



## MEDIA RELEASE

### Mixed Financial Market Volumes Provide Backdrop to Murray Inquiry

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Financial markets volumes continue to tread water with mixed outcomes across individual markets, according to data published by the Australian Financial Markets Association (AFMA) in its **2014 Australian Financial Markets Report** (the Report) released this evening. Data in the Report confirms the ongoing importance of efficient and healthy financial markets to the national economy.

The next phase of financial markets development requires regulatory and tax policy settings that positively influence their capacity to support the Australian economy, as it responds to the forces of technology, demographic change and international events, amongst other things.

In this context, AFMA pointed to the importance of the Financial System (Murray) Inquiry in recommending a strategic policy framework that will promote financial markets that are well regulated, efficient for both businesses and households, foster innovation and improve Australia's competitiveness as a financial services centre.

Overall turnover on the financial markets fell by 6.6% in 2013-14, retracing modest gains of recent years, as low volatility in global markets and steady domestic interest rates weighed on turnover. Trading varied across individual financial markets, highlighting the roles of markets in the economy both as a means for capital raising and investment and as a provider of risk management products.

Turnover in financial derivatives declined by 6% during 2013-14. The reduction in activity was most evident in short term derivatives and is a natural outcome of the reduced risk management needs of business and governments in more stable interest rate markets.

Vibrant secondary markets support capital raisings through securities issues and turnover in bonds and equities edged forward in 2013-14. Government debt securities turnover rose 6.8% on the back of continued demand for safe assets and as governments added to overall supply. Trading in non-government debt securities eased back slightly, as the potential of the corporate bond market remains to be fully realised. However, the persistent decline in equities turnover over recent years halted, with a welcome but modest rise of 3.2% in trading recorded.

Activity in the market for short dated debt contracted, largely in accordance with evolving balance sheet requirements of banks.

Electricity market derivatives turnover recorded subdued growth of 0.7%, while environmental products were weighed down by uncertainty over the Renewable Energy Target.

**Notes for Editors:**

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 120 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

Contact details for further information:

David Lynch  
Chief Executive Officer  
+61 2 9776 7991  
0411694288  
[dlynch@afma.com.au](mailto:dlynch@afma.com.au)

## The Australian Financial Markets Annual Turnover Summary By Market (AUD billion)

	2009-10	2010-11	2011-12	2012-13	2013-14	% change
<b>OTC MARKETS</b>						
Government Debt Securities	928	1,483	1,758	1,778	<b>1,899</b>	6.8
Non Government Debt Securities	675	908	592	777	<b>772</b>	(0.7)
Negotiable & Transferable Instruments	4,112	3,676	3,675	3,271	<b>2,784</b>	(14.9)
Repurchase Agreements	5,418	7,364	7,525	7,864	<b>6,011</b>	(23.6)
Swaps <sup>a</sup>	5,923	6,809	9,848	10,495	<b>10,461</b>	(0.3)
Overnight Index Swaps <sup>b</sup>	3,000	5,313	8,703	8,894	<b>7,198</b>	(19.1)
Forward Rate Agreements	4,519	5,857	6,184	5,937	<b>3,893</b>	(34.4)
Interest Rate Options	379	370	516	475	<b>565</b>	18.8
Credit Derivatives	280	321	398	229	<b>230</b>	0.3
Foreign Exchange	41,436	44,517	39,923	42,403	<b>42,914</b>	1.2
Currency Options	706	730	927	1,274	<b>1,083</b>	(15.0)
<b>Total OTC</b>	<b>67,376</b>	<b>77,348</b>	<b>80,049</b>	<b>83,397</b>	<b>77,809</b>	<b>(6.7)</b>
<b>EXCHANGE TRADED MARKETS</b>						
Equities						
Shares	1,359	1,339	1,185	1,151	<b>1,188</b>	3.2
Options	504	681	816	862	<b>697</b>	(19.2)
Sub-Total	1,864	2,020	2,001	2,013	<b>1,885</b>	(6.4)
Futures						
Futures	32,857	45,927	44,846	48,245	<b>45,075</b>	(6.6)
Options	324	507	310	437	<b>415</b>	(5.1)
Sub-Total	33,181	46,434	45,157	48,682	<b>45,490</b>	(6.6)
<b>Total Exchange Traded</b>	<b>35,045</b>	<b>48,454</b>	<b>47,158</b>	<b>50,696</b>	<b>47,375</b>	<b>(6.6)</b>
<b>ALL FINANCIAL MARKETS</b>	<b>102,421</b>	<b>125,802</b>	<b>127,207</b>	<b>134,093</b>	<b>125,184</b>	<b>(6.6)</b>
<b>ENERGY MARKETS</b>						
Electricity (million megawatt hours)						
OTC Electricity Derivatives	221	315	227	291	<b>251</b>	(13.8)
Electricity Futures and Options	399	549	437	342	<b>387</b>	13.1
<b>Total Electricity</b>	<b>620</b>	<b>864</b>	<b>664</b>	<b>633</b>	<b>637</b>	<b>0.7</b>
Environmental Products (million certificates)						
Renewable Energy Certificates	21.5	47.3	61.7	77.8	<b>18.9</b>	(75.8)
NSW Greenhouse Gas Abatement Certificates	14.2	26.5	1.9	0.0	<b>0.0</b>	0.0
Gas Electricity Certificates	2.4	8.5	1.4	2.6	<b>0.2</b>	(91.5)
<b>Total Environmental Products</b>	<b>38.0</b>	<b>82.4</b>	<b>65.0</b>	<b>80.4</b>	<b>19.1</b>	<b>(76.3)</b>

