Figure 2.4. Trends in Market Making

Bond inventories owned by U.S. banks have declined…

1. Primary Dealer Net Positions, United States (Billions of U.S. dollars)

...but for German banks, bond inventories remain high.

2. Bonds Held by German Banks (Billions of euros)

A survey of market makers in the United States suggests that dealer balance sheet constraints are a major worry.

3. Reasons for Changes in Market Liquidity in the United States (Percent)

A survey of the euro area suggests that lower risk appetite and higher balance sheet constraints are hurting bond market makers.

4. Reasons for Changes in Market Making in Debt Securities (Percent)

Note: Survey respondents indicating in top three reasons for change in market liquidity.

Sources: Deutsche Bundesbank; European Central Bank Survey on Credit Terms and Conditions in Euro-Denominated Securities Financing & OTC Derivatives Markets, December 2014; Federal Reserve Bank of New York; Federal Reserve Senior Credit Officer Opinion Survey on Dealer Financing Terms, June 2015; Haver Analytics; and IMF staff calculations.