

# Tradable Credit Index Products

## Q1 2022 Volumes Report

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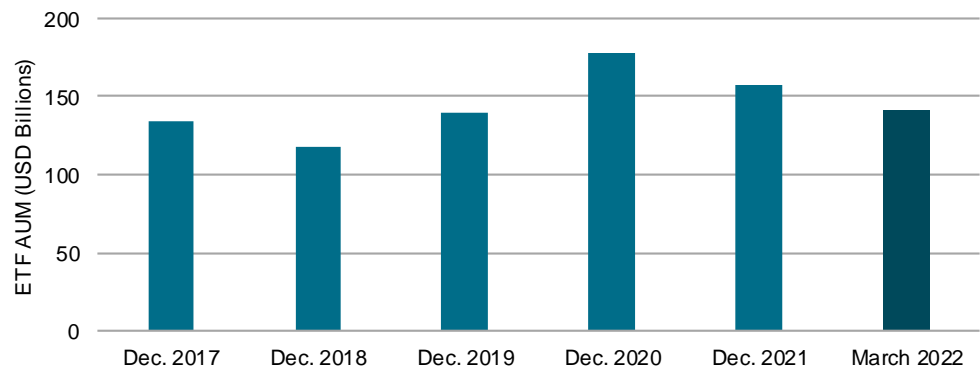
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In the first quarter of 2022, there was uncertainty in fixed income markets due to rising inflation and interest rates, the ongoing Russia-Ukraine conflict and slower economic growth prospects following the unwinding of the central bank actions in 2020 to combat the COVID-19 pandemic. In such market conditions, tradable credit indices have yet again shown that they are an effective instrument for navigating credit exposure. We outline the Q1 2022 volumes linked to key iBoxx, iTraxx and CDX indices.

### ETFs Tracking Key Credit Indices

In 2021 and the first quarter of 2022, adverse fixed income market conditions affected investor appetite for long exposure to credit. Flows in ETFs tracking key iBoxx credit indices tend to act as bellwethers for market sentiment and have reflected investor paring of fixed income exposure.

**Exhibit 1: ETF AUMs Linked to iBoxx Indices**



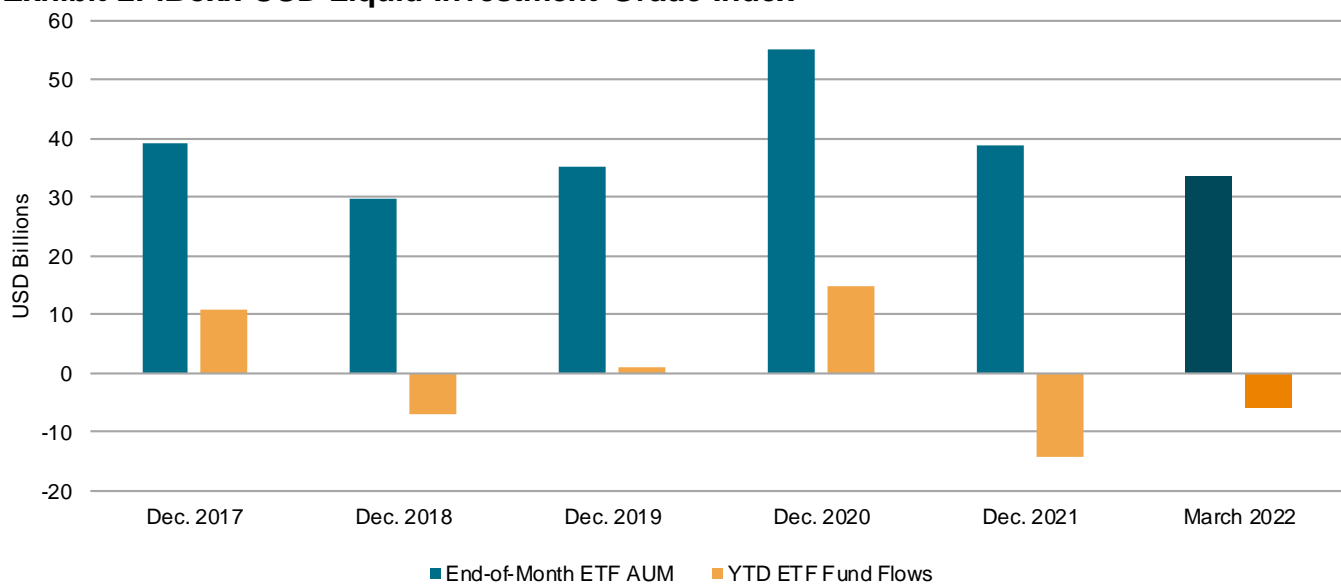
Source: FactSet. Data as of March 31, 2022. Chart is provided for illustrative purposes.

