

Repo market update

October 2023

Global repo volumes increase during October.

Over the past month, data from S&P Global Market Intelligence Repo Data Analytics showed that global volumes in both repo and reverse repo markets increased whilst haircuts remained unchanged and average terms decreased.

Repo activity: Volume +4.6%, Weighted Average Haircuts unchanged, Average term decrease of 0.88 days (86.85 days current average).

Reverse repo activity: Volume +1.5%, Weighted Average Haircuts unchanged, Average term decrease of 0.22 days (134.69 days current average).

EMEA

Across the EMEA region, government bond repo volumes increased by 3.7% and reverse repo volumes increased by 7.7% over the month. The largest increases in volumes across repo transactions were seen in Spanish (29%), Irish (25%) and Belgium (23%) government bonds. Across reverse repo, the largest increases in volumes were seen across Spanish (21.24%), Dutch (20.57%) and Irish (12.98%) government bonds. Despite France, Italy and the UK seeing no change in reverse repo volumes, UK repo volumes increased by 9.48% whilst Italian reverse repo volumes increased by 2%.

In the corporate bond market, volumes continued to increase across USD denominated French high yield (35%) reverse repo and EUR denominated French Investment grade repo volumes (55%). French investment grade corporate bonds continued to trade special throughout the month, becoming more expensive by circa 10%. Conversely, whilst Italian high yield bonds remained in special territory during the month, repo transactions became less expensive by circa 64%.

US

US treasuries cheapened over the month with repo rates increasing 4.7% and reverse repo rates increasing by 1.84% whilst volumes declined across both repo (-9.46%) and reverse repo (-4.91%). Canadian government repo volumes also declined over the month.

US long dated bonds became less expensive with the 4.375% 08/15/43, which had been trading very special, becoming cheaper in both repo and reverse repo markets. Bills maturing during 2023 also started moving towards general collateral levels after trading special during September. Maturities during 2024 and 2026 continued to see strong demand with the 2% 05/31/24 and 1.625% 02/15/26 remaining in deep special territory.

Across the corporate bond markets, reverse repo volumes in the USD denominated high yield and investment grade bonds remained steady whilst repo activity declined by 33%. Reverse repo activity experienced no real changes in rates or haircuts over the month whilst repo activity did become slightly less expensive as haircuts remained unchanged.

APAC

Government bond markets experienced an increase in both repo and reverse repo volumes during the month of October.

Japanese government bond repo volumes increased by 15.45% whilst reverse repo volumes increased by 65.46% during the month. Japanese government bonds became less expensive in both markets with repo rates increasing by 46.39% and reverse repo rates increasing by 65.46%. Australian government bonds were the second biggest mover over the period with repo volumes increasing 15.3% and reverse repo volumes increasing by 4.6%.

Across the corporate bond markets, the most notable market moves were seen across USD denominated Chinese high yield corporate bond repo volumes (12.15%) and reverse repo volumes (13.84%) whilst the asst class became cheaper to trade. Hong Kong high yield and investment grade assets remained special with repo volumes increasing by 20.69%.

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