

## REPO 2021 Review

Discourse on key figures and market development

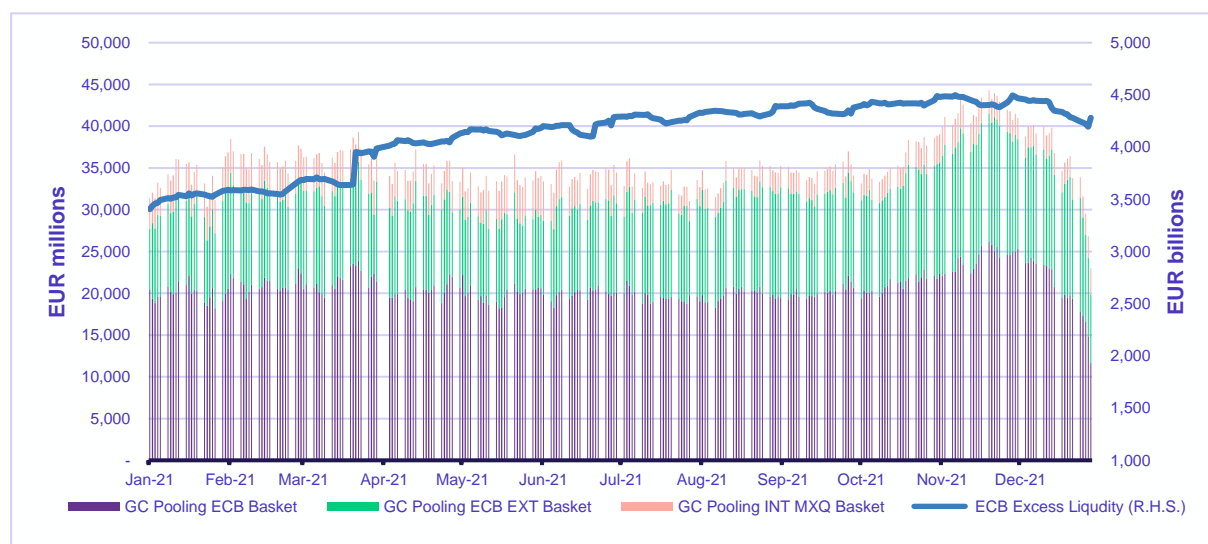
The year 2021 saw steady volumes at Eurex Repo and growth in the Repo Market segment despite excess liquidity adversely impacting wholesale funding markets. Some notable highlights were:

### Management Summary

- **GC Pooling** Outstanding stable y-o-y despite further increase in ECB induced Excess Liquidity with GC Pooling rates markedly diverging from GC in Q4
- The bulk of trading in **USD GC Pooling** was seen in the INT MXQ basket. Typically, terms in the ECB and EXT baskets were one week or less while the INT MXQ basket continues to provide a good source of funding in terms between 1 week to 6 months
- Best year for growth in our **Repo Market** with government bond and SSA repos reaching an outstanding volume of EUR 100 billion. Year-end activity started already mid-September with trading volumes over year-end at Eurex Repo increasing by 83% in Q4 compared to 2020
- The daily average term adjusted volume\* of our Repo market grew by 3.3% y-o-y with the daily average term adjusted volume\* of **French and Spanish bonds** increasing by 21.1% and 106.5% respectively
- Strong activity in **EU bonds** (average TAV: 4.1 bn), **SSAs** (average TAV: 5.7 bn) and **Green bonds** (average TAV: 0.5 bn)

