

# Euromoney FX Survey 2016 Insights



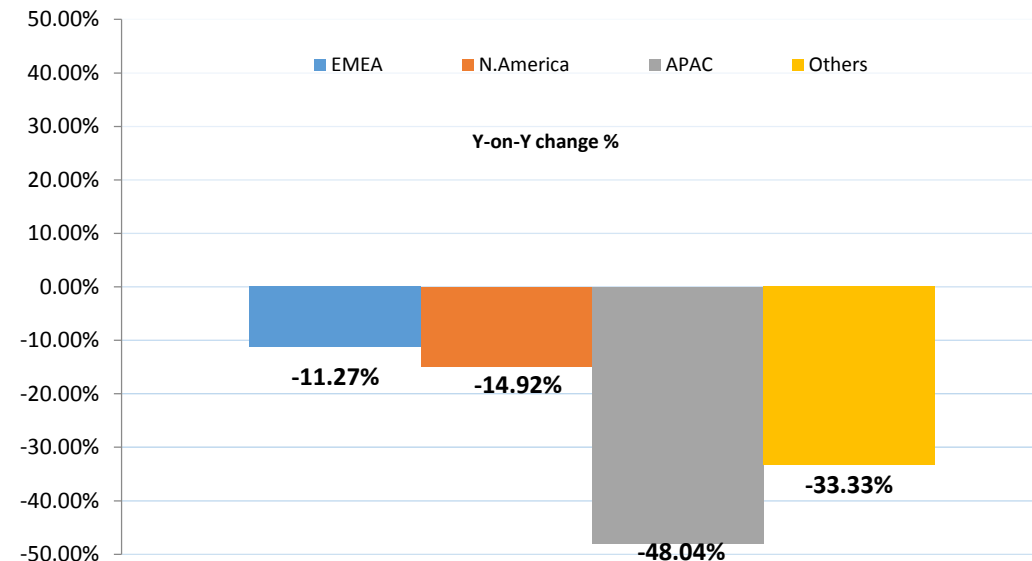
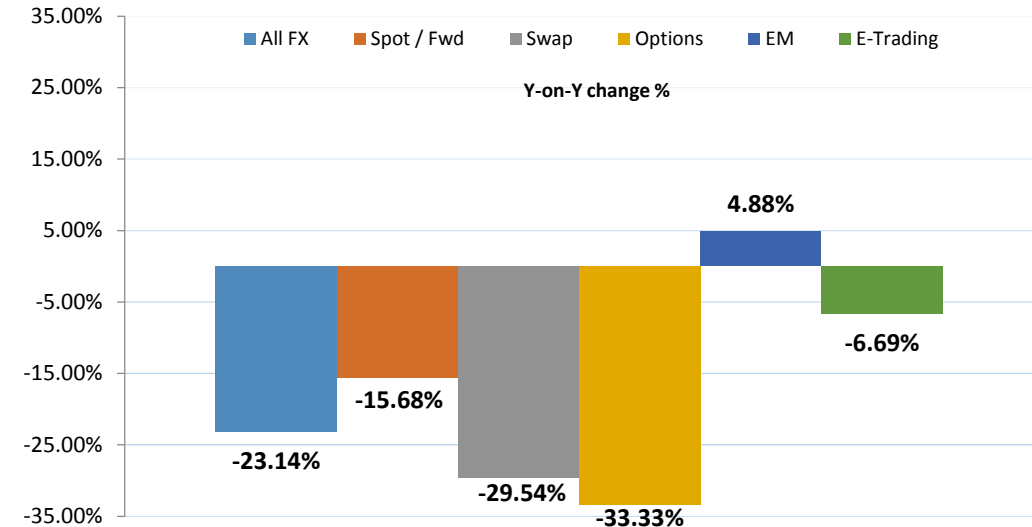
# Global headline volume

- Global volumes fell 23% year on year, EM bucked the trend showing 5% growth year on year
- Swaps activity declined at twice the rate of spot
- Electronic volumes now 65% of the market

Year	All FX	Spot / Fwd	Swap	Options	EM	E-FX
2016 (\$US Tn)	95	48.4	45.8	0.8	8.6	61.4
2015 (\$US Tn)	123.6	57.4	65	1.2	8.2	65.8