<sup>a</sup> Non AUD Cross Currency Swaps were surveyed for the first time in 2011-12.<sup>b</sup> Non-AUD OIS were surveyed for the first time in 2013-2014

## The Australian Financial Markets annual Turnover Summary By Asset Class (AUD billion)

	2009-10	2010-11	2011-12	2012-13	2013-14	% change
<b>DEBT MARKETS</b>						
Physical Market Turnover						
Government Debt Securities	928	1,483	1,758	1,778	<b>1,899</b>	6.8
Non Government Debt Securities	675	908	592	777	<b>772</b>	(0.7)
Negotiable & Transferable Instruments	4,112	3,676	3,675	3,271	<b>2,784</b>	(14.9)
Repurchase Agreements	5,418	7,364	7,525	7,864	<b>6,011</b>	(23.6)
Sub-Total	11,133	13,431	13,550	13,690	<b>11,466</b>	(16.2)
Derivative Market Turnover						
Swaps	5,923	6,809	9,848	10,495	<b>10,461</b>	(0.3)
Overnight Index Swaps	3,000	5,313	8,703	8,894	<b>7,198</b>	(19.1)
Forward Rate Agreements	4,519	5,857	6,184	5,937	<b>3,893</b>	(34.4)
Interest Rate Options	379	370	516	475	<b>565</b>	18.8
Credit Derivatives	280	321	398	229	<b>230</b>	0.3
Interest Rate Futures and Options	32,043	45,184	43,884	47,473	<b>44,148</b>	(7.0)
Sub-Total	46,143	63,853	69,535	73,504	<b>66,494</b>	(9.5)
<b>Total Debt Markets</b>	<b>57,276</b>	<b>77,284</b>	<b>83,085</b>	<b>87,194</b>	<b>77,960</b>	<b>(10.6)</b>
<b>Derivative Market to Physical Market Activity</b>	<b>4.1</b>	<b>4.8</b>	<b>5.1</b>	<b>5.4</b>	<b>5.8</b>	
<b>CURRENCY MARKETS</b>						
Physical Market Turnover						
Spot Foreign Exchange	14,680	11,853	10,843	11,071	<b>10,811</b>	(2.4)
Derivative Market Turnover						
FX Swaps	24,884	30,391	26,837	28,818	<b>29,320</b>	1.7
Forward Foreign Exchange	1,872	2,274	2,242	2,514	<b>2,783</b>	10.7
Currency Options	706	730	927	1,274	<b>1,083</b>	(15.0)
Sub-Total	27,462	33,395	30,006	32,606	<b>33,186</b>	1.8
<b>Total Currency Markets</b>	<b>42,142</b>	<b>45,248</b>	<b>40,849</b>	<b>43,677</b>	<b>43,997</b>	<b>0.7</b>
<b>Derivative Market to Physical Market Activity</b>	<b>1.9</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>	<b>3.1</b>	
<b>EQUITIES MARKETS</b>						
Physical Market Turnover						
Shares	1,359	1,339	1,185	1,151	<b>1,188</b>	3.2
Derivative Market Turnover						
Options	504	681	816	862	<b>697</b>	(19.2)
Equity Futures and Options	1,139	1,250	1,272	1,209	<b>1,342</b>	11.0
Sub-Total	1,643	1,931	2,088	2,071	<b>2,039</b>	(1.6)
<b>Total Equities Markets</b>	<b>3,003</b>	<b>3,270</b>	<b>3,273</b>	<b>3,222</b>	<b>3,227</b>	<b>0.1</b>
<b>Derivative Market to Physical Market Activity</b>	<b>1.2</b>	<b>1.4</b>	<b>1.8</b>	<b>1.8</b>	<b>1.7</b>	
<b>ALL FINANCIAL MARKETS</b>	<b>102,421</b>	<b>125,802</b>	<b>127,207</b>	<b>134,093</b>	<b>125,184</b>	<b>(6.6)</b>