### GC Pooling Market

#### GC Pooling - Daily Outstanding Volume\* (Single Counted)

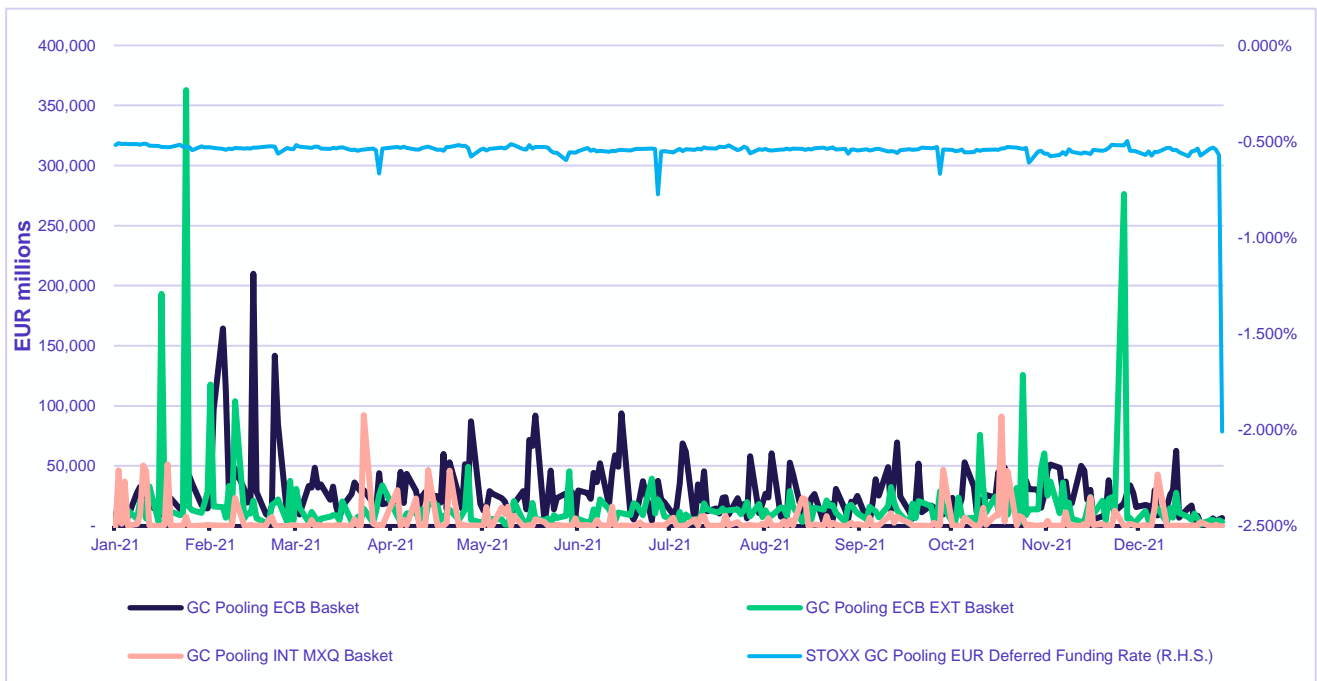


\* Front Leg Cash Amount

## REPO 2021 Review

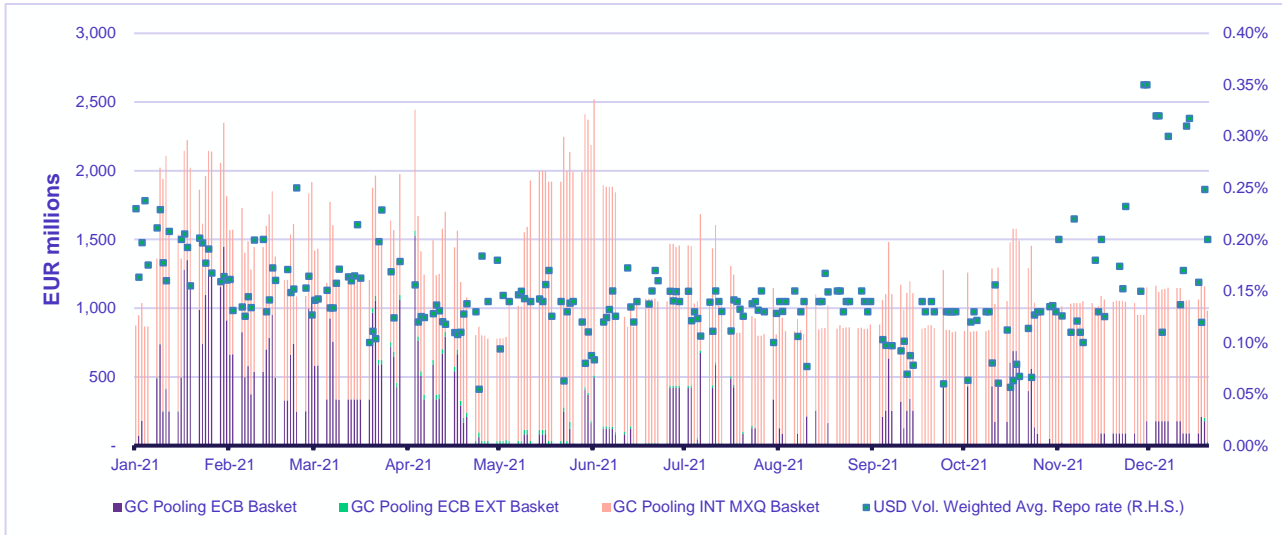
- EUR GC Pooling volumes on the whole remained even although there was a sustained lift in outstanding volumes of around EUR 8 – 10 billion between October – December. This was mainly due to a 'sweet spot' forming in EUR funding between 2 weeks to 1-month terms coupled with the emergence of 2-month term in the ECB basket as a popular product term combination that served as a counterpoint to positions taken in the Repo Market.
- Repo rates in the ECB and EXT baskets edged downwards over the course of 2021 with a 2 – 3 bp spread between the baskets, in short terms typically. While the ECB basket remained slightly more liquid of the two, the EXT basket saw the largest trades with three EUR 500 million trades in 12-month term executed at various points during the year indicating large trades executed for NSFR reasons.
- ECB monetary policy continues to direct funding requirements and collateral flow towards policy tools such as TLTRO iii, PEPP and APP which, together with unchanged key interest rates, continues to be calm wholesale funding markets.
- INT MXQ basket volumes remained stable throughout 2021 where specific cross-currency opportunities exist in non-EUR denominated securities versus EUR and USD cash. As more eligible securities come into the basket at year end this product is set to see rising animation in 2022.

