

# DANMARKS NATIONALBANK

21 SEPTEMBER 2020

## MONEY MARKET SURVEY, 2020

# Increased turnover during corona crisis

The daily turnover in the Danish money market was kr. 93 billion in the 2nd quarter of 2020, which was an increase of 23 per cent compared to the same period last year. This appears from Danmarks Nationalbank's yearly money market survey, which includes turnover from interbank loan transactions and interest rate derivatives in the 2nd quarter. The increased turnover should be viewed in the light of elevated market volatility during the corona crisis and tighter liquidity conditions than previous years.

The impact from Danmarks Nationalbank's interest rates to interest rates of the broader economy materialises through the money market. Hence, the money market is essential for the transmission of monetary policy.

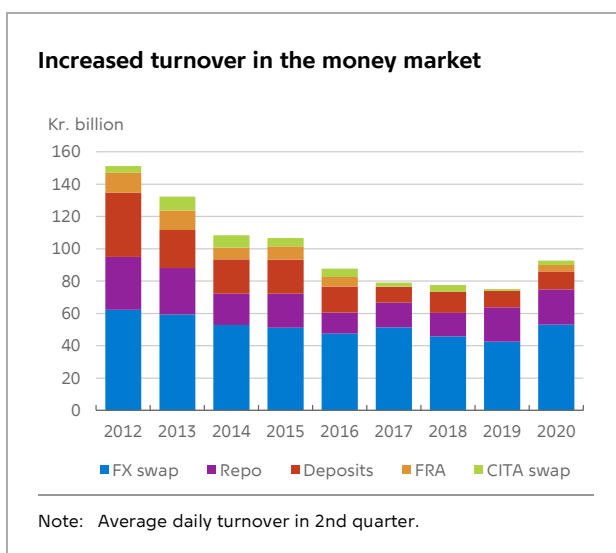
The majority of the interbank loan activity is in FX swaps, which account for 60 per cent of the total turnover. Approximately 85 per cent of the turnover is with foreign banks. The turnover in the repo market is still relatively high but contrary to FX swaps this market is dominated by domestic banks.

The daily turnover in interest rate derivatives has increased to kr. 6.5 billion, yet from a very low level in previous years. Interest rate derivatives, like CITA swap and FRA (forward rate agreement), are utilised to adjust interest rate risk. Uncertainty regarding future liquidity conditions in the wake of government aid packages, and amplified market volatility may have contributed to a greater need for hedging interest rate risk.

### Stable turnover behind new reference rate

Turnover in the interbank money market primarily consists of transactions with a maturity of one day. In the unsecured money market, turnover continues to be focused in overnight deposits upon which the new potential Danish reference rate, DESTR, is based.<sup>1</sup> DESTR is based solely on transactions, and a similar methodology as the euro-zone's reference rate, €STR, is used. Stable and reliable reference rates are important for the transmission of monetary policy.

[CLICK HERE FOR MORE INFORMATION](#)



<sup>1</sup> DESTR is an abbreviation for Denmark Short Term Rate. DESTR is currently in a test phase where data is collected and updated each month. Data can be found on Finance Denmark's website ([link](#)). DESTR also includes data for other financial institutions.