In the following sections, we will examine ETF AUMs linked to key iBoxx credit indices across North America and Europe.

## North America

There was USD 38.9 billion in ETF AUMs tracking the iBoxx USD Liquid Investment Grade Index at the end of 2021, which was 29.3% less than at the end of 2020. ETF AUMs tracking the index ended Q1 2022 down 13.6% from year-end 2021. ETFs tracking the index had net outflows of USD 14.2 billion in 2021 and USD 5.8 billion in Q1 2022, which reversed course from the USD 15 billion and USD 1.2 billion of net inflows in 2020 and 2019, respectively. However, ETF AUMs tracking the index to close 2021 was still 10.9% higher than the close of 2019.

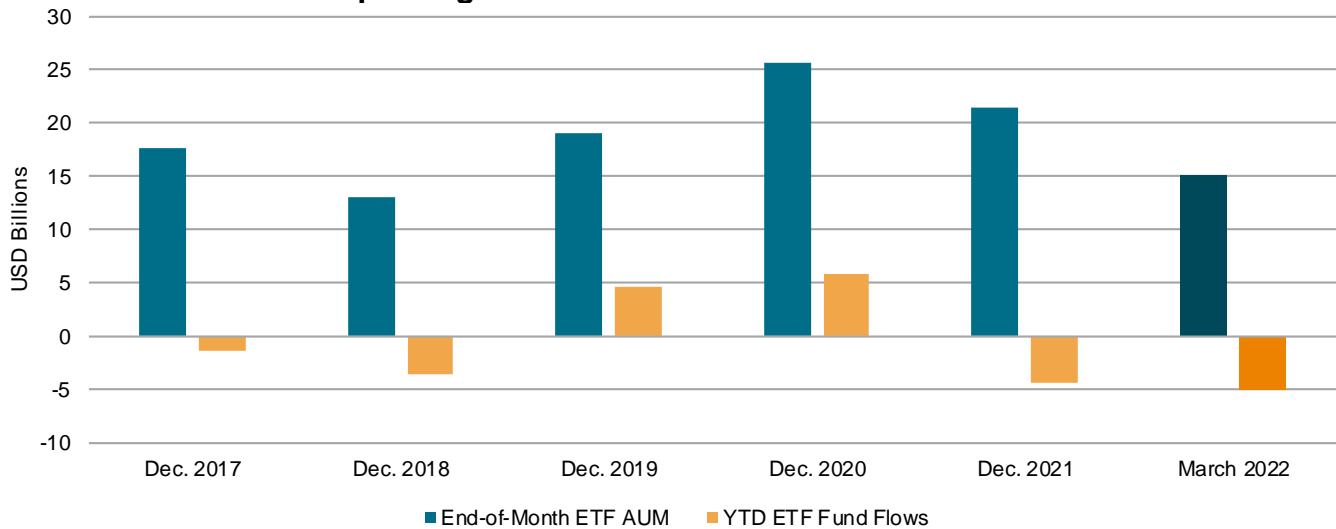
**Exhibit 2: iBoxx USD Liquid Investment Grade Index**



Source: FactSet. Data as of March 31, 2022. Chart is provided for illustrative purposes.

USD 21.4 billion in ETF AUMs tracked the iBoxx USD Liquid High Yield Index at year-end 2021, which was 16.8% less than at the end of 2020. ETF AUM tracking the index in Q1 2022 was down another 29.3% from year-end 2021. ETF AUM tracking the index had net outflows of USD 4.3 billion in 2021 and USD 5.0 billion in Q1 2022, which reversed course from the USD 5.8 billion and USD 4.7 billion of net inflows in 2020 and 2019, respectively. However, ETF AUM in 2021 was 12.5% higher than the close of 2019.

