

Interest Rates and OTC Markets Wrap



January Edition

ASX becomes BBSW benchmark administrator

ASX became administrator of the Bank Bill Swap (BBSW) benchmark from 1 January 2017 while AFMA continues as the calculation agent until mid-2017.

Administration of BBSW is a natural fit for ASX given its vital position at the heart of Australian interest rate markets. ASX and AFMA are working on a new BBSW calculation methodology that will replace the nationally observed best bid and offer (NBBO) methodology. For more information please see the ASX Benchmark Administration page: asx.com.au/services/benchmark.htm

New Derivatives Trading Platform

On 20 March 2017, ASX will replace ASX Trade24 with an upgraded new derivatives trading platform allowing ASX to create a more flexible platform for the future. By using standard global interface protocols customer connectivity will be simplified with minimal operational changes for the user. The new platform will be easily extended, highly scalable and provide efficient and fast time to market for new products and services.

At launch, some key features will include:

- Replacing the custom market facility with more dynamic User Defined Combinations (UDCs)
- Listing Bank Bill Butterflies as Exchange Defined Combinations
- Re-enabling functionality to trade the 3 year bond vs 10 year bond inter-commodity spread during the roll
- More efficient leg price generation when trading Packs and Bundles
- New order type features including Limit orders, market to limit and Time in Force (TIF) orders
- Unintentional Crossing Prevention (UCP)

More information is provided on the ASX website: asx.com.au/services/ntp.htm

Australia keeps AAA rating

Fitch, Moody's and S&P all reaffirmed Australia's AAA credit rating after Treasurer Scott Morrison's release of the Mid-Year Economic and Fiscal Outlook (MYEFO). S&P maintains a negative outlook (July 2016) on Australia's AAA rating implying a one-in-three chance the rating could be lowered within two years on any future deterioration in the budget position.

AOFM issuance schedule

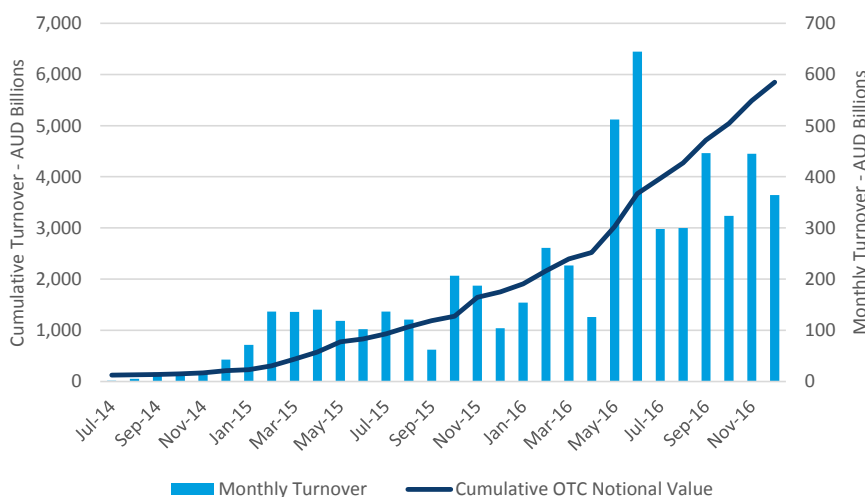
Following the Government's MYEFO announcement, the AOFM announced that Gross Treasury Bond Issuance over the remainder of 2016-17 will remain unchanged from prior forecasts at \$100 billion. Once maturities and bond buybacks are accounted for, net issuance will reach \$74 billion. Two new bond lines will be offered in FY 2016-17, maturing in December 2021 and November 2028.

ASX OTC Clearing

The introduction of 24 hour OTC clearing service is expected to launch from 27 February 2017 in a response to increased demand for client clearing from both domestic and offshore participants. For more information please contact Allan McGregor on +61 2 9227 0814 or allan.mcgregor@asx.com.au.

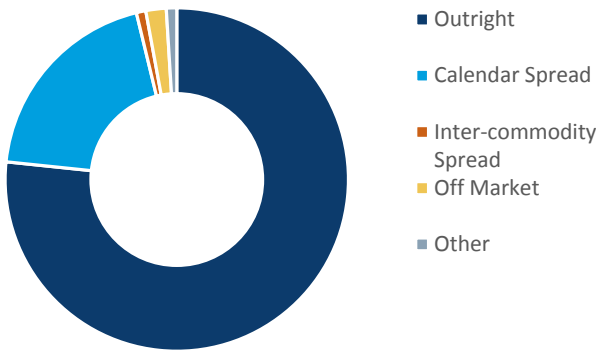
As at end of December 2016, the ASX OTC Clearing service cleared A\$5.8 trillion notional value since service inception, with liquidity on the service continuing its upward trajectory.