### GC Pooling - Daily Term Adjusted Volume\* (Single Counted) & Deferred Funding Rate

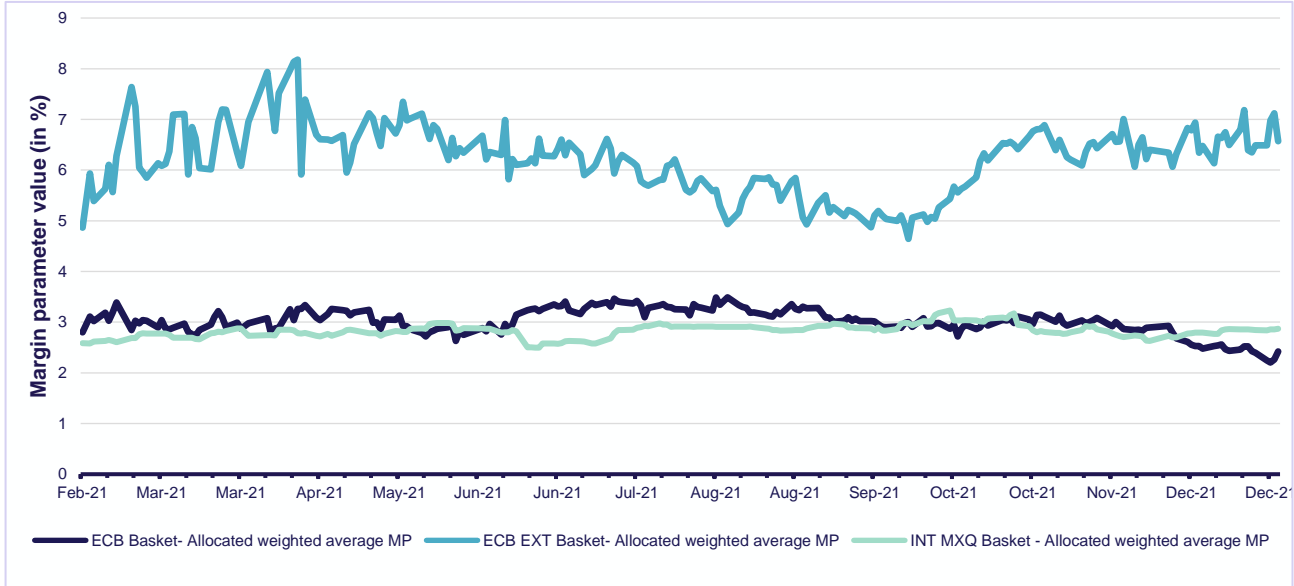


## REPO 2021 Review

### USD GC Pooling - Daily Outstanding Volume\* (Single Counted) for USD Trades in EUR equivalent & Repo Rate



### GC Pooling – Volume weighted margin parameter average of allocated collateral per day per basket



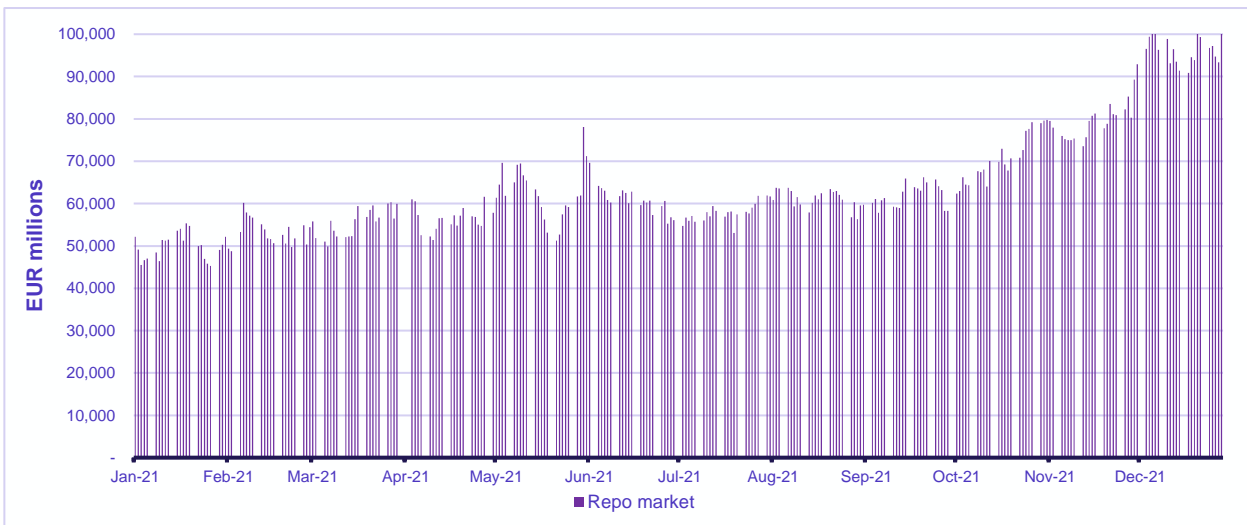
- The bulk of trading in USD GC Pooling was seen in the INT MXQ basket. Typically, terms in the ECB and EXT baskets were one week or less while the INT MXQ basket continues to provide a good source of funding in terms between 1 week to 6 months.
- While the INT MXQ basket remains consistently competitive with the ECB basket in terms of margin parameters on allocated collateral, repo rates are usually seen more in line with the wider EXT basket. This continues to represent good value for cash providers accepting high quality non-EUR denominated collateral at competitive levels in longer terms.
- The average allocated margin parameter in the ECB basket generally decreased during 2021 and ended the year closer to 2% than 3% where it started the year. Conversely toward the

## REPO 2021 Review

last quarter the margin parameter average in the EXT basket rose from mid-year although remained within a corridor between 6 -7% during Q4. The spread between the ECB and EXT baskets generally widened at busier times during 2021 reflecting the nature of available collateral during these periods.

