

ASX Collateral Triparty Bulletin

July 2020



ASX Collateral is the only live, fixed income, triparty repo, securities lending and collateral management service provider in Australia that mobilises collateral assets held directly within Austraclear. More information at: www.asx.com.au/services/asx-collateral.htm

ASX Collateral reached a record high of \$43.7bn in June 2020, maintained over 40% market share of RBA OMO via triparty and managed over 4500+ lines of collateral daily on the back of increased customer activity, RBA's monetary policy actions announced in March 2020 and an increase in OMO to \$100bn.

Triparty customers realised the automation, scale and efficiency benefits of triparty re settlement, daily margining, reporting and collateral allocation, optimisation and substitutions during increased COVID-19 repo activity.

Triparty customers increased utilisation of corporate and structured (ABS/RMBS) securities as eligible collateral with corporates up from 2% to 9% utilisation and structured rising from 5% to 9% utilisation since March 2020. Use of government bonds, although increasing in value, decreased in % terms from ~60% of book to 52% as at end June 2020.

Surplus RBA exchange settlement balances averaged \$58bn since March 2020 vs \$2.5bn prior as RBA established a 0.10% return on ES balances.

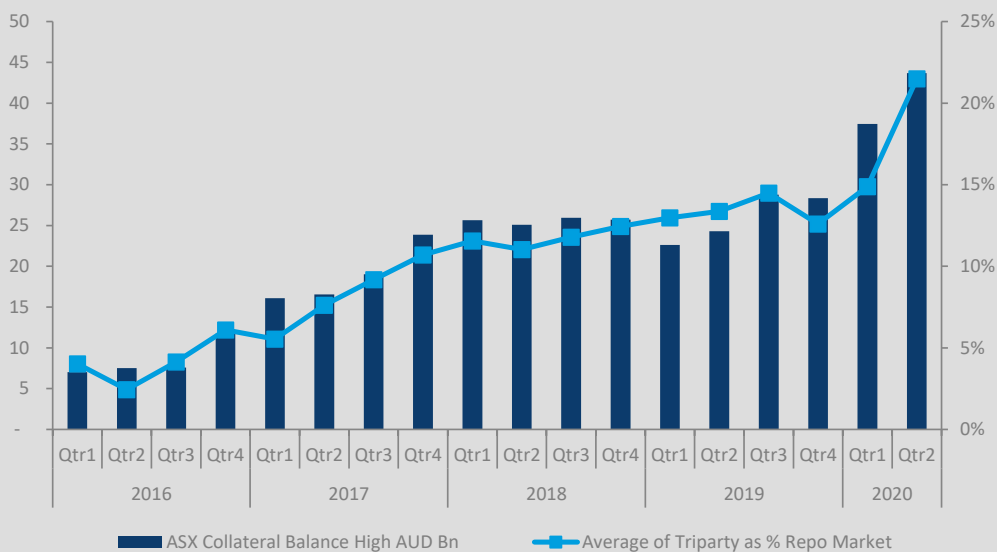
Issuance across AOFM and semi-government authorities continues to drive repo activity with \$142bn of net AOFM issuance in the last 12 months. AOFM activity is flagged to continue at \$6-\$9bn/month up to October 2020 when revised guidance will be provided post the Federal Budget.

Since RBA announcements, RBA repo rates have been flat at 0.18% across the 1-6 month curve. Interbank rates traded down to 0.12%-0.13% due to large amount of surplus liquidity and in line with RBA overnight cash rates.

Secured repo rates continue to trade above unsecured bank bill levels with the average repo premium to bank bills over the last 12 months at 11bps.

See below for further details.

