



Media Release

Australia's Financial Markets Stable Despite Global Turbulence

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The 2012 Australian Financial Markets Report released today shows Australia's financial markets largely held their ground and continued to serve the needs of the domestic economy well, despite ongoing periods of turbulence in major international markets.

European sovereign debt, slowing Chinese growth, central bank interventions and the US debt ceiling and ratings downgrades were notable international drivers of the markets. Domestically the cash rate fell 125 basis points over the course of the year while foreign ownership of Australian government securities continued to increase significantly to over 80% reflecting their yield and safe-haven status.

Overall turnover - comprising the over-the-counter (OTC) and exchange-traded financial markets - fell 1.6% over the 2011-12 financial year, as participants adopted more conservative strategies, particularly as the European debt crisis escalated in the second half of 2011.

Cash equities market turnover fell 11.5% to \$1.2 trillion meaning volumes are lower than 2006-07 levels. This loss of volume in combination with intense competition and growing regulatory and operating costs in recent years has created significant margin pressures for participant firms.

Although down 42.6% from the previous year, listed markets continued to provide substantial capital to Australian businesses including 99 initial public offerings (IPOs) with total capital raisings, including scrip-for-scrip, of \$50.6 billion.

The OTC markets experienced a small decline of 1% overall with a 10% decline in foreign exchange largely offset by a 19% increase in interest rate product volumes. The markets continued to operate efficiently throughout the year and progress was made towards the introduction of centralised clearing for interest rate swaps.

OTC Overnight Index Swaps (OIS) continued to report exceptional growth at 63.8% (following 120% growth in 2010-11) as participants managed their exposures to the risk-free rate.

Turnover in electricity, in both the OTC and d-cypha/ASX futures and options, was down by almost a quarter, in part reflecting political uncertainty during the year around the future of the Clean Energy Scheme.

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A 10.3% fall in turnover more than reversed the increase of the previous year in foreign exchange markets which is by far the largest market accounting for just over half of total OTC turnover.

With the Australian currency reaching records on a number of currency crosses, one area that has expanded is the use of options strategies by corporations as reflected in the 27% increase in currency options activity.

Efficient financial markets are central to the success of the economy, directly enabling companies to raise capital and grow their business, finance governments, manage liquidity across the economy and facilitate financial and commodity risk management. The Report is produced by the Australian Financial Markets Association (AFMA) in association with the Australian Securities Exchange (ASX). It is the only annual report with comprehensive coverage of, and statistics on, Australia's OTC market and the equity and futures exchanges.

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, electricity and other specialised markets and industry service providers.

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