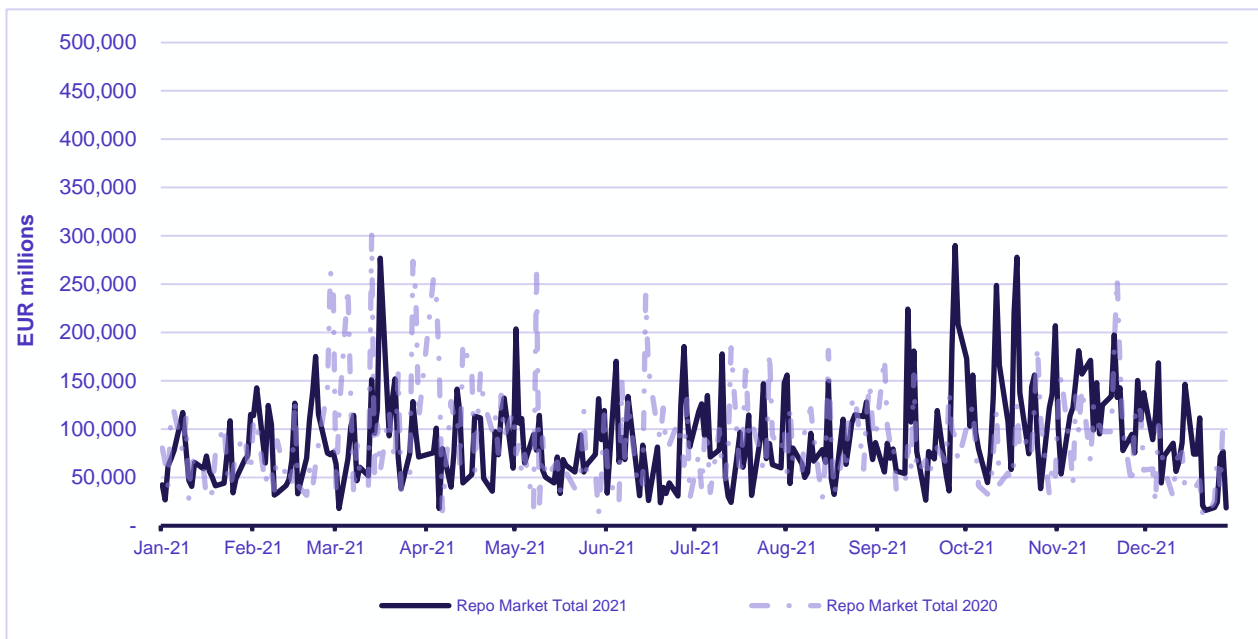
### Repo Market

#### Repo Market<sup>1</sup> – Daily Outstanding Volume\* (Single Counted)



- From mid-September onwards we saw a trend to buy collateral over year end to avoid collateral scarcity due to the concerning September quarter end as it was more disorderly than expected in Europe. This led to increasingly negative implied repo rates towards - 8% throughout Q4 and actual repo rates over the turn in various Euro govts as low as - 6.5%.

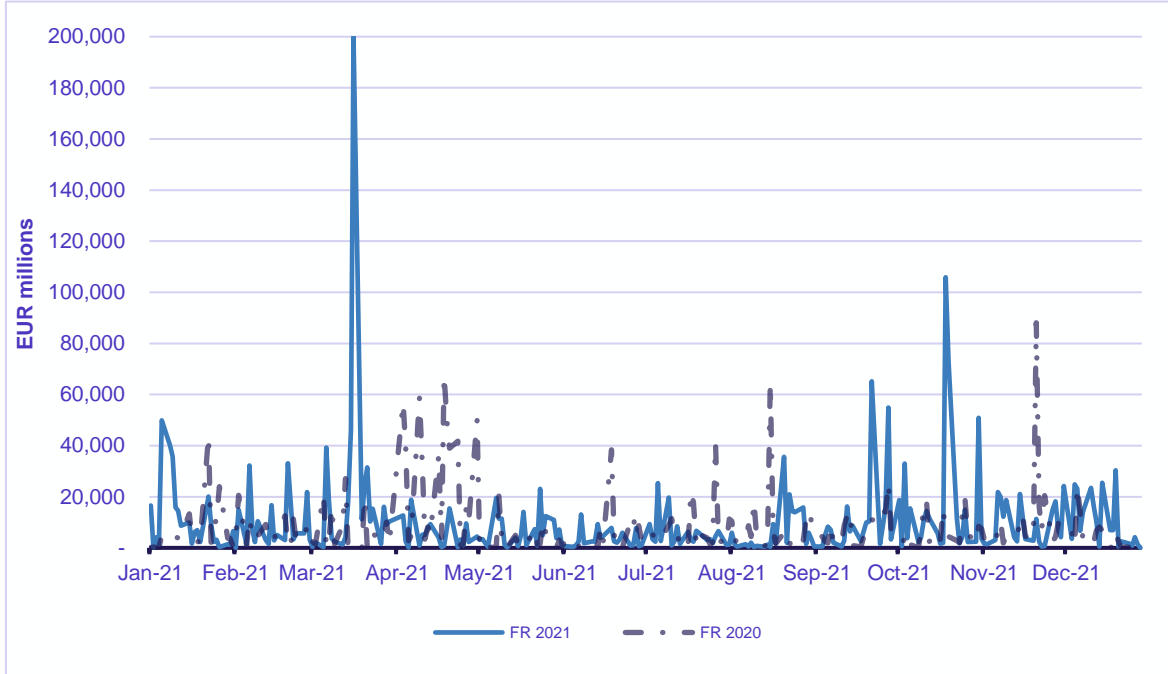
#### Repo Market<sup>1</sup> – Daily Term Adjusted Volume\* (TAV) (Single Counted)



