



## Media Release

### Australia's Financial Markets Continue to Perform Well

27 September 2010

The 2010 Australian Financial Markets Report released today shows that Australia's financial markets continue to perform well two years after the onset of the global financial crisis (GFC). Combined, the over-the-counter (OTC) and exchange-traded financial markets grew by 5.4% in the 09/10 financial year.

The Report is produced by the Australian Financial Markets Association (AFMA) in association with Austrade and the Australian Securities Exchange. It is the only annual report with comprehensive coverage of, and statistics on, Australia's OTC market and the equity and futures exchanges.

The reported outcome is a welcome reminder that efficient financial markets are central to the success of the economy. They enable companies to raise capital and grow their business, finance governments, manage liquidity across the economy and facilitate financial and commodity risk management.

The exchange-traded markets for both equities and derivatives picked up momentum, with a total increase in turnover value of 31.7% over the financial year. New capital raisings through the IPO market rebounded, while secondary capital raisings remained relatively strong. The OTC markets were more variable with some segments posting strong gains while others lost ground for an overall decline of 4.6%.

Factors contributing to these results include improved economic conditions as the post-GFC recovery continued, regulatory developments (notably the Basle Committee's reforms) and international market developments.

In the OTC markets, the Overnight Index Swap activity showed the greatest percentage gain - up 191% - as market participants responded to Reserve Bank actions which lifted the cash rate from 3.0% in October 2009 to 4.5% in May 2010 in six 25 basis point moves.

On the OTC debt markets:

- Turnover in government debt securities increased by 17.1%, with the main influence being increased bond issuance by the Commonwealth Government.
- Turnover of non-government debt, including bank and corporate bonds, rose by 36.8% reflecting improved investor confidence and market conditions.
- In contrast, turnover in short-dated debt instruments, predominantly banks bills and CDs, fell by 25.8%, as banks positioned themselves for implementation of the Basel Committee's liquidity reforms.

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Turnover on the OTC electricity derivatives market rose by 6.2% as market liquidity steadily improved following a fall the previous year. Electricity swaps are the primary traded instrument, accounting for 74% of turnover. OTC and d-cypha SFE combined volume was 3.2 times NEM demand, up from 2.6. Trading in Renewable Energy Certificates jumped to a new level rising by 154% in 09/10, as intermediaries grew in importance and market depth improved markedly.

Foreign exchange volumes declined for the third year in a row, falling by 9.1% in 09/10. Nonetheless, liquidity in the market remains robust and Reserve Bank of Australia data show a more positive turnover trend in the second quarter of 2010.

Given the inherent strength of the Australian economy, the effective regulation of our markets, competent management and prudent risk management by participants it is expected that financial markets will maintain their positive note in the coming year.

**Notes for Editors:**

Australian Financial Markets Association (AFMA):

The Australian Financial Markets Association is the industry association for Australia's wholesale banking and financial markets. These markets enable Australian financial institutions and companies to raise and manage their capital efficiently, control their financial risks and conduct financial transactions with counter-parties in Australia and overseas.

AFMA represents industry participants in the wholesale banking and financial markets, including Australian and foreign banks, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

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