

Benchmark Rates Liquidity Monitor

December 2021 | Issue 11

ESTR trading volumes dropped in December, but not as much relative to EURIBOR. This is consistent with a drop in volumes in December for all currencies for both old and new benchmarks. SONIA trading volumes continue to dominate GBP swaps market; however, some activity still took place in GBP LIBOR ahead of December cessation.

EUR

ESTR monthly trading volumes in December dropped to 600bln. (**Chart 1**) due to the year-end according to the Swapsinfo data. In both absolute and relative terms this was less significant than a decrease in EURIBOR volumes from 5.1bln. to 1.7bln. USD. Monthly trade count came back to 2,000 compared 200 to 400 in the previous months (**Chart 2**). EONIA and ESTR to EURIBOR trading ratios remain consistent in 5Y+ tenors, but continued to stay at 70%-80% in the short-end of the curve (**Charts 9 and 10**).

GBP

The transition from GBP LIBOR to SONIA in the GBP can now be considered as completed. According to the Swapsinfo data GBP LIBOR trade count in December remained around 500 versus 7,000 in SONIA (**Chart 4**). Monthly trading volumes in SONIA swaps (1,100bln USD) fully dominated GBP rates space rather than in GBP LIBOR (less than 100bln USD, **Charts 3 and 11**).

USD

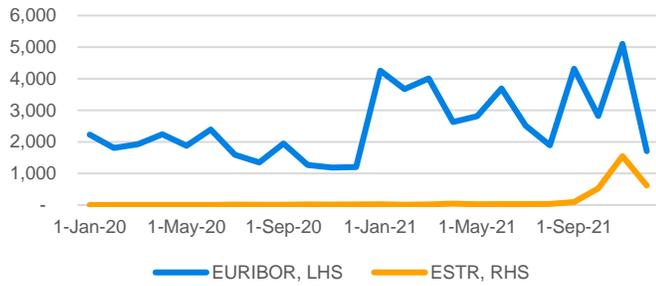
Beginning Jan. 1, 2022, the "no new LIBOR" regulatory guidance will take effect, with the exception of limited circumstances. This guidance had a significant impact on the US rate derivatives market heading into the new year. The volume and trade count data indicate there was a slowdown in both LIBOR and SOFR swap activity in December (**Charts 5 and 6**). However, most of this was driven by a wider slowdown in activity. Compared to LIBOR, SOFR swap volumes and trade count fared better going into the "no new LIBOR" deadline. SOFR swap volumes exceeded those in LIBOR across maturities, particularly in the long end (**Charts 13 and 14**).

JPY

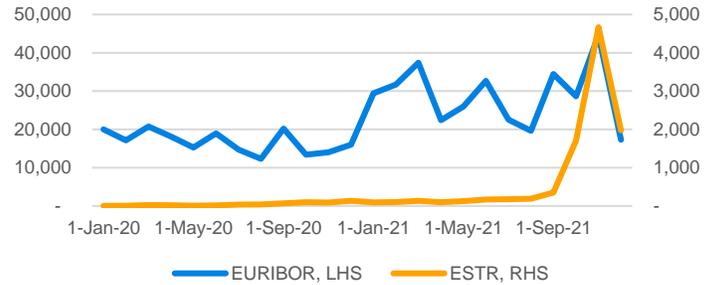
Similar to the GBP market, the transition from JPY LIBOR to TONA can also be considered complete. Despite the decline in the monthly trading volume of trades linked to JPY TONA from 240bln USD to 151bln USD in December, the monthly volume still far exceeds the comparable trades linked to JPY LIBOR at only 2bln USD for the same month (**Chart 7**). We can see a similar trend in the monthly trade count, with around 2000 trades linked to TONA versus only 35 trades linked to JPY LIBOR (**Chart 8**). The TONA to LIBOR trading ratios at individual tenors also show a similar story (**Chart 15 and 16**).