<sup>1</sup> includes GC Repo and Specials market

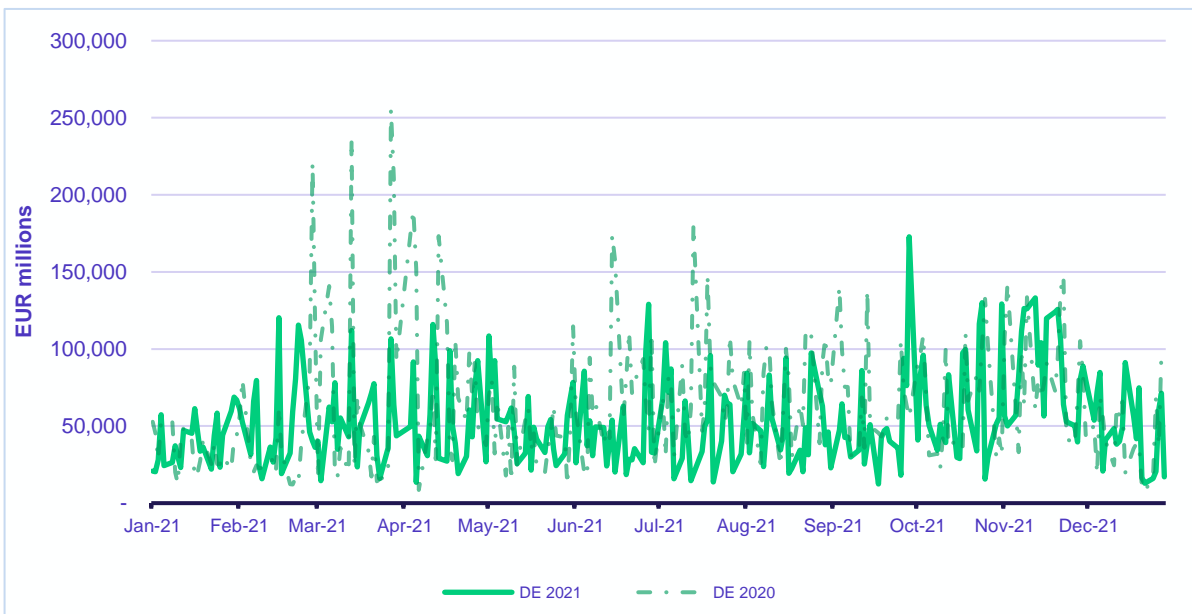
## REPO 2021 Review

### Repo Market<sup>1</sup> – Y-o-Y Daily TAV\* (Only FR bonds) (Single Counted)



- French gov't bonds saw elevated traded and term-adjusted volumes in Q1, particularly in the 10yr gov't bond GC basket, while SPGB gained significant volume particularly between April – October, mainly in GC repo again primarily in limited maturity baskets – 5 year and 10 year.

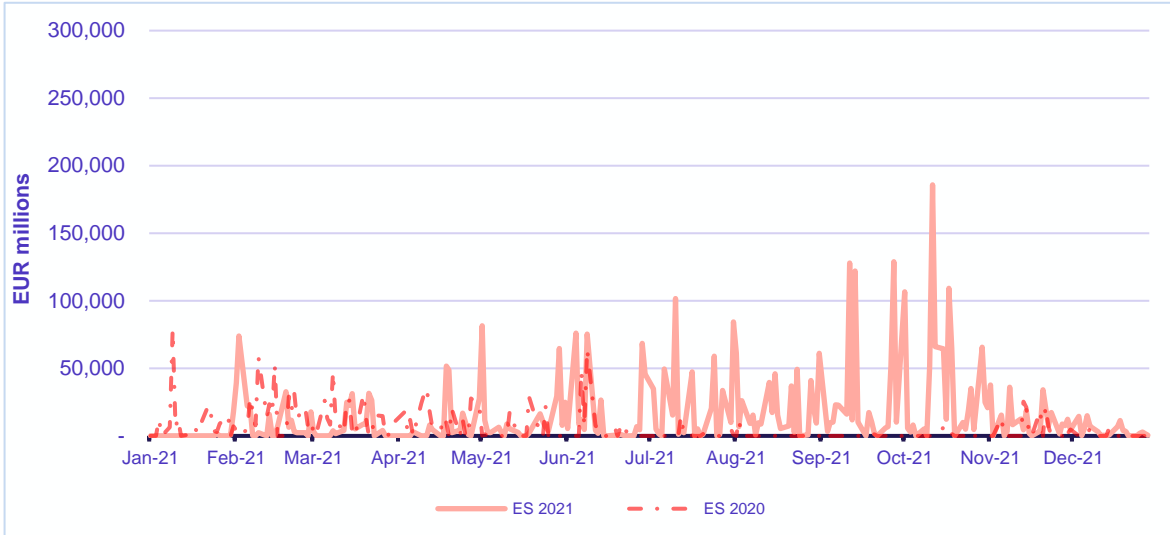
### Repo Market<sup>1</sup> – Y-o-Y Daily TAV\* (Only DE bonds) (Single Counted)



