Greenwich Associate's Market Structure Trends to Watch in 2014

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The year 2013 will likely go down as the year of mandatory clearing. Once ignored by eager financial market Greenwich Associatesprofessionals as boring back-office stuff, collateral management, credit limits and all other things clearing stood front and center in 2013 as swaps went from a 10-day clearing cycle to a 10-second clearing cycle.

Given the progress made in 2013, one might think market structure change will slow in 2014—not the case. The market structure team here at Greenwich Associates has pulled together our top market structure trends for 2014. Some of these are obvious:

SEFs Come of Age Finally the time has come for mandatory trading on swap execution facilities (SEFs) in the U.S. to begin. Made available to trade applications are in; platforms are up, (mostly) compliant, and reporting trade volumes; and the buy side is preparing for the shift. Keep in mind this isn't mandatory electronic trading; it's mandatory SEF trading. We expect interdealer broker voice RFQ to remain strong, but we're watching for the breakthrough platform that creates the elusive interest rate swap central limit order book.

And some less so:

Structured Product Volumes Return Our latest U.S. fixed-income study shows that in 2013, CMBS volumes finally broke above pre-crisis levels. Several circumstances point to a continued rebound in the structured segment: Investor demand for yield, a growing supply of raw materials in the form of loans to corporations and consumers borrowing on the cheap, and big banks looking to grow in markets that still provide decent margins.

There are eight more where that came from, so please click through and download the full set of predictions (don't worry, the link will take you straight to the PDF). And as always, comments are welcome and encouraged. Happy New Year!

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