

## Rates markets vignettes

Periodically, we compile series of snapshots on markets that have seen interesting developments in recent times. This note includes a selection of such high-level snapshots for Rates markets, with special emphasises on EMEA and Americas.

### Regional themes

- Europe: TLTRO depressed trading activity in Europe. Swaps markets remains depressed though client activity grew
- US: banks adjusting more proactively to Basel 3 pressured the exotics market
- Emerging markets: Brazil local markets are impacted by the elections and actions of the central bank

### Product growth areas in FY14

- Canada
- Spain (especially structured rates)
- US Term Repo grew versus compared to overnight repo
- Latin America
- APAC Repo

### E-Trading

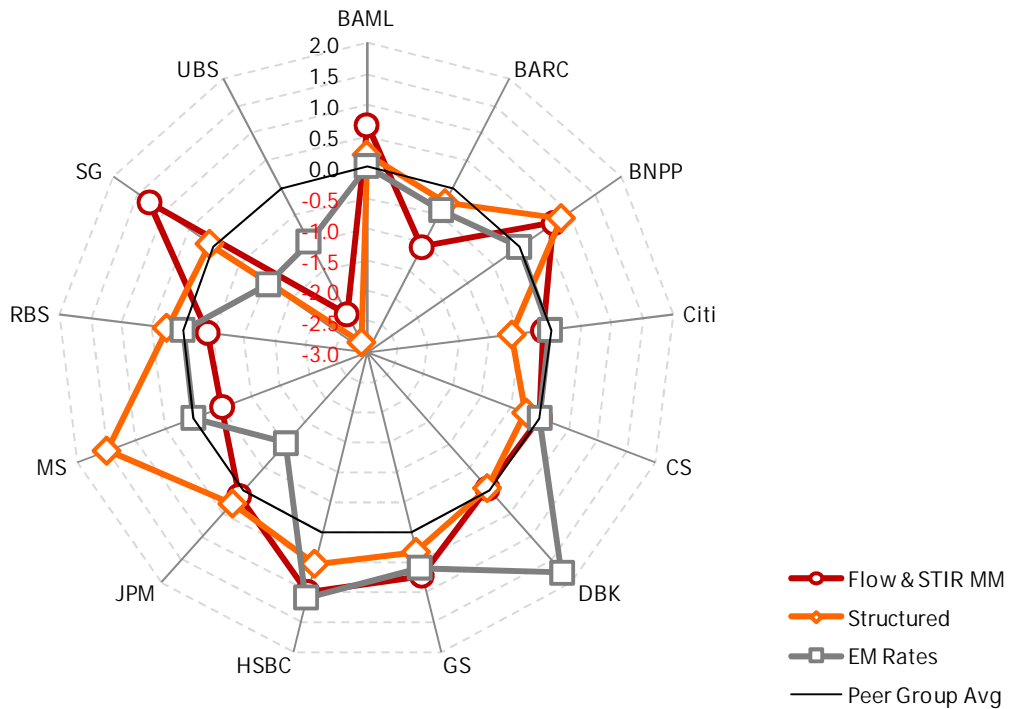
- E-trading market share growing from 15% to c.50%
- In June-14, Credit Suisse transferred c.25% of its electronic rates trading into Wake LLC.
- Blackrock and Tradeweb are collaborating to allow users of Aladdin, to manage, price and execute orders in the rates cash and derivatives markets
- To date, none of the agency electronic credit trading platforms have attracted significant liquidity; Goldman Sachs is reported to be pulling back from the business

### Banks' shifting strategic focus

	BAML	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	UBS
Flow Rates										
EU									Exit / Cut	
USA										Exit / Cut
APAC										
Structured Rates										
EU			Exit / Cut	Exit / Cut					Exit / Cut	
USA				Exit / Cut						Exit / Cut
APAC				Exit / Cut					Exit / Cut	Exit / Cut