<sup>1</sup> includes GC Repo and Specials market

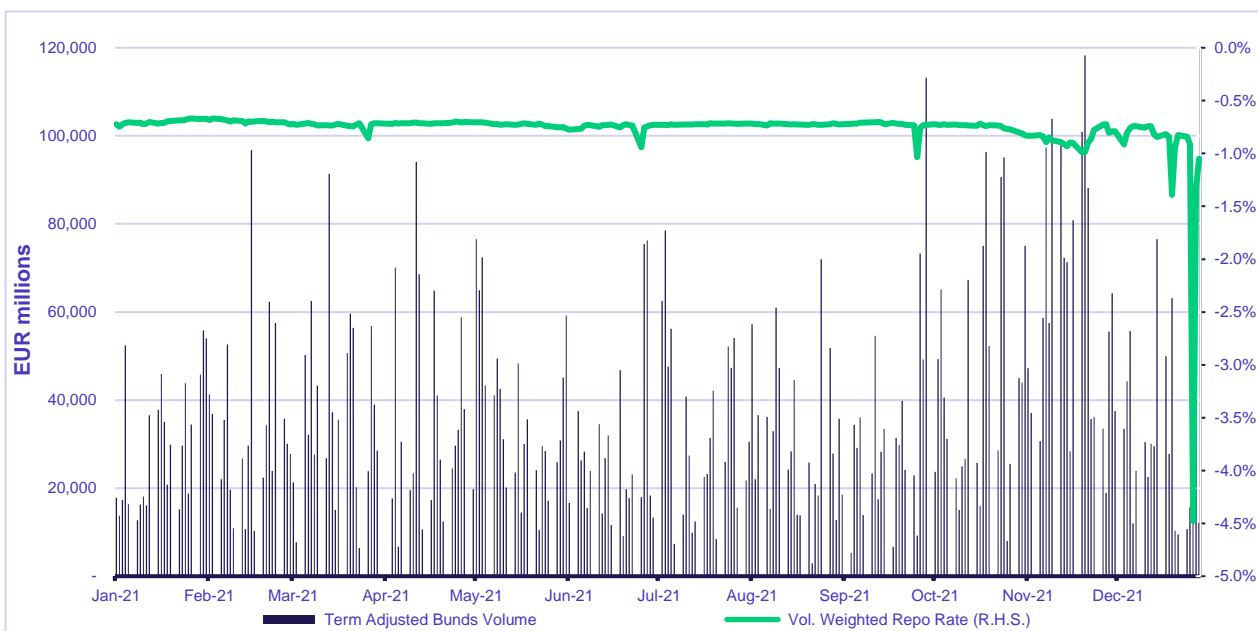
## REPO 2021 Review

### Repo Market<sup>1</sup> – Y-o-Y Daily TAV\* (Only ES bonds) (Single Counted)



- With collateral providers at Eurex providing consistent flow, dealers executed sustained elevated volumes in Q4 - typically trading out to 3<sup>rd</sup> January and then in a second leg from 3<sup>rd</sup> to 20/21 January netting dates, particularly in Bunds.
- Dealers cited availability of collateral provision, CCP diversification of exposure, competitiveness of margin parameters, potential margin offset and in some cases balance sheet netting as drivers to execute and clear more Repo Market business at Eurex than ever before.

### Specials Bunds<sup>2</sup> Market –Daily TAV\* (Single Counted) & Daily Volume Weighted Repo rate



<sup>1</sup> includes GC Repo and Specials market

<sup>2</sup> Bunds list as published on <https://www.deutsche-finanzagentur.de/de/institutionelle-investoren/bundeswertpapiere/bundesanleihen/>