**Exhibit 3: iBoxx USD Liquid High Yield Index**

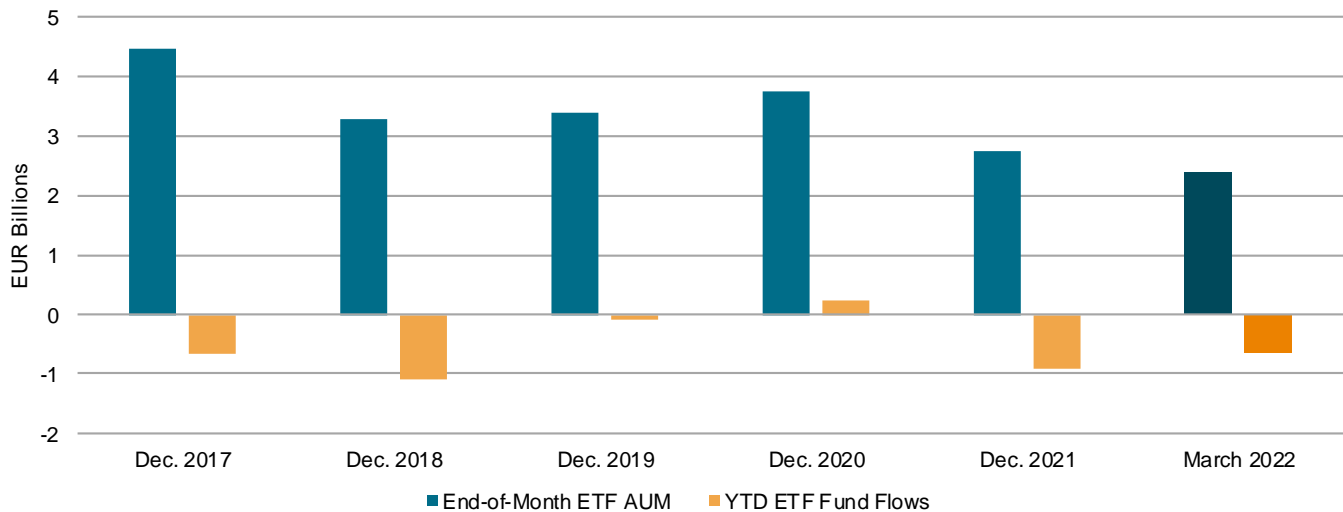


Source: FactSet. Data as of March 31, 2022. Chart is provided for illustrative purposes.

**Europe**

ETF AUMs tracking the Markit iBoxx EUR Liquid Corporates Large Cap Index ended 2021 EUR 2.7 billion, down 26.4% from 2020. Q1 2022 closed with ETF AUM down another 12.6% to EUR 2.4 billion. 2021 and Q1 2022 saw EUR 911 million and EUR 652 million of net outflows, respectively.

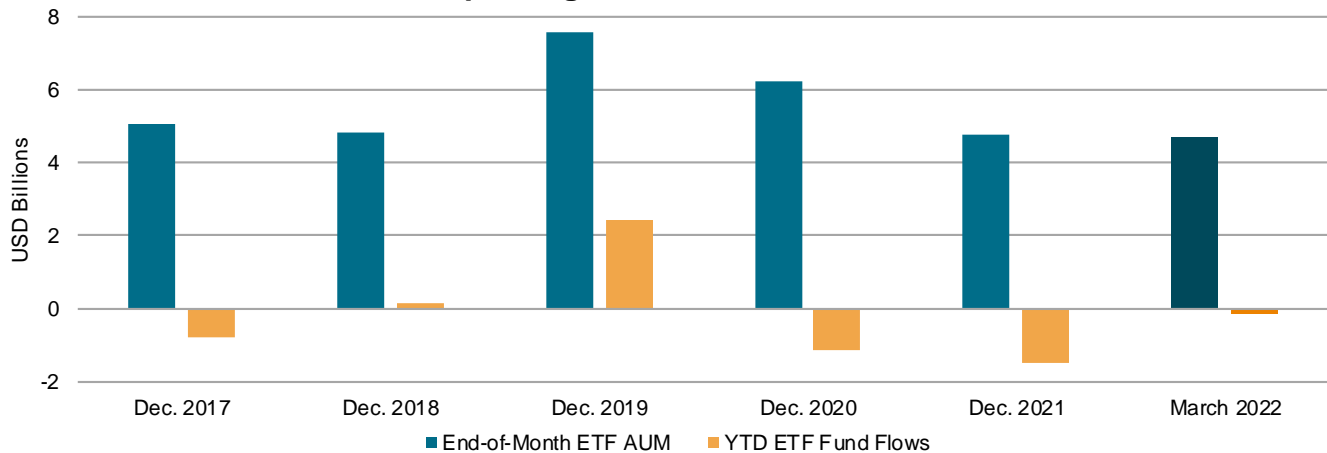
**Exhibit 4: Markit iBoxx EUR Liquid Corporates Large Cap Index**