IRS AND OIS TOTAL LIQUIDITY

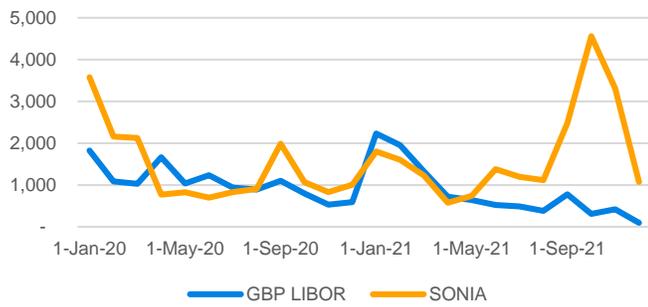
1: EURIBOR AND ESTR MONTHLY TRADING VOLUME (USD BLN)



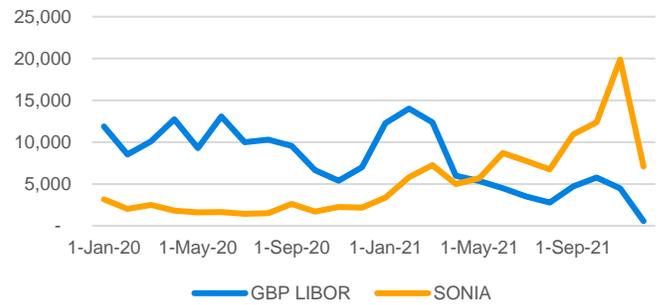
2: EURIBOR AND ESTR MONTHLY TRADE COUNT



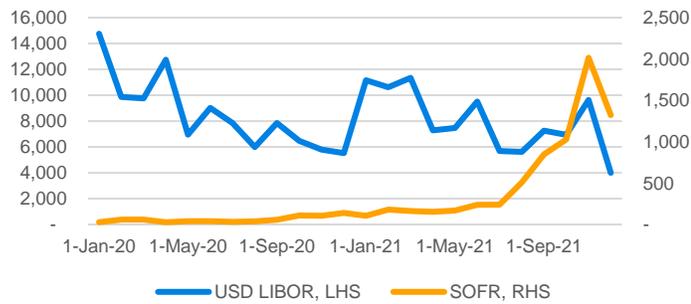
3: GBP LIBOR AND SONIA MONTHLY TRADING VOLUME (USD BLN)



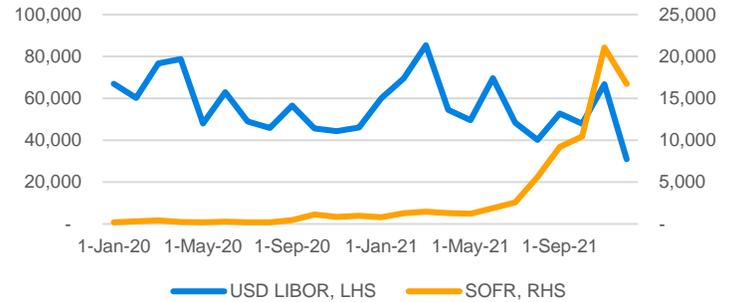
4: GBP LIBOR AND SONIA MONTHLY TRADE COUNT



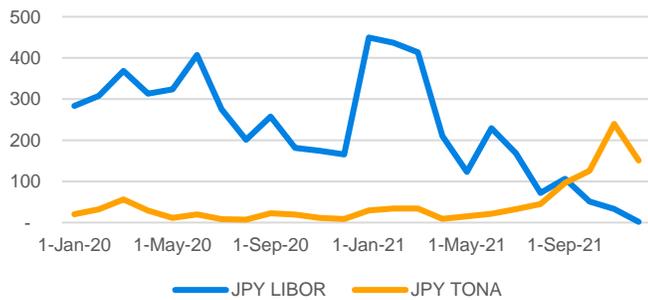
5: USD LIBOR AND SOFR MONTHLY TRADING VOLUME (USD BLN)