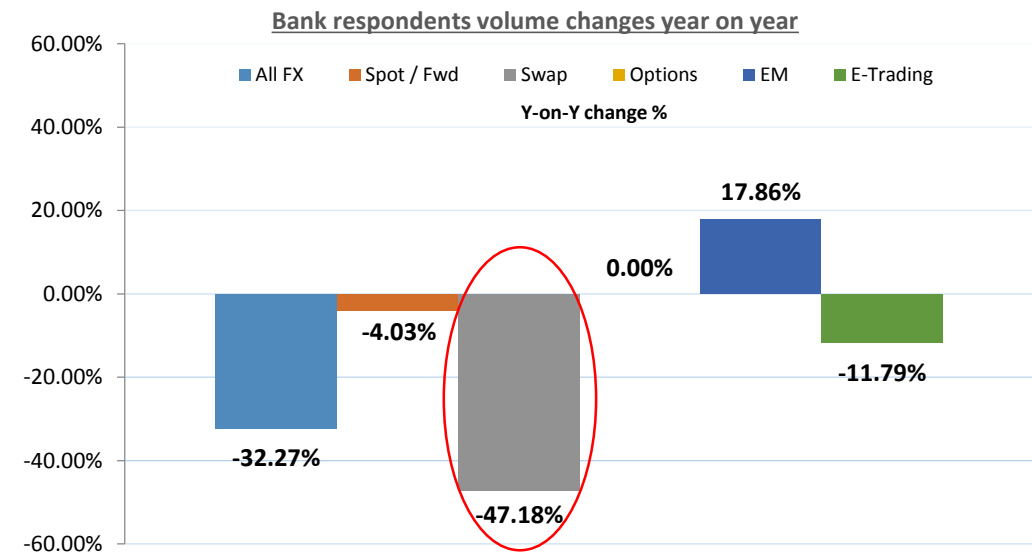
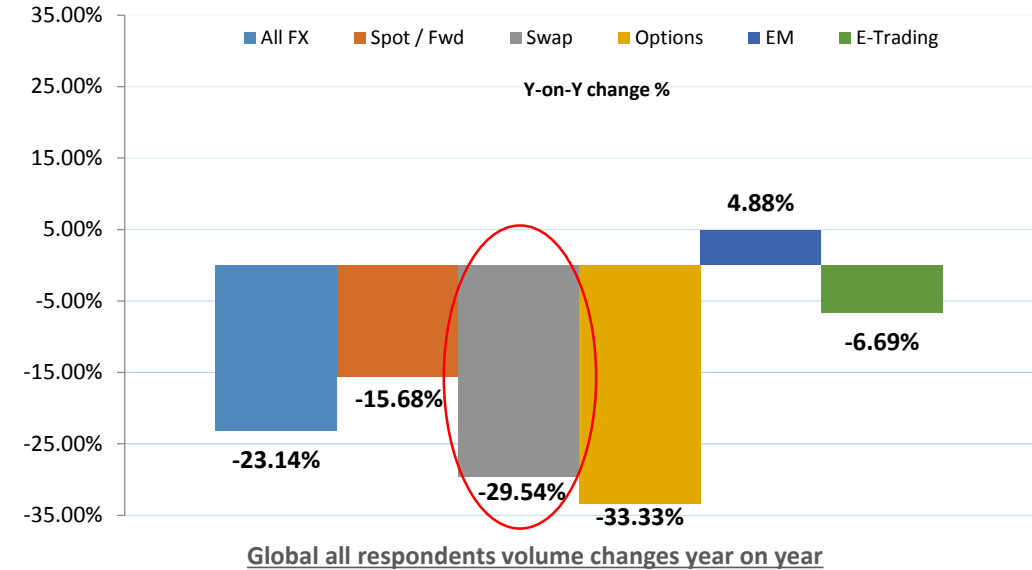
- EMEA continues to account for the majority of volumes – maintaining its circa 50% share
- APAC suffered extremely steep drops in volume as economic growth slowed sharply
- In the APAC region banks activity continues to drop as flows are increasingly internalised and proprietary trading is curtailed

Year	EMEA	N. America	APAC	Latam/Caribb
2016 (\$US Tn)	48.8	26.8	18.6	0.8
2015 (\$US Tn)	55	31.5	35.8	1.2



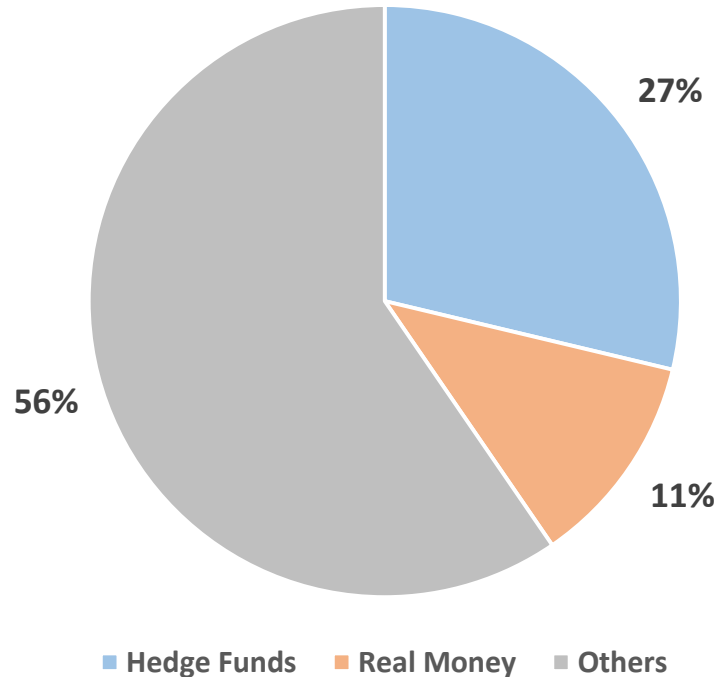
# Positions are being held for shorter periods