ASX Collateral Balances



ASX Collateral Growth

\$43.7bn

ASX Collateral record high triparty balance reached in 2020

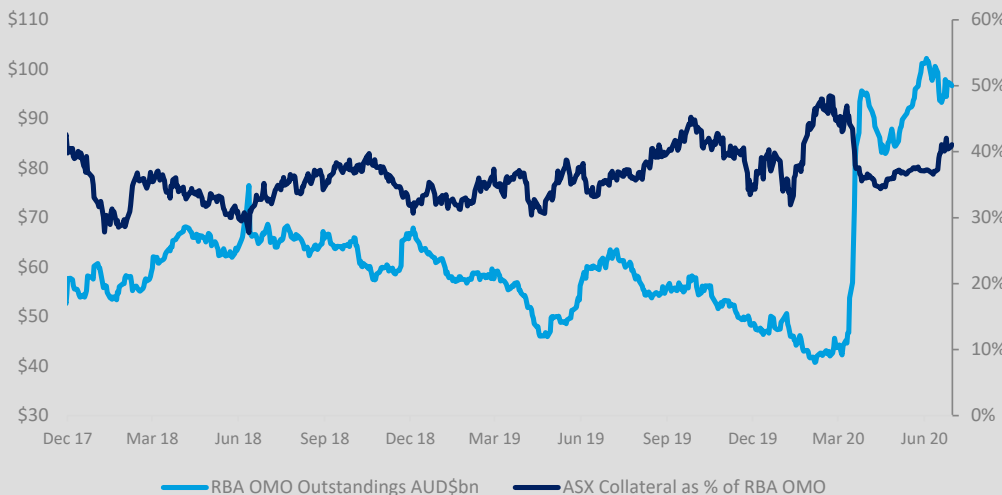
21%

ASX Collateral triparty settlement as % of total AUD repo market

4500+

lines of collateral managed daily in ASX Collateral

RBA OMO & ASX Collateral Triparty Market Share



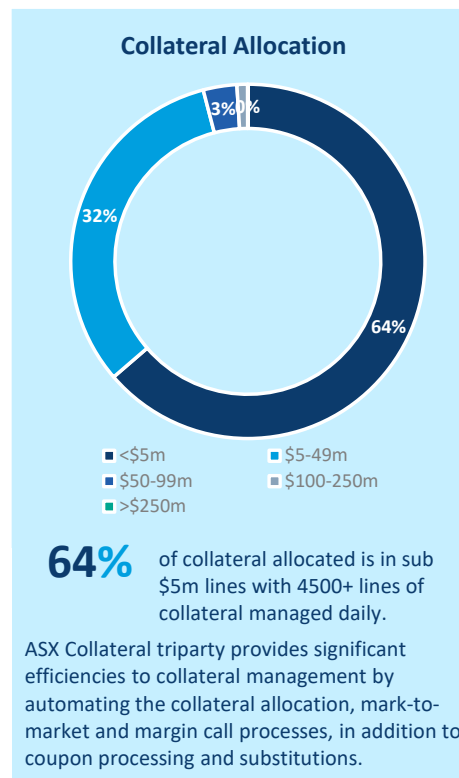
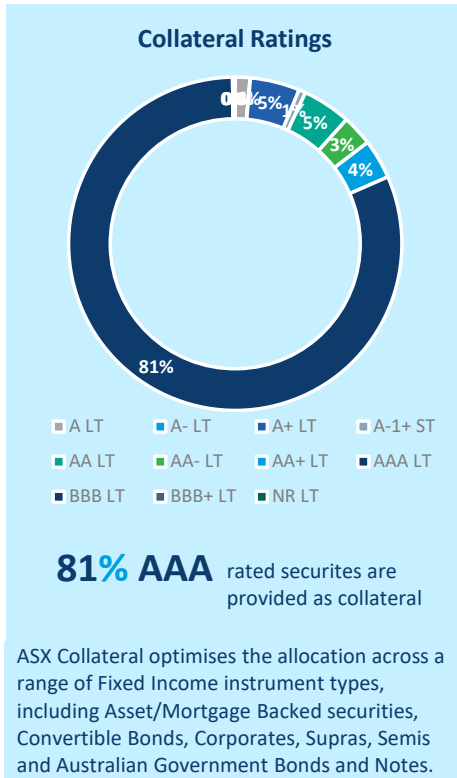
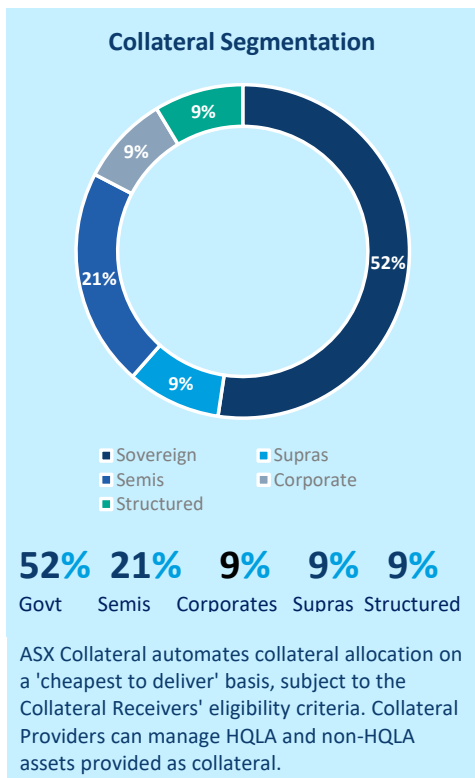
40%

average of RBA daily OMO has settled via triparty over the last six months

48%

record high of RBA OMO settled via ASX Collateral in 2020

Collateral - Segmentation, Ratings and Allocation



AUD repo rates fall post RBA announcements, but % spread outperformance is maintained

In the past 12 months, RBA repo rates have fallen from a high of 1.31% in December 2019 to flatline at 0.18% post RBA measures in March 2020 with an average rate at 0.77%. Comparable 1 month BBSW rates peaked at 1.21%, low at 0.085% and averaged 0.66%.