ASX OTC Cleared Notional Value

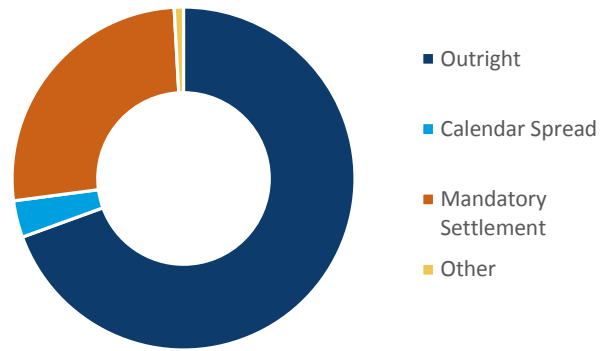


Volume by trade types - ASX Interest Rate Futures

90 Day Bank Accepted Bill Futures
Q4 2016

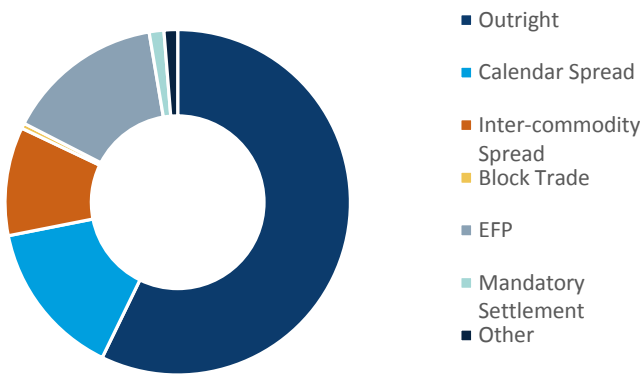


30 Day Interbank Cash Rate Futures
Q4 2016

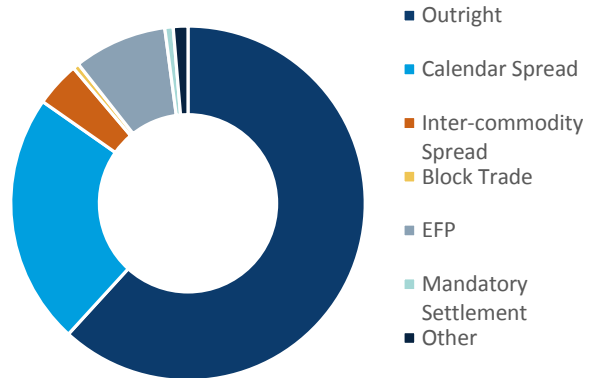


Note: "Other" includes sweep trades, trades occurring during levelling and custom to custom trades

3 Year Treasury Bond Futures
Q4 2016

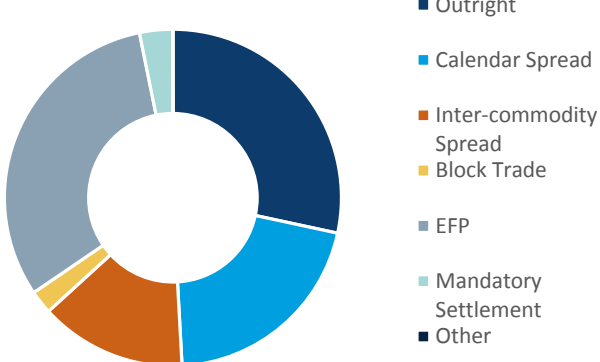


10 Year Treasury Bond Futures
Q4 2016

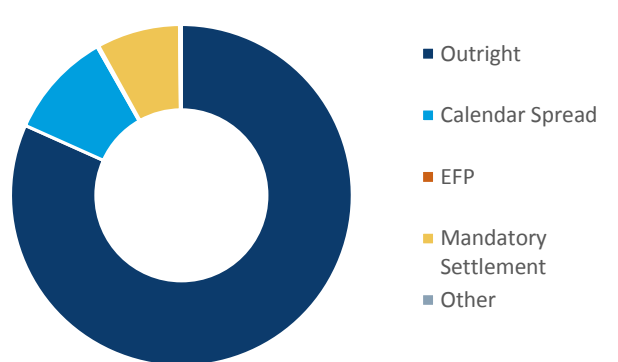


Note: "Other" includes sweep trades, trades occurring during levelling, custom to custom trades and option exercise.

