

SwapsInfo Full Year 2019 and the Fourth Quarter of 2019 Review: Summary

The ISDA SwapsInfo Quarterly 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.

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 trades required to be disclosed under US regulations.

KEY HIGHLIGHTS FOR THE FULL YEAR 2019 AND THE FOURTH QUARTER OF 2019

Interest Rate Derivatives

IRD traded notional and trade count continued to increase in 2019. IRD traded notional and trade count rose by 7.9% and 12.5%, respectively, compared with 2018. Single currency fixed-for-floating interest rate swaps (IRS) traded notional decreased by 1.3%, while forward rate agreements (FRAs) and overnight index swaps (OIS) traded notional grew by 13.2% and 21.8%, respectively, in 2019 compared with the prior year.

In the full year 2019:

- IRD traded notional increased to \$255.3 trillion from \$236.6 trillion in 2018. Trade count grew to 1.5 million from 1.3 million over the same period. Single currency fixed-for-floating IRS traded notional decreased to \$72.1 trillion from \$73.1 trillion. FRA traded notional rose to \$88.1 trillion from \$77.8 trillion, and OIS traded notional increased to \$64.7 trillion in 2019 from \$53.1 trillion in 2018.
- Single currency fixed-for-floating IRS accounted for 64.0% of total IRD trades but represented only 28.2% of IRD traded notional in 2019. FRAs and OIS represented 34.5% and 25.3% of traded notional and 15.1% and 6.0% of total trade count, respectively.
- Cleared IRD transactions represented 88.9% of total traded notional, compared with 88.1% in 2018. 95.8% of fixed-for-floating IRS, 99.5% of FRA, 96.0% of OIS and 26.9% of other IRD traded notional was cleared in 2019.
- SEF-traded IRD represented 56.6% of total traded notional compared with 55.8% in 2018. 58.5% of fixed-for-floating IRS, 80.2% of FRA, 31.6% of OIS and 36.7% of other IRD traded notional was executed on SEFs in 2019.
- IRD contracts denominated in US dollars contributed 66.2% of traded notional and 53.1% of trade count. Euro-denominated transactions accounted for 13.0% of traded notional and 15.2% of trade count. Sterling-denominated transactions totaled 7.5% and 7.8% of total IRD traded notional and trade count, respectively.

- Traded notional for fixed-for-floating IRS contracts denominated in US dollars decreased by 6.9%, while US dollar-denominated FRAs and OIS contracts increased by 15.1% and 7.5%, respectively, compared with 2018. Euro-denominated IRS decreased by 3.8%, while euro-denominated FRAs and OIS increased by 6.6% and 38.5%, respectively.

In the fourth quarter of 2019:

- IRD traded notional declined to \$48.3 trillion from \$56.9 trillion in the fourth quarter of 2018. Trade count grew to 338.7 thousand from 321.4 thousand over the same period. Single currency fixed-for-floating IRS traded notional decreased to \$14.6 trillion from \$19.3 trillion. FRA traded notional dropped to \$14.7 trillion from \$16.6 trillion and OIS traded notional decreased to \$12.5 trillion in the fourth quarter of 2019 from \$13.3 trillion in the fourth quarter of 2018.
- Single currency fixed-for-floating IRS accounted for 65.3% of total IRD trades but represented only 30.3% of IRD traded notional in the fourth quarter of 2019. FRAs and OIS represented 30.4% and 25.9% of traded notional and 12.4% and 6.1% of total trade count, respectively.
- Cleared IRD transactions represented 87.4% of total traded notional and 81.9% of trade count. 95.3% of fixed-for-floating IRS, 99.1% of FRA, 95.8% of OIS and 26.2% of other IRD traded notional was cleared in the fourth quarter of 2019.
- SEF-traded swaps represented 52.0% of total traded notional and 59.2% of trade count. 57.7% of fixed-for-floating IRS, 75.7% of FRA, 27.1% of OIS and 33.5% of other IRD traded notional was executed on SEFs in the fourth quarter of 2019.
- IRD contracts denominated in US dollars contributed 64.0% of traded notional and 51.7% of trade count. Euro-denominated transactions accounted for 11.7% of traded notional and 14.8% of trade count. Sterling-denominated transactions totaled 9.7% and 8.5% of total IRD traded notional and trade count, respectively.
- Traded notional for fixed-for-floating IRS, FRA and OIS contracts denominated in US dollars decreased by 36.6%, 12.0% and 11.2%, respectively, compared with the fourth quarter of 2018. Euro-denominated IRS and OIS decreased by 24.9% and 38.1%, respectively, while euro-denominated FRAs increased by 0.8%.

