for 18.7% of total credit derivatives traded notional and 13.7% of total trade count.
- Cleared transactions represented 82.8% of total traded notional, compared with 79.8% in the full year 2017. About 98% of CDX HY, 98% of CDX IG, 97% of iTraxx Europe and 49% of other credit derivatives traded notional was cleared.
- SEF-traded credit derivatives represented 78.8% of total traded notional, compared with 74.9% in the full year 2017. About 97% of CDX HY, 97% of CDX IG, 94% of iTraxx Europe and 40% of other credit derivatives traded notional was executed on SEFs.
- Credit derivatives contracts denominated in US dollars represented 66.0% of traded notional and 68.6% of trade count. Euro-denominated transactions accounted for 33.8% and 31% of traded notional and trade count, respectively.

In the fourth quarter of 2018:

- Credit derivatives traded notional increased by 73.3% to \$2.7 trillion from \$1.6 trillion in the fourth quarter of 2017. Trade count grew by 72.2% to 72,987 from 42,373 over the same period. CDX HY traded notional increased by 108.4% and CDX IG traded notional increased by 106.8% compared with the fourth quarter of 2017. CDX HY grew to \$515.3 billion from \$247.3 billion, and CDX IG rose to \$992.1 billion from \$479.8 billion. iTraxx Europe traded notional increased by 46.0% to \$441.2 billion in the fourth quarter of 2018 from \$302.1 billion in the fourth quarter of 2017.
 - CDX HY and CDX IG represented 19.1% and 36.7% of traded notional and 32% and 24.2% of total trade count, respectively. iTraxx Europe accounted for 16.3% of total credit derivatives traded notional and 13.2% of total trade count.
 - Cleared transactions represented 82.2% of total traded notional and 83.5% of trade count. About 98% of CDX HY, 98% of CDX IG, 96% of iTraxx Europe and 42% of other credit derivatives traded notional was cleared.
 - SEF-traded credit derivatives represented 78.6% of total traded notional and 80.9% of trade count. About 97% of CDX HY, 98% of CDX IG, 94% of iTraxx Europe and 32% of other credit derivatives traded notional was executed on SEFs.
 - Credit derivatives contracts denominated in US dollars represented 72.4% of total traded notional and 73.8% of trade count. Euro-denominated transactions accounted for 27.4% and 25.8% of traded notional and trade count, respectively.
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