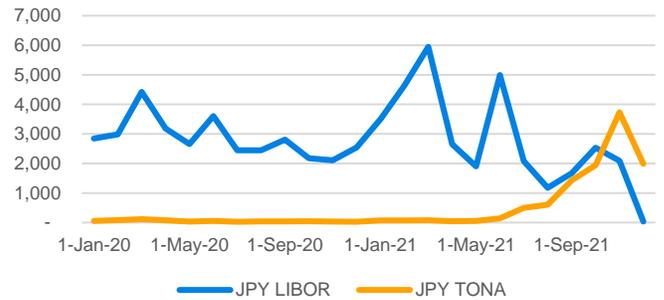
6: USD LIBOR AND SOFR MONTHLY TRADE COUNT



7: JPY LIBOR AND TONA MONTHLY TRADING VOLUME (USD BLN)

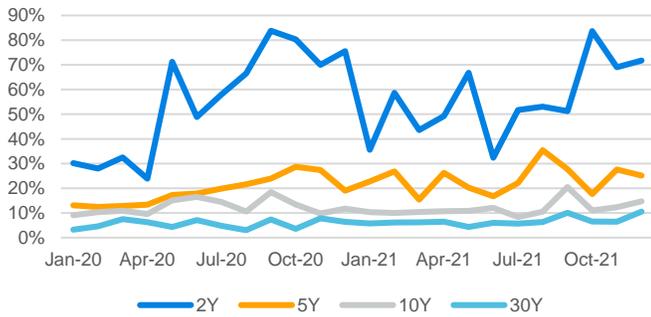


8: JPY LIBOR AND TONA MONTHLY TRADE COUNT

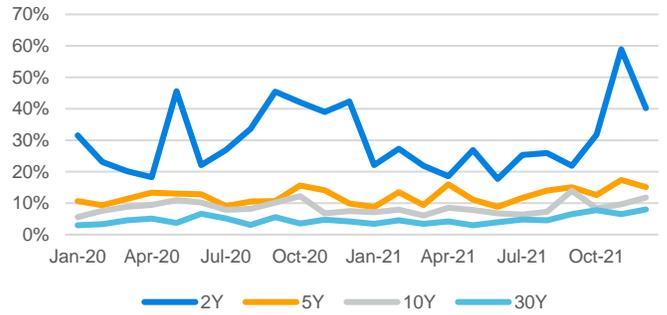


IRS AND OIS LIQUIDITY PER TENOR

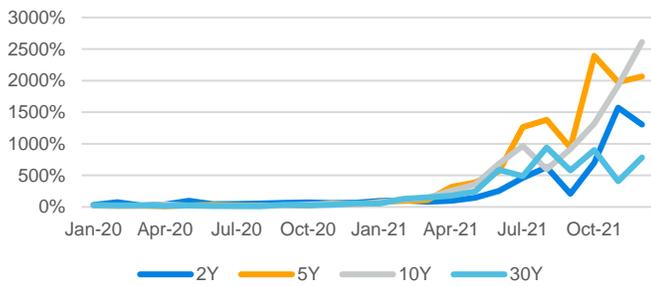
9: ESTR OIS TO EURIBOR IRS MONTHLY VOLUME RATIO



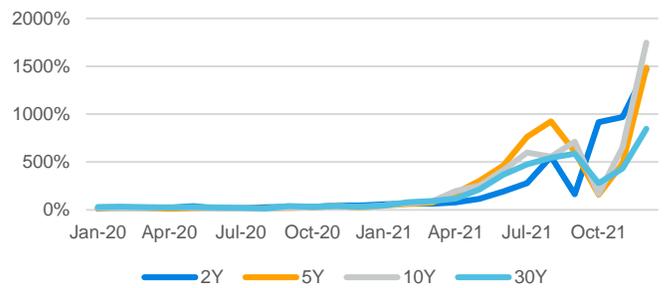
10: ESTR OIS TO EURIBOR IRS MONTHLY TRADE COUNT RATIO