Credit Derivatives

Credit derivatives traded notional and trade count decreased by 11.5% and 8.3%, respectively, in 2019 compared to 2018¹. There was less trading activity across all major indices, including CDX HY, CDX IG and iTraxx Europe.

In the full year 2019:

- Credit derivatives traded notional decreased to \$8.4 trillion in 2019 from \$9.5 trillion in 2018. Trade count dropped to 231.2 thousand from 252.3 thousand over the same period. CDX HY traded notional declined by 10.9% to \$1.4 billion in 2019 from \$1.6 billion in 2018, and CDX IG traded notional decreased by 3.4% to \$3.1 trillion from \$3.3 trillion over the same time frame. iTraxx Europe traded notional decreased by 15.2% to \$1.5 trillion in 2019 from \$1.7 trillion in 2018.
- CDX HY and CDX IG represented 16.5% and 37.2% of traded notional and 28.7% and 24.8% of total trade count, respectively. iTraxx Europe accounted for 17.5% of total credit derivatives traded notional and 13.2% of total trade count.
- Cleared transactions represented 80.0% of total traded notional and 80.6% of trade count. 97.5% of CDX HY, 98.8% of CDX IG, 92.9% of iTraxx Europe and 37.7% of other credit derivatives traded notional was cleared.
- SEF-traded credit derivatives represented 76.6% of total traded notional and 78% of trade count. 96.7% of CDX HY, 97.9% of CDX IG, 89.6% of iTraxx Europe and 29.6% of other credit derivatives traded notional was executed on SEFs.
- Credit derivatives contracts denominated in US dollars represented 70.8% of traded notional and 72.0% of trade count. Euro-denominated transactions accounted for 28.8% and 27.4% of traded notional and trade count, respectively.

¹ Credit derivatives mostly comprise CDS indices, but also include CDS index tranches, credit swaptions, exotic products, total return swaps and an insignificant amount of single-name CDS

In the fourth quarter of 2019:

- Credit derivatives traded notional decreased to \$1.7 trillion from \$2.7 trillion in the fourth quarter of 2018. Trade count dropped to 47.7 thousand from 73.1 thousand over the same period. CDX HY traded notional decreased by 44.6% to \$285.4 billion from \$515.3 billion in the fourth quarter of 2018. CDX IG traded notional decreased by 38.4% to \$611.2 billion from \$992.3 billion in the fourth quarter of 2018. iTraxx Europe traded notional declined by 28.3% to \$286.8 billion in the fourth quarter of 2019 from \$400.0 billion in the fourth quarter of 2018.
 - CDX HY and CDX IG represented 16.6% and 35.6% of traded notional and 28.3% and 24.5% of total trade count, respectively. iTraxx Europe accounted for 16.7% of total credit derivatives traded notional and 12.0% of total trade count.
 - Cleared transactions represented 77.4% of total traded notional and 78.5% of trade count. 96.8% of CDX HY, 98.2% of CDX IG, 92.0% of iTraxx Europe and 35.1% of other credit derivatives traded notional was cleared.
 - SEF-traded credit derivatives represented 73.9% of total traded notional and 76.0% of trade count. 95.5% of CDX HY, 97.4% of CDX IG, 88.9% of iTraxx Europe and 27.4% of other credit derivatives traded notional was executed on SEFs.
 - Credit derivatives contracts denominated in US dollars represented 71.7% of total traded notional and 71.7% of trade count. Euro-denominated transactions accounted for 28.0% and 27.7% of traded notional and trade count, respectively.
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ISDA has published other recent research papers:

- ***Interest Rate Benchmarks Review: Full Year 2019 and the Fourth Quarter of 2019, January 2020***

<https://www.isda.org/a/W5LTE/Interest-Rate-Benchmarks-Review-Full-Year-2019-and-Q4-2019.pdf>

- ***Key Trends in The Size and Composition of OTC Derivatives Markets in the First Half of 2019, November 2019***

<https://www.isda.org/a/CicTE/Key-Trends-in-the-Size-and-Composition-of-OTC-Derivatives-Markets-1H-2019.pdf>

- ***SwapsInfo Third Quarter of 2019 and Year-to-September 30, 2019 Review, October 2019***

<https://www.isda.org/a/m4aTE/SwapsInfo-Q3-2019-and-Year-to-Sept.-30-2019-Review-Full-Report.pdf>

For questions on ISDA Research, please contact:

Olga Roman

Director of Research

International Swaps and Derivatives Association, Inc. (ISDA)

Office: 212-901-6017

oroman@isda.org

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Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 900 member institutions from 71 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and

regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org. Follow us on Twitter @ISDA.