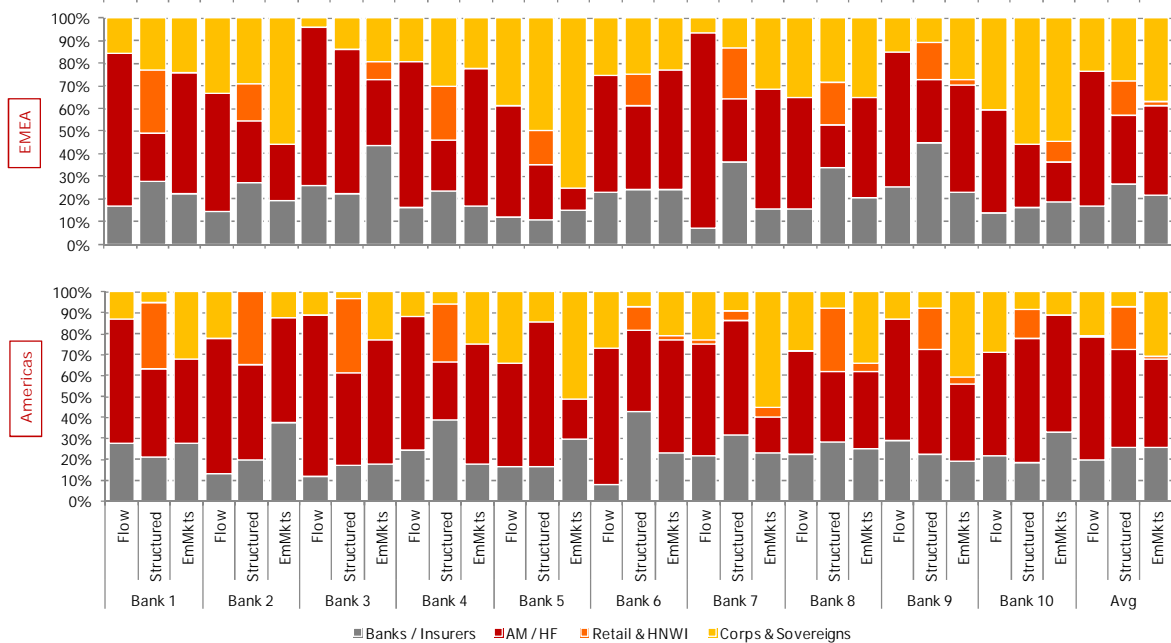
Source: Tricumen analysis.

Operating revenue dynamics (FY14/FY13)



Source: Tricumen analysis. Notes: (1) Tricumen product definitions apply throughout. (2) All y/y dynamics and standard deviations are calculated on line-by-line basis. Positive values indicate outperformance relative to the peer group average; zeros indicate N/M or an outlier.

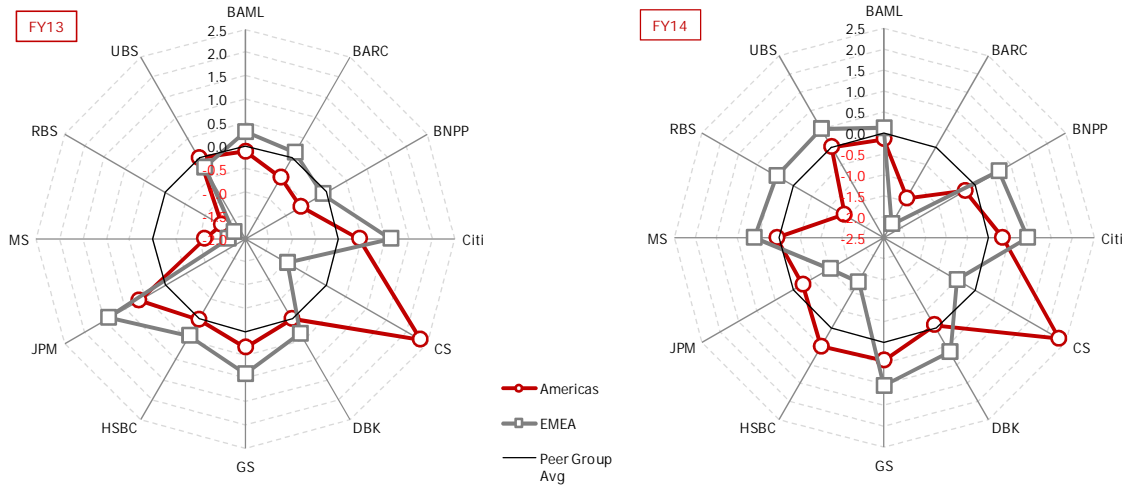
Operating revenue client type (selected banks, US\$, FY14)