- Global volume fell 23%, however swaps fell 29% versus 16% for spot
- As Euromoney counts the swap again each time it rolls this indicates that swap rolls are occurring less
- The driver for this seems to be banks applying greater credit charges to swaps pricing
- This is evidenced by swaps consumption falling most sharply for banks – the consumer group who would be most sensitive to credit charges being applied

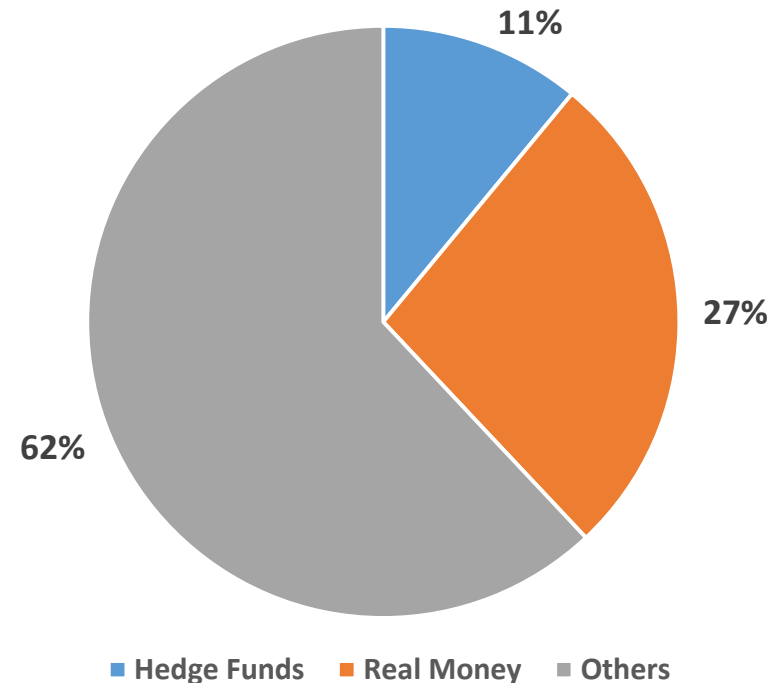


# The rise of Real Money.....

Euromoney FX Survey 2008

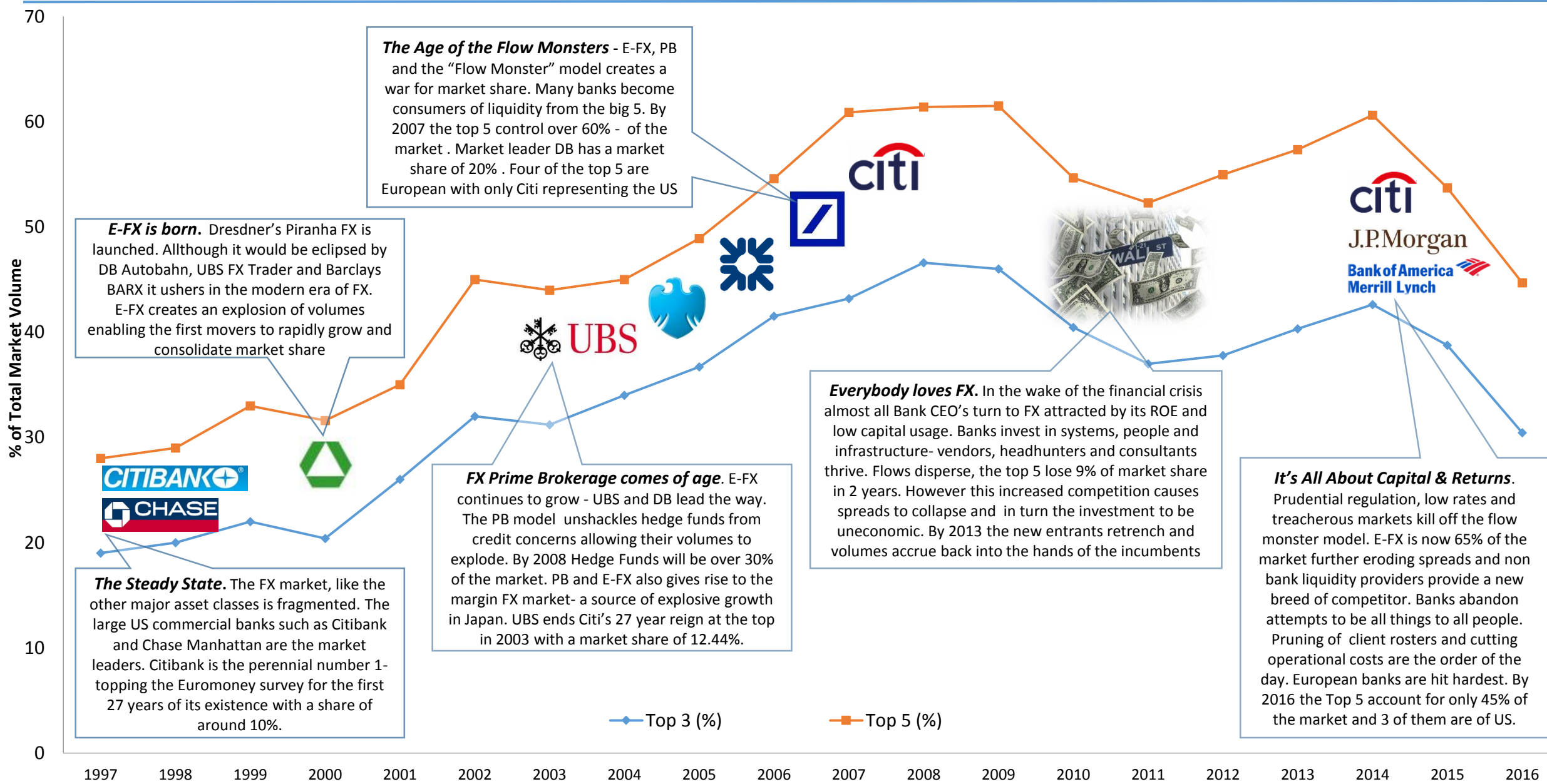


Euromoney FX Survey 2016



- Real Money activity has grown steadily over the past decade – now accounting for 27% of the market
- Hedge Fund activity in the FX markets continue to shrink- now accounting for only 11% of the market
- Since 2008 the relative activities of the hedge funds and real money have mirrored each other

# Volume concentration amongst the largest FX banks – a modern history of FX



**E-FX is born.** Dresdner's Piranha FX is launched. Although it would be eclipsed by DB Autobahn, UBS FX Trader and Barclays BARX it ushers in the modern era of FX. E-FX creates an explosion of volumes enabling the first movers to rapidly grow and consolidate market share

**The Age of the Flow Monsters** - E-FX, PB and the "Flow Monster" model creates a war for market share. Many banks become consumers of liquidity from the big 5. By 2007 the top 5 control over 60% - of the market. Market leader DB has a market share of 20%. Four of the top 5 are European with only Citi representing the US

**The Steady State.