

Dealers offer two year quotes as term repo demand rises

The demand for term repos has increased significantly over the past twelve months, with more dealers showing a willingness to offer request-for-quotes (RFQs) for up to two years.

The trend towards term repos, typically observed more in sterling and European markets, has encouraged dealers to engage more in the term space, **James Kelly**, European head of repo at Tradeweb, told *Global Investor*.



Kelly (pictured above) said: “We have observed a rise in demand for term repo transactions over the past year and see this liquidity as a key feature of the RFQ platform.”

Outstanding global dealer-to-client repo term balances stood at \$712 billion (£512 billion) at the end of the first quarter this year.

“Typically, the European and the sterling markets demand more term transactions and on our platform users can send out RFQs

for up to two years. We are seeing more and more clients looking for term liquidity and dealers willing to price it and show it,” Kelly continued.

The demand for electronically traded repos has seen a significant increase over the course of the last year, with the Covid-19 pandemic acting as a catalyst for change.

Tradeweb has observed a “general desire” to try and take what has traditionally been a manual, time-consuming process and automate it, explained Kelly.

He added: “We’ve seen a steady rise in volumes on the platform over the last year. If you look back to Q1 2020, globally we were seeing average daily traded volumes at around \$112 billion; these have risen to \$215 billion per day in Q1 2021.”

The rise of electronic trading has lowered the barriers to entry for market participants, and Kelly believes that previously many of those who are now trading repos

were deterred by the “workflow inefficiencies and manual nature” of the transaction.

Kelly’s comments come shortly after John Edwards, managing director of BrokerTec Europe, suggested that Brexit caused an uptick in repo volumes in January as firms looked to “reposition” trading activities.

In response to the comments from Edwards, Kelly said: “In terms of Brexit, we haven’t had many clients approach us and say they are trading more as a result, but there has been an uptick in the number of transactions being made in mainland Europe than there were before the UK left the bloc.”

The absolute amount of repos transacted on automatic trading systems (ATS) in the second half of 2020 came in at €1,040 billion (£895 billion), falling from their June high of €1,412 billion, the International Capital Markets Association revealed in March. ■

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