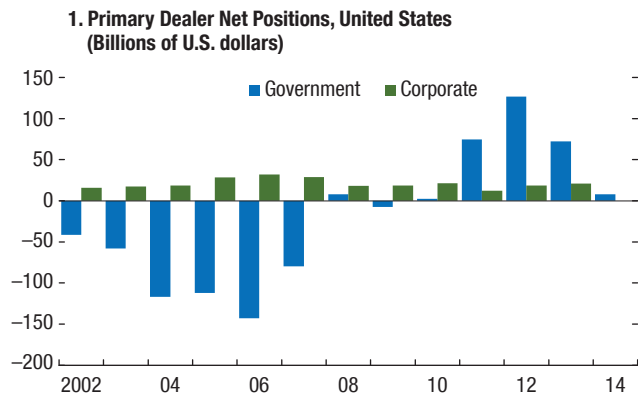


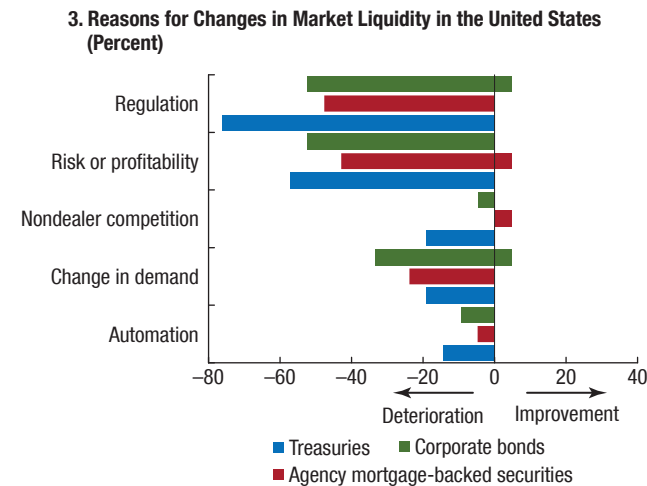
Figure 2.4. Trends in Market Making

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



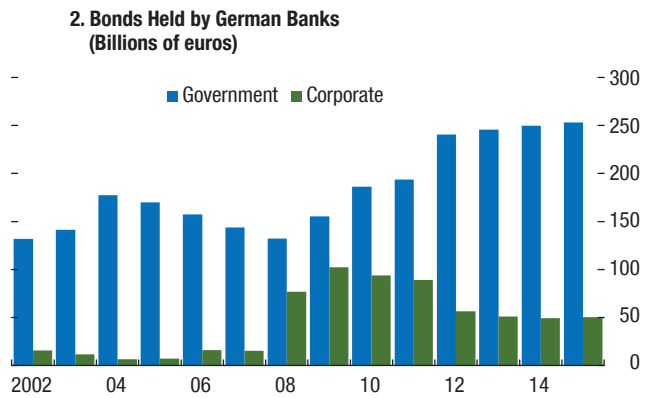
Note: The figure shows net U.S. Treasury and corporate bond inventories held by primary dealers. Corporate bond figures are adjusted to exclude nonagency mortgage-backed securities and extend through 2013.

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



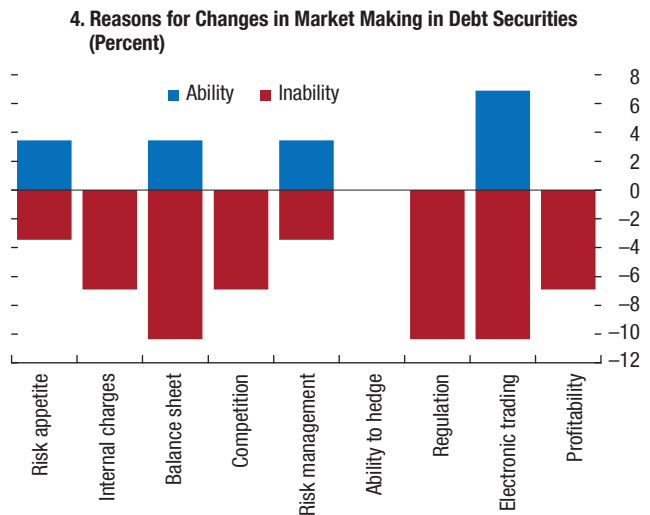
Note: Survey respondents indicating in top three reasons for change in market liquidity.

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



Note: Total domestic bonds (in gross terms) held by German banks. Data for 2015 are as of March.

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



Note: Survey respondents indicating in top three reasons for change in their ability to provide 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.