Source: FactSet. Data as of March 31, 2022. Chart is provided for illustrative purposes.

ETF AUMs tracking the Markit iBoxx EUR Liquid High Yield Index fell 23.5% to EUR 4.8 billion in 2021 on EUR 1.5 billion in net outflows and remained roughly flat through Q1 2022.

**Exhibit 5: Markit iBoxx EUR Liquid High Yield Index**

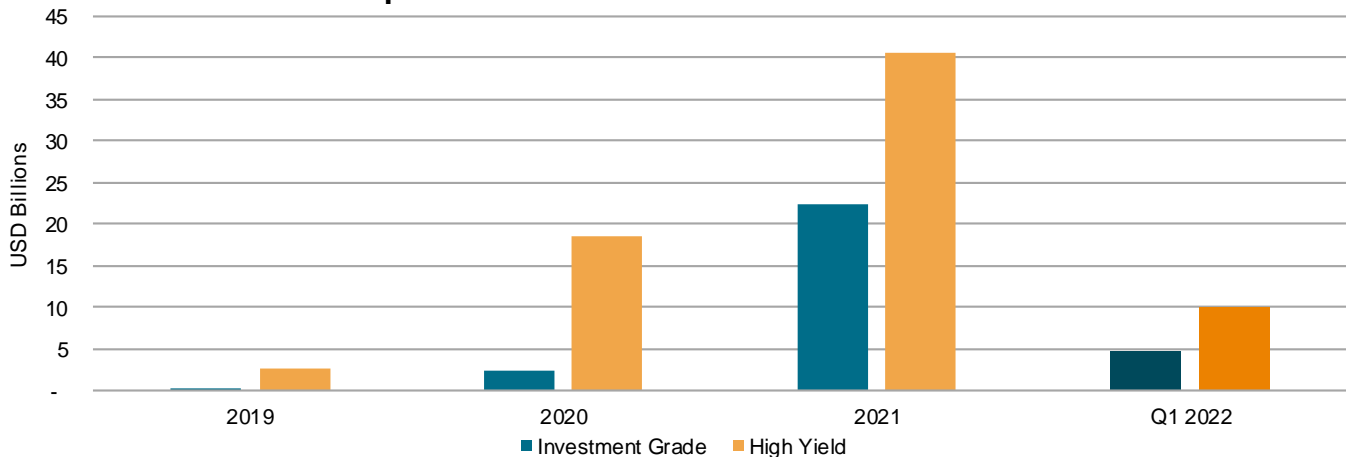


Source: FactSet. Data as of March 31, 2022. Chart is provided for illustrative purposes.

## iBoxx Corporate Bond Index Futures

Futures volumes linked to the iBoxx indices grew rapidly in 2021, with notional volumes increasing 200% to USD 62.9 billion. USD 40.6 billion stemmed from trading on the iBoxx iShares USD High Yield Corporate Bond Index, while the remaining USD 22.3 billion was traded on the iBoxx iShares USD Investment Grade Corporate Bond Index. While smaller, the growth in investment grade trading was particularly notable, given 2020 volumes were only USD 2.5 billion. Total trading in Q1 2022 was USD 15.9 billion (USD 10.7 billion and USD 5.2 billion on high yield and investment grade, respectively).