20 Year Treasury Bond Futures
Q4 2016



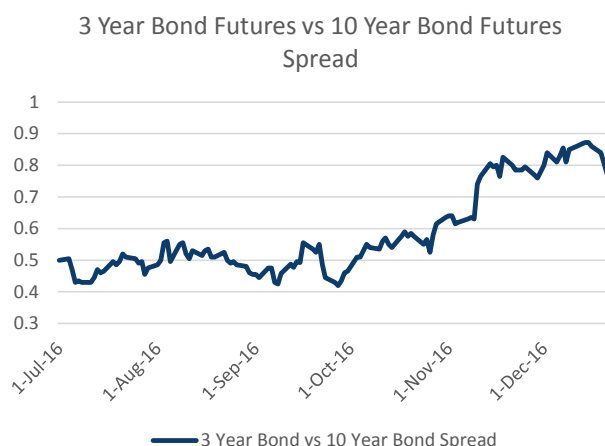
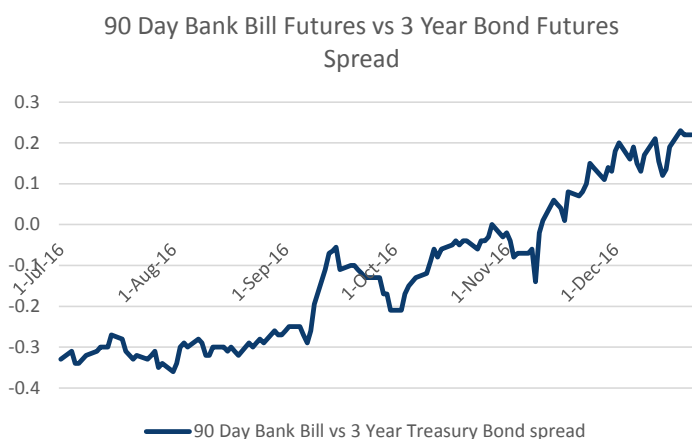
NZ 90 Day Bank Bill Futures
Q4 2016



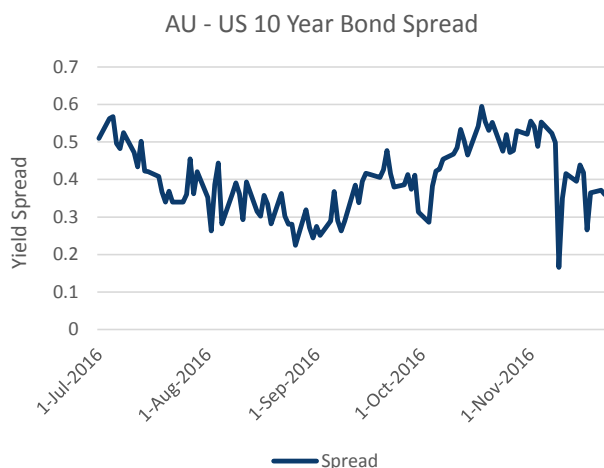
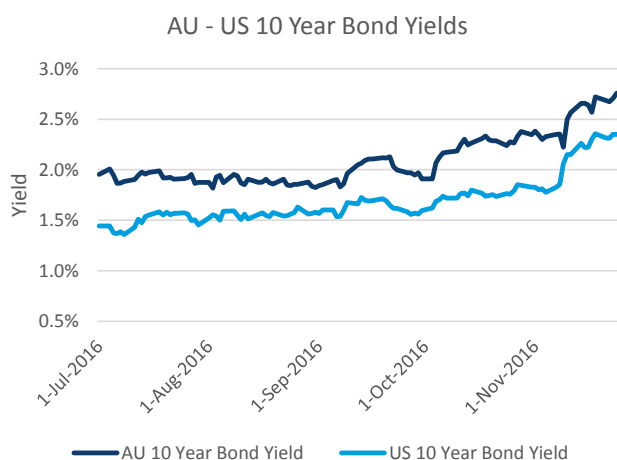
Note: "Other" includes sweep trades, trades occurring during levelling and custom to custom trades



ASX Inter-product spreads



Australian vs US 10 Year Government Bond Yields



Source: Bloomberg

ASX Interest Rate Futures Volume and Open Interest	Volume		Change (%)	Open Interest		Change (%)	Bond Roll Volume
	Dec-16	Dec-15		Dec-16	Dec-15		
30 Day Interbank Cash Rate Futures	163,495	197,063	-17%	148,741	192,522	-23%	N/A
90 Day Bank Accepted Bill Futures	2,341,891	1,891,357	24%	1,032,234	906,508	14%	N/A
3 Year Treasury Bond Futures	5,110,611	4,447,511	15%	868,842	722,333	20%	1,140,294
10 Year Treasury Bond Futures	4,397,248	3,681,925	19%	896,460	718,925	25%	1,348,949
20 Year Treasury Bond Futures	82,488	74,458	11%	24,033	17,456	38%	26,431
NZ 90 Day Bank Bill Futures	117,138	209,897	-44%	150,128	143,218	5%	N/A

Note: Volume and Open Interest figures are recorded in contracts. Bond Roll Volume calculated during the December 2016 roll period.

Further information

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