

SwapsInfo First Quarter of 2020 Review: Summary

The ISDA SwapsInfo Quarterly Review provides analysis of interest rate derivatives (IRD) and credit derivatives trading. The report provides a breakdown of cleared and non-cleared activity, swap execution facility (SEF) and off-SEF traded notional, product taxonomy and currency information.

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 FIRST QUARTER OF 2020

Trading volumes for IRD and credit derivatives both increased during the first quarter of 2020, driven by market volatility caused by the coronavirus pandemic. For IRD, the increase was particularly noticeable in overnight index swaps (OIS). For credit derivatives, there was more trading activity across all major indices.

Interest Rate Derivatives

IRD traded notional and trade count both grew in the first quarter of 2020. IRD traded notional and trade count rose by 25.0% and 27.4%, respectively, compared with the first quarter of 2019. Single currency fixed-for-floating interest rate swaps (IRS) traded notional decreased by 3.4%, while forward rate agreements (FRAs) and OIS traded notional grew by 8.7% and 111.4%, respectively, in the first quarter of 2020 compared with the prior year.

In the first quarter of 2020:

- IRD traded notional increased to \$87.4 trillion from \$70.0 trillion in the first quarter of 2019. Trade count grew to 481.6 thousand from 378.0 thousand over the same period. Single currency fixed-for-floating IRS traded notional decreased to \$19.5 trillion from \$20.2 trillion. FRA traded notional grew to \$29.4 trillion from \$27.1 trillion and OIS traded notional jumped to \$30.3 trillion in the first quarter of 2020 from \$14.3 trillion in the first quarter of 2019.
- Single currency fixed-for-floating IRS accounted for 62.1% of total IRD trades but represented only 22.3% of IRD traded notional in the first quarter of 2020. FRAs and OIS represented 33.6% and 34.7% of traded notional and 15.3% and 8.5% of total trade count, respectively.
- Cleared IRD transactions represented 91.2% of total traded notional and 84.1% of trade count. 94.8% of fixed-for-floating IRS, 99.0% of FRA, 97.2% of OIS and 32.5% of other IRD traded notional was cleared in the first quarter of 2020.
- SEF-traded IRD represented 52.8% of total traded notional and 61.0% of trade count. 58.2% of fixed-for-floating IRS, 80.9% of FRA, 25.9% of OIS and 38.3% of other IRD traded notional was executed on SEFs in the first quarter of 2020.

- IRD contracts denominated in US dollars contributed 61.2% of traded notional and 52.6% of trade count. Euro-denominated transactions accounted for 11.0% of traded notional and 14.2% of trade count. Sterling-denominated transactions totaled 14.4% and 9.2% of total IRD traded notional and trade count, respectively.
- Fixed-for-floating IRS contracts denominated in US dollars decreased by 5.6%, while US dollar FRA and OIS contracts increased by 9.6% and 97.7%, respectively, compared with the first quarter of 2019. Euro-denominated FRAs and OIS increased by 2.2% and 38.8%, respectively, while euro-denominated IRS decreased by 16.5%.

Credit Derivatives

Credit derivatives traded notional and trade count jumped by 67.9% and 61.5%, respectively, in the first quarter of 2020 compared to the first quarter of 2019¹. There was more trading activity across all major indices, including CDX HY, CDX IG and iTraxx Europe.

In the first quarter of 2020:

- Credit derivatives traded notional increased to \$3.9 trillion from \$2.4 trillion in the first quarter of 2019. Trade count grew to 102.0 thousand from 63.2 thousand over the same period. CDX HY traded notional increased by 76.3% to \$635.9 billion from \$360.7 billion in the first quarter of 2019. CDX IG traded notional increased by 82.7% to \$1.6 trillion from \$891.9 billion in the first quarter of 2019. iTraxx Europe traded notional rose by 90.0% to \$713.9 billion in the first quarter of 2020 from \$375.7 billion in the same period of 2019.
- CDX HY and CDX IG represented 16.1% and 41.4% of traded notional and 28.2% and 27.5% of total trade count, respectively. iTraxx Europe accounted for 18.1% of total credit derivatives traded notional and 12.7% of total trade count.
- Cleared credit derivatives transactions represented 83.3% of total traded notional and 82.2% of trade count. 96.4% of CDX HY, 96.8% of CDX IG, 93.9% of iTraxx Europe and 43.9% of other credit derivatives traded notional was cleared.
- SEF-traded credit derivatives represented 79.9% of total traded notional and 79.1% of trade count. 95.1% of CDX HY, 95.5% of CDX IG, 91.7% of iTraxx Europe and 34.6% of other credit derivatives traded notional was executed on SEFs.
- Credit derivatives contracts denominated in US dollars represented 71.5% of total traded notional and 72.5% of trade count. Euro-denominated transactions accounted for 28.3% and 27.1% 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 insignificant amount of single-name CDS



ISDA has published other recent research papers:

- ***ISDA Margin Survey Year-End 2019, April 2020***
<https://www.isda.org/a/1F7TE/ISDA-Margin-Survey-Year-end-2019.pdf>
- ***Adoption of Risk-Free Rates: Major Developments in 2020, February 2020***
<https://www.isda.org/a/WhXTE/Adoption-of-Risk-Free-Rates-Major-Developments-in-2020.pdf>
- ***SwapsInfo Full Year 2019 and the Fourth Quarter of 2019 Review, February 2020***
<https://www.isda.org/a/8UXTE/SwapsInfo-Full-Year-2019-and-Q4-2019-Review-Full-Report.pdf>

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ABOUT ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 900 member institutions from 73 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.