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FX swap market and drivers of volatility

The expected impact of the US monetary policy tightening on the FX swap market

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Development

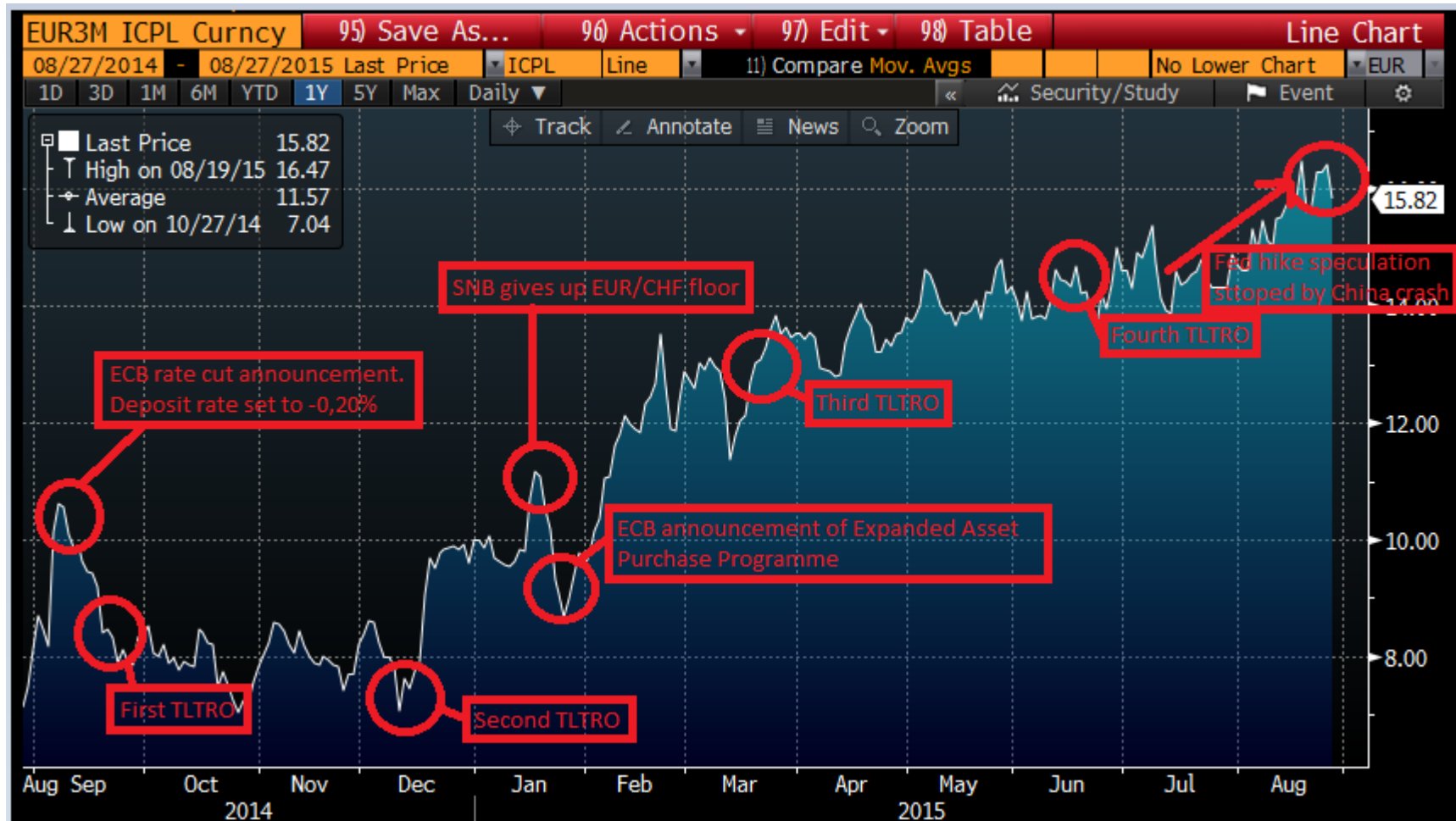
3 m USD LIBOR vs 3 m EURIBOR



Development price of FX Swap market (3m EUR/USD)



FX Swap market development* and main drivers



* EUR/USD FX Swap for 3 month

FX Swap market development and main drivers

- Main drivers:
 - Monetary policy decisions taken by central banks
 - Expectations of market participants anticipating central bank action
 - Market conditions on the short term market (level of excess liquidity, minimum reserve dates, allotment of central bank auctions)
 - Availability and access to refinancing in a foreign currency
 - Arbitrage between money markets in different countries to optimise cost of funds
 - Availability of credit lines to place excess liquidity in a foreign currency at local banks

Development of Spread between 3 M Euribor against 3 M USD Libor (cross currency basis)