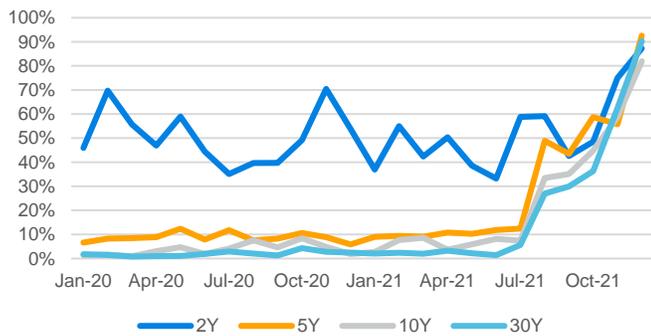
11: SONIA OIS TO GBP LIBOR IRS MONTHLY VOLUME RATIO



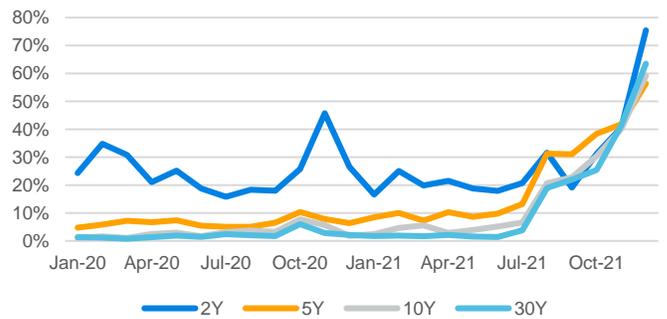
12: SONIA OIS TO GBP LIBOR IRS MONTHLY TRADE COUNT RATIO



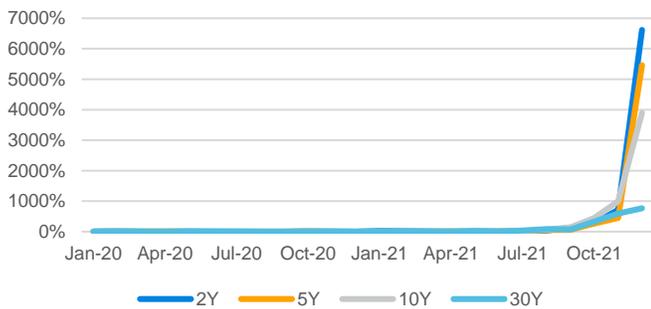
13: OIS TO USD LIBOR IRS MONTHLY VOLUME RATIO



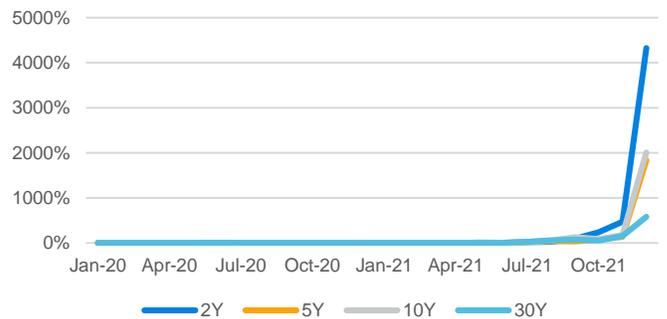
14: OIS TO USD LIBOR IRS MONTHLY TRADE COUNT RATIO