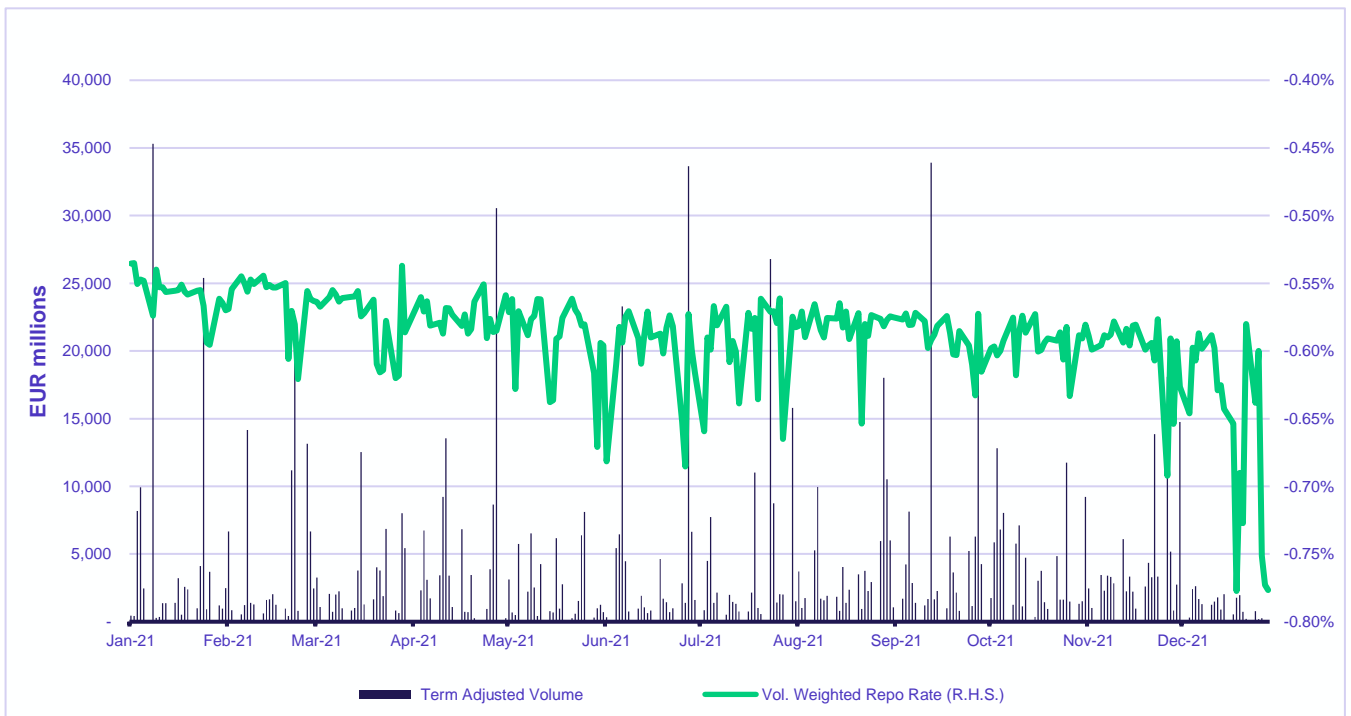


## REPO 2021 Review

- Term adjusted volumes for Bunds are largely driven by dealers trading out to netting dates so a calendar depiction of term adjusted volumes can be distorting. However, it can be seen in the graph that in Q4 there was a consistent upshift in volumes amid concern over year end scarcity, which began as early as mid-September and only abated around 20<sup>th</sup> December. The average repo rate started to become affected by November with actual repo rates becoming consistently more negative than -1%. Actual repo rates dipped in accordance with the implied rate from the previous weeks approaching year end although Bund repo only hit a low point of -4.85% in the final week of the year.
- Dealers observed that choice quotes on the sell side of the order book remained in place throughout the period as the collateral supply of Bunds never eroded.

### Repo Market<sup>1</sup> EU Bonds<sup>3</sup>- Daily TAV (Single Counted) & Daily Volume Weighted Repo rate

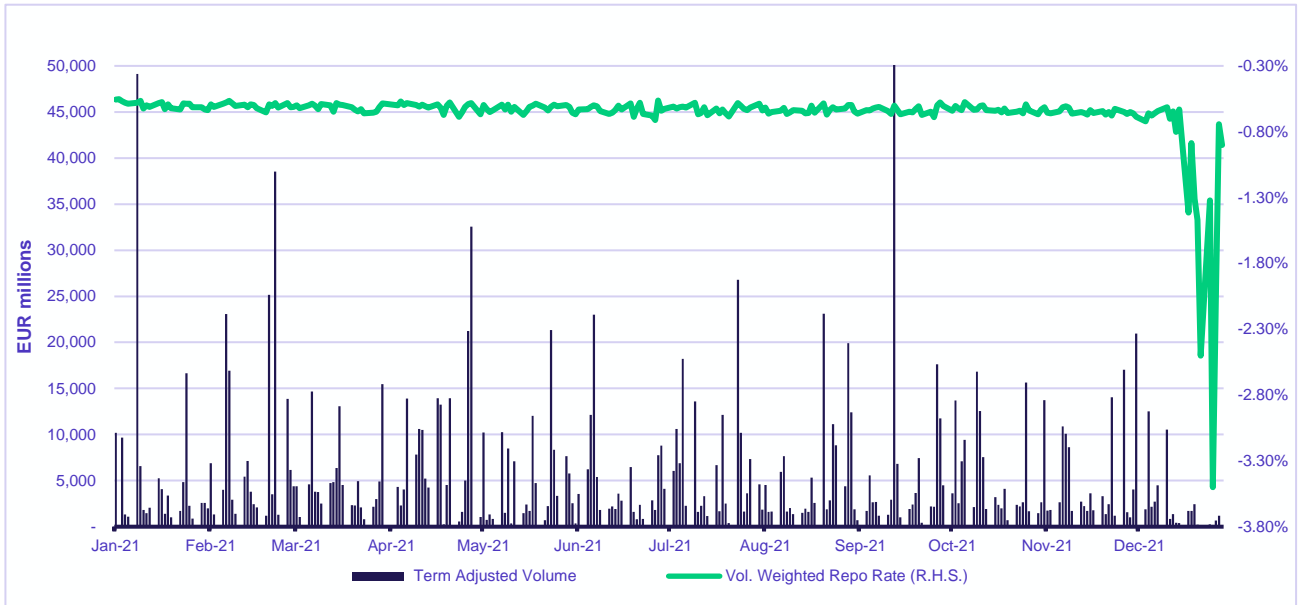
- EU bond volumes, including NGEU bonds, developed through the year. The graph shows that half a dozen large term trades in the 10-year maturity basket skew the overall term adjusted volume picture, however in Special repo the EU asset class developed steadily and in November rose significantly.
- Overall, there was a strong increase in the trading volumes of EU bonds in 2021 compared to 2020 (+1655%). The share of EU bonds in traded volumes of Supranationals & Agencies at Eurex Repo increased to over 40%.



