



## MEDIA RELEASE

### Steady Growth in Financial Markets in 2012-13

9 October 2013

Australia's financial markets continued to grow steadily during 2012-13 contributing to Australia's economy through increased funding for Australian companies and infrastructure and supporting future growth.

Corporations tapped the market for new capital in 2012-13 to finance their business development, with over \$42 billion in new capital raisings on the Australian Securities Exchange. Meanwhile, investor sentiment and risk appetite in the non-government debt market improved over the year, supporting a modest increase in issuance and a pick-up in turnover of 31%.

Governments across Australia increased their issuance of debt by 13.5% from the previous year with the increase readily supported by the markets, particularly given the modest size of Australian Government debt.

The Over-the-Counter (OTC) data suggest that markets are adjusting to the impact of global financial regulatory reform, with a greater emphasis on extending bank term funding, managing counterparty credit risk and efficient use of collateral in relation to derivatives transactions. For example, short-term debt securities volumes fell by 11% as banks' funding strategies and market conditions favoured longer term issuance.

Credit derivatives turnover declined 43%, notwithstanding an apparent increase in risk appetite which led to a narrowing of credit spreads over the year. Core hedging strategies appear to be outweighing trading opportunities as markets transition into a higher capital structure for uncleared trading portfolios.

Foreign exchange is the largest of the OTC markets and recorded growth of 6%, as the market reacted to policy developments, initially in Europe and later in Japan when more aggressive monetary easing took place. This largely explains the 4% overall growth of the OTC markets in 2012-13.

Exchange-traded markets in total grew by 7% over the period, on the back of solid derivatives growth. Share turnover was subdued, though some ground was recovered in the second half of the year as the stock market returned over 20% on an accumulation basis.

In 2013 the financial markets again demonstrated that they are an essential piece of Australia's economic infrastructure. As the Government prepares to conduct the financial system inquiry, it should endorse a broad based approach that includes an assessment of the capacity of financial markets to support economic development, especially as reliance on market based finance may increase.

**Notes for Editors:**

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

Contact details for further information:

David Lynch  
Executive Director  
+61 2 9776 7991  
0411 694 288  
[dlynch@afma.com.au](mailto:dlynch@afma.com.au)