**Exhibit 6: iBoxx USD Corporate Bond Index Futures**

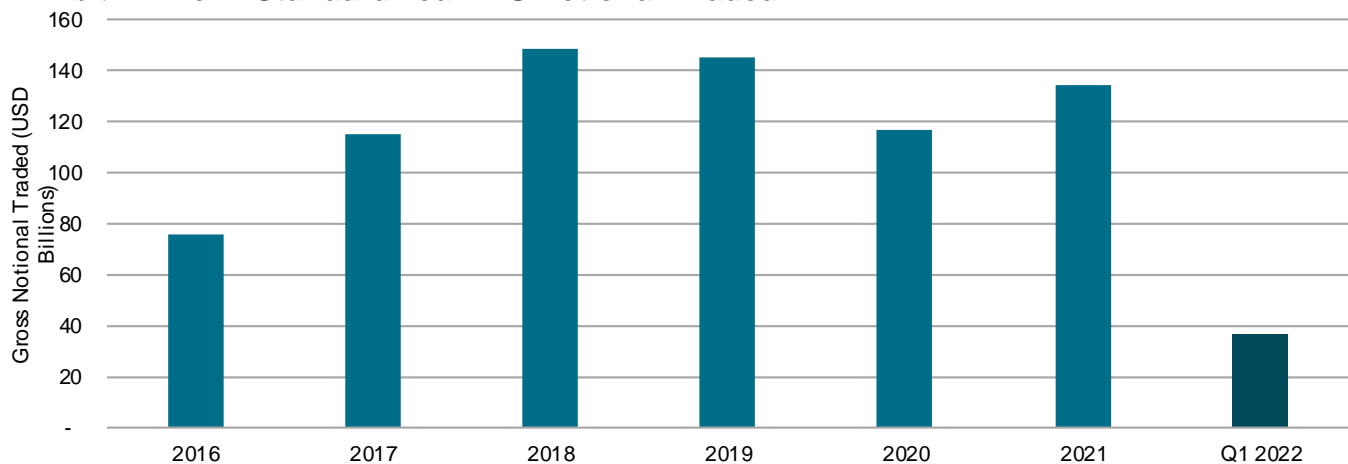


Source: Cboe Global Markets. Data as of March 31, 2022. Chart is provided for illustrative purposes.

# iBoxx Standardized Total Return Swaps (TRS)

After posting strong volumes in 2021, trading about USD 134 billion during the year, iBoxx Standardized TRS continued that trend in Q1 2022, with a gross notional traded of about USD 36 billion.

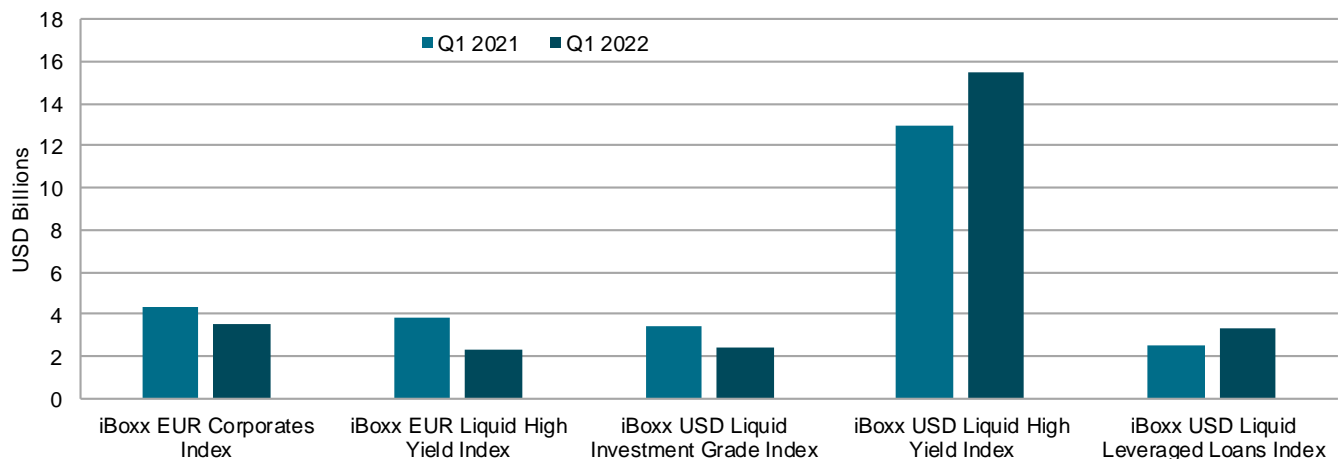
**Exhibit 7: iBoxx Standardized TRS Notional Traded**



Source: DTCC. Data as of March 31, 2022. Chart is provided for illustrative purposes.