As per the second chart below, in the past 12 months RBA repo rates traded on average 20bps over 1M OIS whereas 1M BBSW traded an average 9bps over 1M OIS. Secured repo rates generated a premium of 11bps over comparable unsecured 1M BBSW returns.

Over the last 12 months, RBA repo rates traded an average 20bps over 1M OIS and 17bps over RBA cash rate. As per the last chart, this equates to repo rates outperforming RBA cash rate by almost 30%. See charts below for further details.

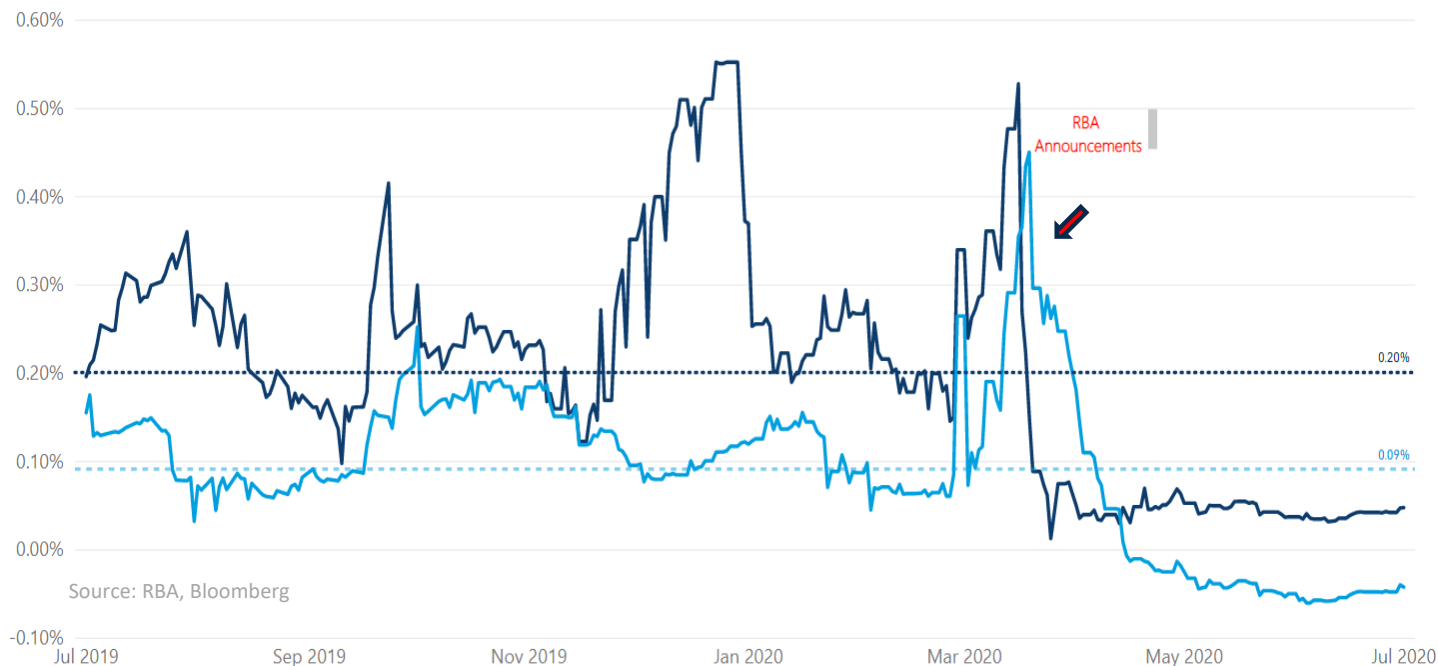
OUTRIGHT RATES: RBA Repo Rate vs 1M BBSW vs 1M OIS vs RBA O/N Cash Rate

● RBA REPO RATE ● 1M BBSW ● 1M AUD OIS ● RBA CASH RATE



SPREAD TO OIS: RBA Repo Rate vs 1M BBSW

● RBA REPO RATE ● 1M BBSW



% OUTPERFORMANCE: REPO SPREAD vs RBA OVERNIGHT CASH RATE



Further information

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