15: OIS TO JPY LIBOR IRS MONTHLY VOLUME RATIO

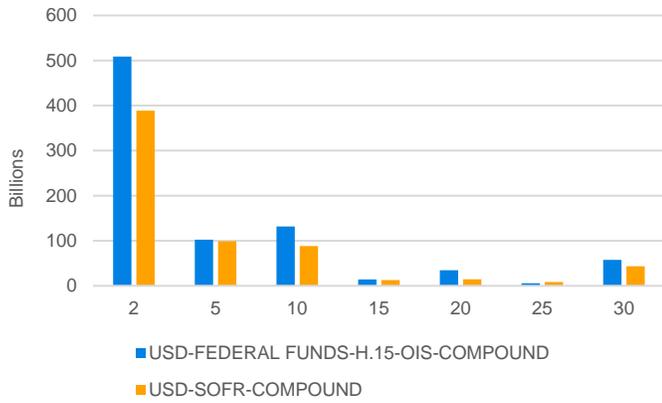


16: OIS TO JPY LIBOR IRS MONTHLY TRADE COUNT RATIO

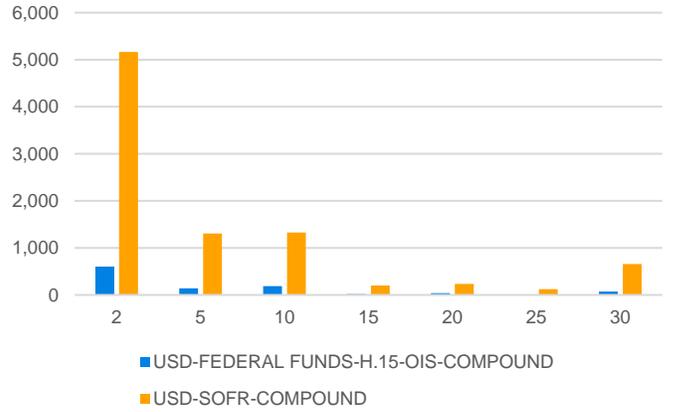


USD OIS LIQUIDITY - DECEMBER 2021

17: FED FUNDS VS SOFR TRADE VOLUME PER TENOR (USD BLN)



18: FED FUNDS VS SOFR TRADE COUNT PER TENOR



Disclaimers

Milliman Financial Strategies ("Milliman") has compiled the information in this document with care. This information is only intended for eligible counterparties and/or professional investors as referred to in the Financial Supervision Act ("Wft").

This document does not contain (i) an offer of invitation to buy, sell or trade financial instruments (within the meaning of 1: 1 Wft), (ii) no investment recommendation or investment advice (within the meaning of 1: 1 Wft), and (iii) no legal or tax advice. Consult a legal or tax advisor. Milliman recommends that you not to base any investment or other decision solely on the information contained in this document. Milliman is not liable for damage resulting from such an (investment) decision.

The information in this document is (partly) based on information obtained by Milliman from sources believed to be reliable. Milliman does not warrant the reliability of those sources or the accuracy and completeness of the information obtained from those sources. The information in this document is purely informative and you cannot derive any rights from it. All information is a snapshot, unless expressly stated otherwise. The information is not representative of the views of Milliman or its parent companies, subsidiaries or affiliates. Distribution of this document after the original publication date is no guarantee that the information contained herein is still accurate and complete at that later date. Milliman reserves the right to change this information without notice. The used returns on investments in this document is for the purpose of explanation and explanation only. Milliman does not express any expectations about the return or price development of those investments. The value of your investment may fluctuate and past performance is no guarantee for the future. The information in this document is based on assumptions made by Milliman. Assumptions other than those made by Milliman may be made. The conclusions drawn by Milliman are therefore not necessarily correct and / or complete.

You may copy the information in this document for your own personal use only. You may not copy, reproduce, distribute, or disclose the information without Milliman's written consent. All information (texts, photos, illustrations, graphics, trade names, logos, and marks) remains the property of or licensed to Milliman and is protected by copyright, trademark and / or intellectual property law. No rights or licenses are transferred when using or accessing this information.

Issued by: Milliman Financial Strategies B.V., with its registered office and office in Amsterdam. Milliman is registered with the Netherlands Authority for the Financial Markets ("AFM") in Amsterdam as an investment firm as referred to in Section 2:96 Wft and is authorized under this license to provide investment services as included in the register kept by the AFM.



Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

[milliman.com](https://www.milliman.com)

**For more information, please contact
your Milliman consultant.**