Standardized TRS on the iBoxx USD Liquid High Yield Index has continued to be the most traded Standardized TRS instrument, with about USD 20 billion in notional traded in Q1 2022, an increase of 34% relative to the same period in 2021. Standardized TRS on other USD indices such as the iBoxx USD Liquid Investment Grade Index and iBoxx USD Liquid Leveraged Loans Index showed percentage changes of -13% and 49%, respectively, in Q1 2022 on a quarter-over-quarter basis. In Europe, the percentage changes on Standardized TRS volumes on the iBoxx EUR Liquid High Yield Index and iBoxx EUR Corporates Index was -31% and -12%, respectively, on a quarter-over-quarter basis.

**Exhibit 8: iBoxx Standardized TRS – Quarter-over-Quarter Notional Traded**

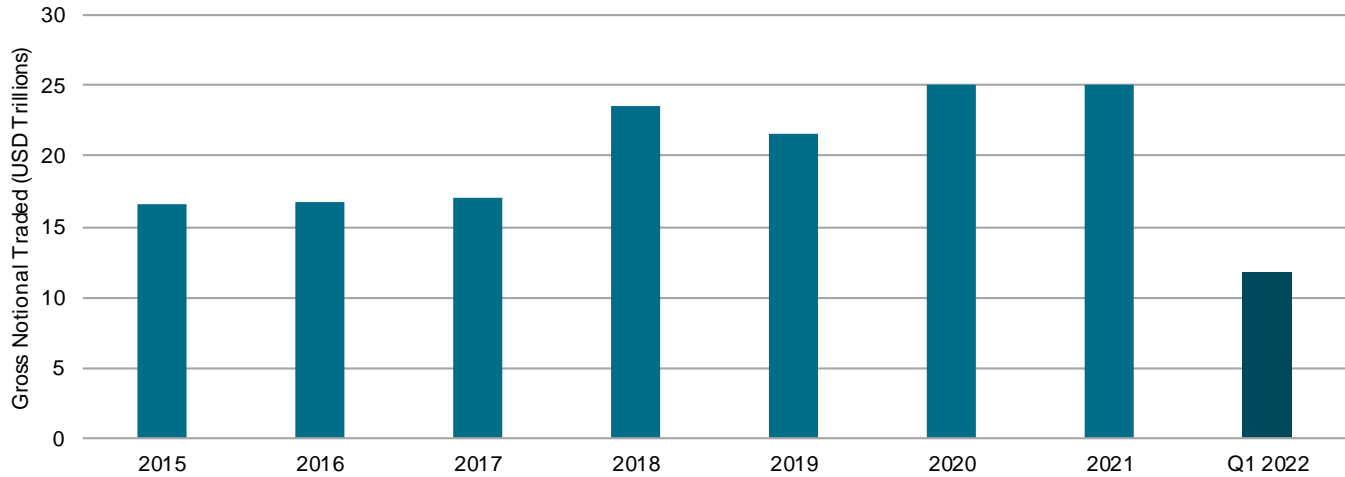


Source: DTCC. Data as of March 31, 2022. Chart is provided for illustrative purposes.

# iTraxx and CDX Indices

The iTraxx and CDX indices already traded over USD 11 trillion in the first quarter of 2022. This is more than 40% of the volumes seen in 2021, which was the highest since 2015.