** The FX market, like the other major asset classes is fragmented. The large US commercial banks such as Citibank and Chase Manhattan are the market leaders. Citibank is the perennial number 1-topping the Euromoney survey for the first 27 years of its existence with a share of around 10%.

**FX Prime Brokerage comes of age.** E-FX continues to grow - UBS and DB lead the way. The PB model unshackles hedge funds from credit concerns allowing their volumes to explode. By 2008 Hedge Funds will be over 30% of the market. PB and E-FX also gives rise to the margin FX market- a source of explosive growth in Japan. UBS ends Citi's 27 year reign at the top in 2003 with a market share of 12.44%.

**Everybody loves FX.** In the wake of the financial crisis almost all Bank CEO's turn to FX attracted by its ROE and low capital usage. Banks invest in systems, people and infrastructure- vendors, headhunters and consultants thrive. Flows disperse, the top 5 lose 9% of market share in 2 years. However this increased competition causes spreads to collapse and in turn the investment to be uneconomic. By 2013 the new entrants retrench and volumes accrue back into the hands of the incumbents

**It's All About Capital & Returns.** Prudential regulation, low rates and treacherous markets kill off the flow monster model. E-FX is now 65% of the market further eroding spreads and non bank liquidity providers provide a new breed of competitor. Banks abandon attempts to be all things to all people. Pruning of client rosters and cutting operational costs are the order of the day. European banks are hit hardest. By 2016 the Top 5 account for only 45% of the market and 3 of them are of US.



# Additional information or further analysis on results?

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