1 includes GC Repo and Specials market  
 3 includes EFSF and ESM 10 Years Bond GC, EFSF + ESM + EU Bond GC, EU Bond GC & EU 10 Years Bond GC Baskets

## REPO 2021 Review

### Repo Market<sup>1</sup> SSA Bonds<sup>4</sup>- Daily TAV (Single Counted) & Daily Volume Weighted Repo rate



<sup>1</sup> includes GC Repo and Specials market

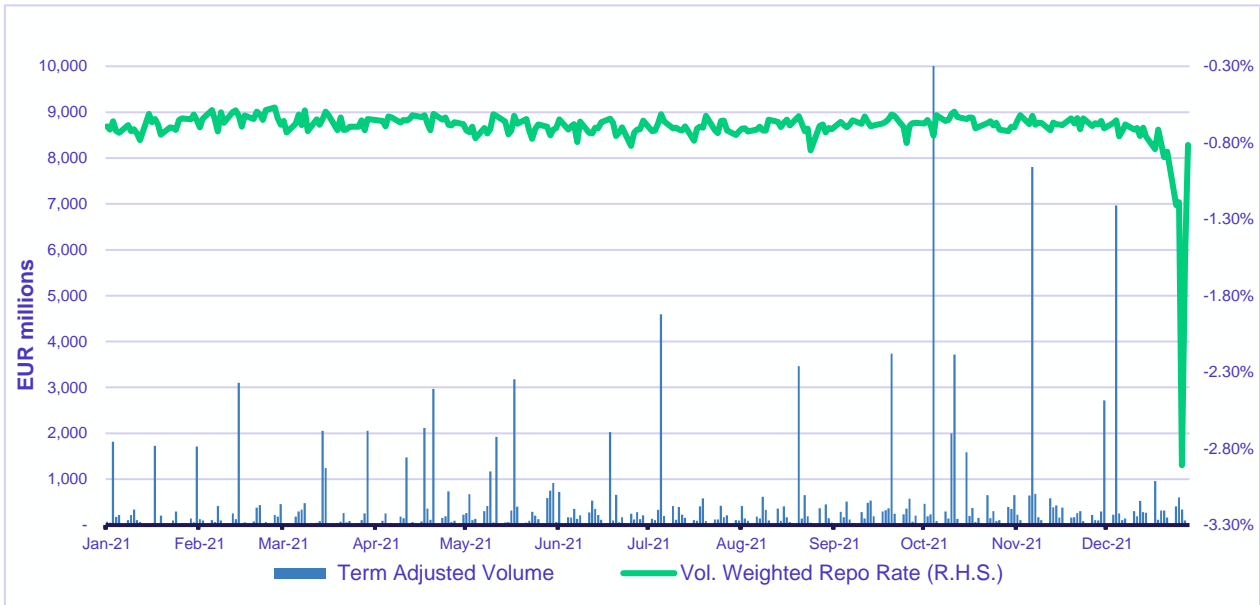
<sup>4</sup> Excludes EU bonds. Includes EIB GC, EIB 10 Years Bond GC & Agency GC Basket

- The EU launched its record-breaking EUR 12 billion NGEU issue in October and EUR 250 billion are planned in new issues by end of 2026.
- In the SSA GC class, the largest term adjusted volumes were provided by 3-month trades in the EFSF / ESM 10 year GC basket. Interesting to note in this class that repo rates were similarly impacted by year end concerns albeit not as dramatically as govt bonds, while EU bonds were more impervious.



## REPO 2021 Review

### Repo Market<sup>1</sup> Green Bonds<sup>5</sup>- Daily TAV (Single Counted) & Daily Volume Weighted Repo rate



<sup>1</sup> includes GC Repo and Specials market

<sup>5</sup> Includes Green Bond GC, Green Bond HQ 10 Years GC & Green Bond HQ GC Baskets

- 2021 ended with record setting issuance in the global Green Bond market with 2022 anticipated to achieve a 50% increase. Eurozone Green Government Bond issues are expected to lead the way, with several new countries issuing green debt as well as the EU, France and Germany continuing with significant sized issues in 2022. Trading volumes of Green Bonds grew significantly across Repo market trading platforms with a noteworthy increase across the Eurex Repo market on F7 in 2021 since we introduced the Green Bond classification in November 2020.

#### Contact

##### SALES

T +49-69-211-1 40 40  
[repo.sales@eurex.com](mailto:repo.sales@eurex.com)

##### PRODUCT DEVELOPMENT

[exr\\_productdevelopment@eurex.com](mailto:exr_productdevelopment@eurex.com)

Find out more online at

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