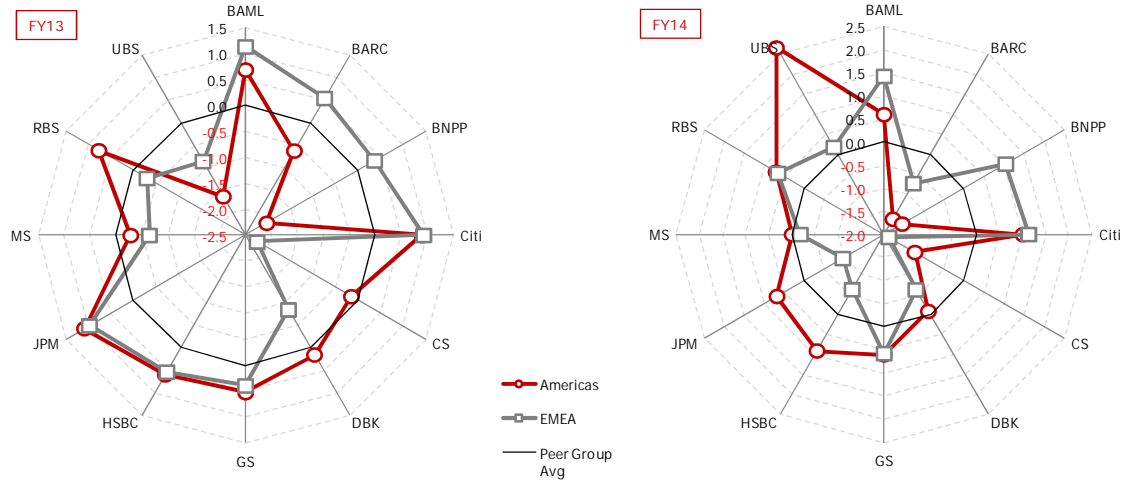
Source: Tricumen analysis.

P&L efficiency (All Rates, US\$, FY13 & FY14)

Cost / income



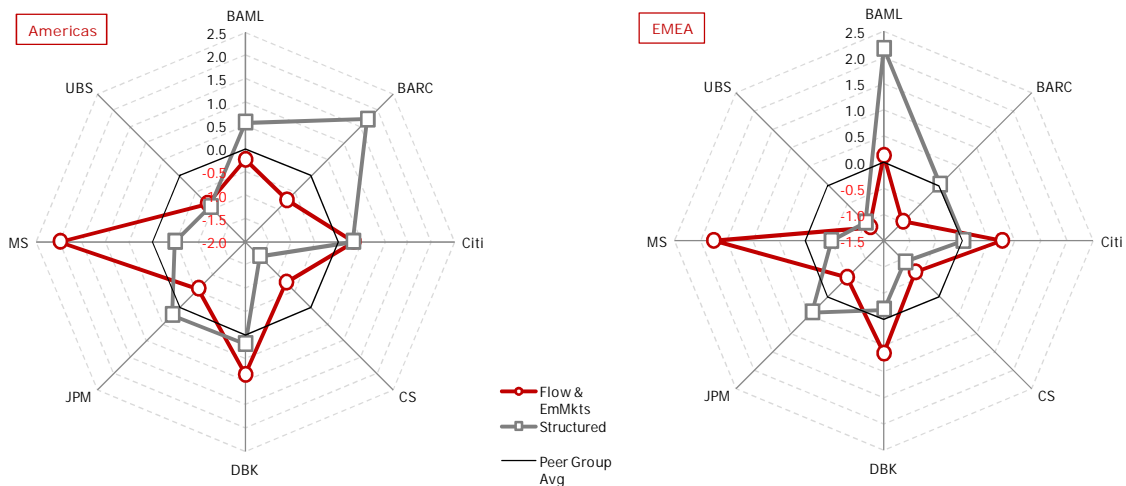
Front Office comp / income



Source: Tricumen analysis. Notes: (1) Tricumen product definitions apply throughout. (2) Positive values indicate outperformance relative to the peer group average; zeros indicate N/M or an outlier.

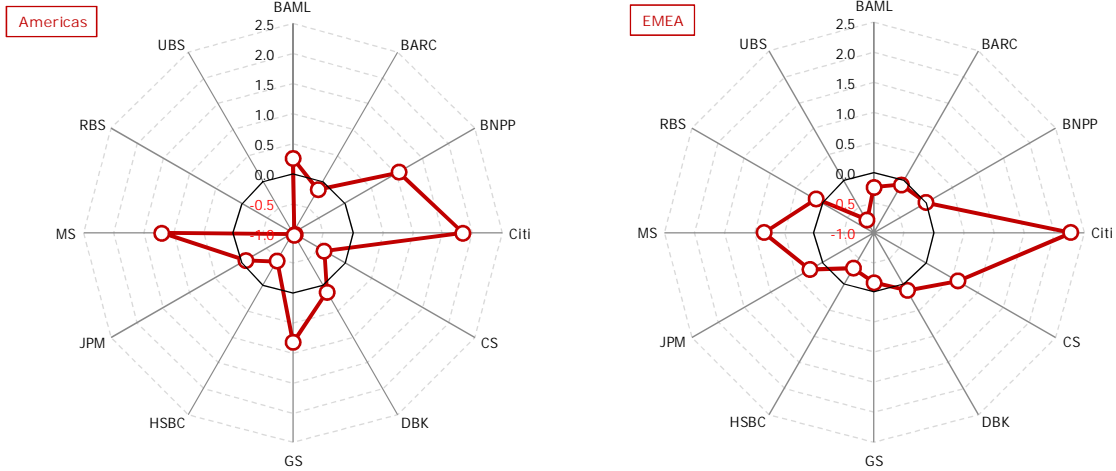
Productivity (All Rates, selected banks, US\$, FY13 & FY14)

Operating revenue / Front Office headcount



Source: Tricumen analysis. Notes: (1) Tricumen product definitions apply throughout. (2) Operating revenue excludes 'bad bank' units, one-offs and DVA/FVA/equivalent. (3) Positive values indicate outperformance relative to the peer group average; zeros indicate N/M or an outlier.

Operating revenue / Trading VaR (All Rates, US\$, FY14 vs FY11)



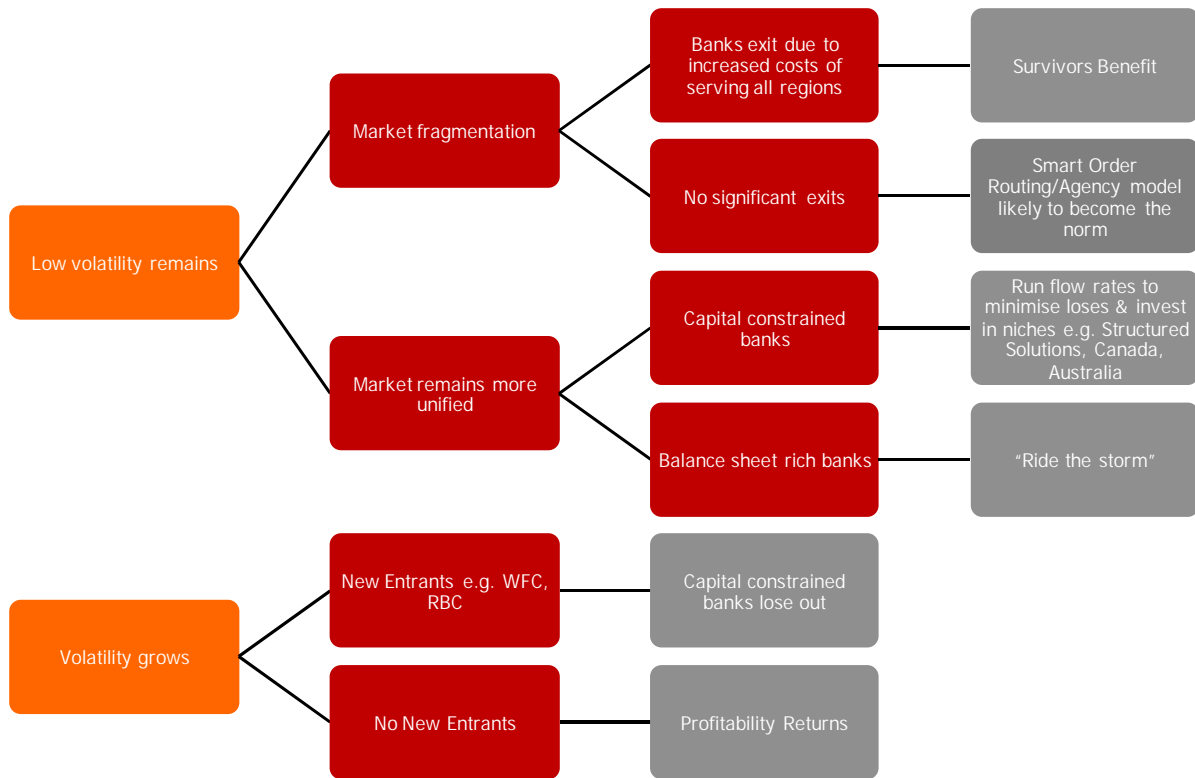
Source: Tricumen analysis. Notes: (1) Tricumen product definitions apply throughout. (2) Operating revenue excludes 'bad bank' units, one-offs and DVA/FVA/equivalent. Trading VaR is based represents period average and is normalised to 1-day, 99% confidence, 2-year historical data. (3) Positive values indicate outperformance relative to the peer group average; zeros indicate N/M or an outlier.

Operating revenue / RWA (All Rates, US\$, FY13 and FY14)



Source: Tricumen analysis. Notes: (1) Tricumen product definitions apply throughout. (2) Operating revenue excludes 'bad bank' units, one-offs and DVA/FVA/equivalent. RWA normalised to Basel 3. (3) Positive values indicate outperformance relative to the peer group average; zeros indicate N/M or an outlier.

Rates markets decision tree



Source: Tricumen analysis.

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