**Exhibit 9: iTraxx and CDX Indices Notional Traded**

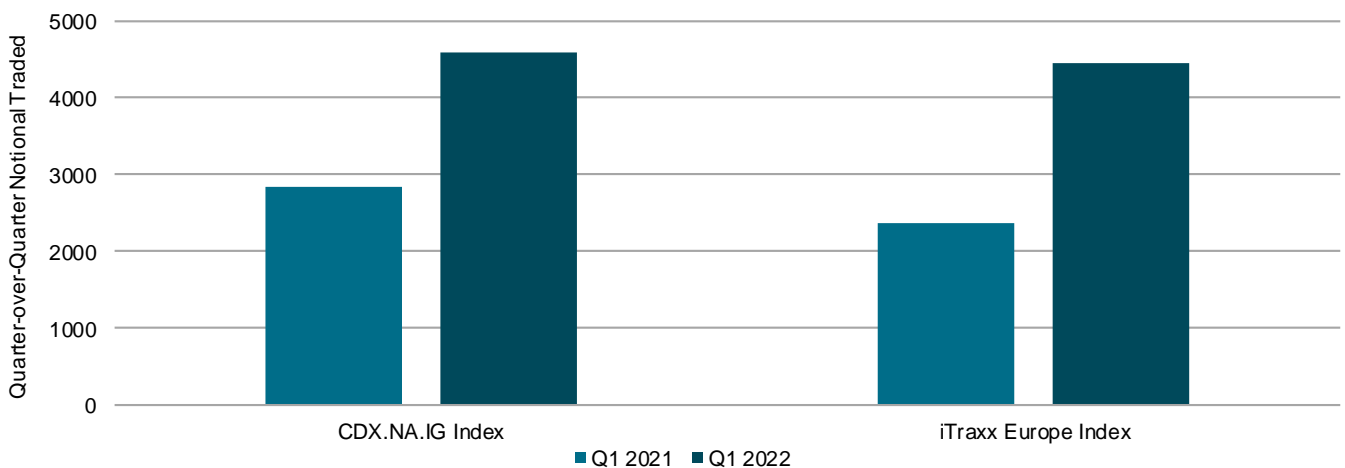


Source: DTCC. Data as of March 31, 2022. Chart is provided for illustrative purposes.

## North America and Europe Investment Grade Indices

Relative to Q1 2021, the CDX.NA.IG Index and iTraxx Europe Index showed strong volumes in Q1 2022, posting an increase of 62% and 88%, respectively, on a quarter-over-quarter basis.

**Exhibit 10: Investment Grade Indices – Quarter-over-Quarter Notional Traded**

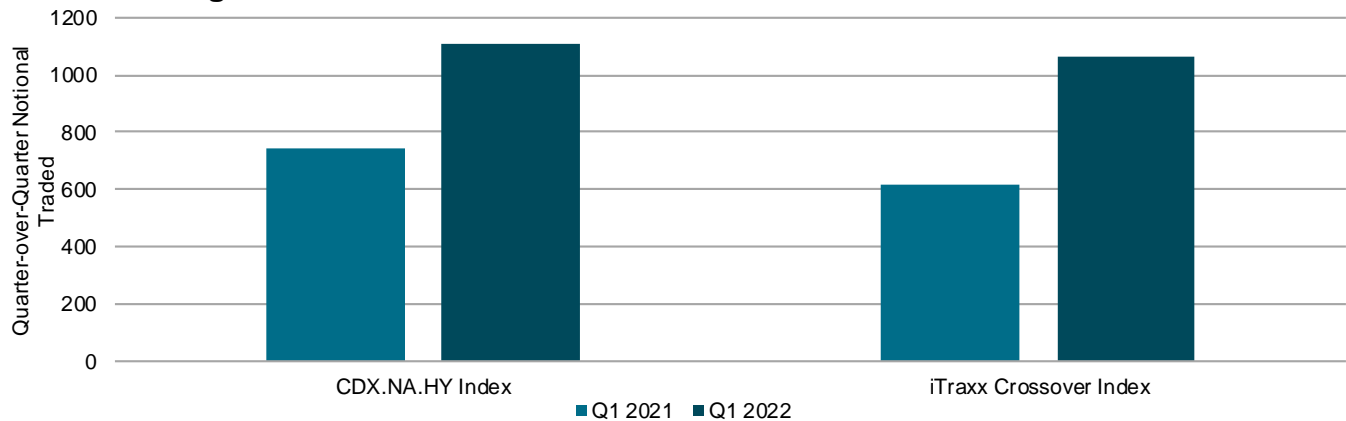


Source: DTCC. Data as of March 31, 2022. Chart is provided for illustrative purposes.

## North America and Europe High Yield Indices

Relative to Q1 2021, the CDX.NA.HY Index and iTraxx Crossover Index posted increases of 48% and 73%, respectively, on a quarter-over-quarter basis.

**Exhibit 11: High Yield Indices – Quarter-over-Quarter Notional Traded**



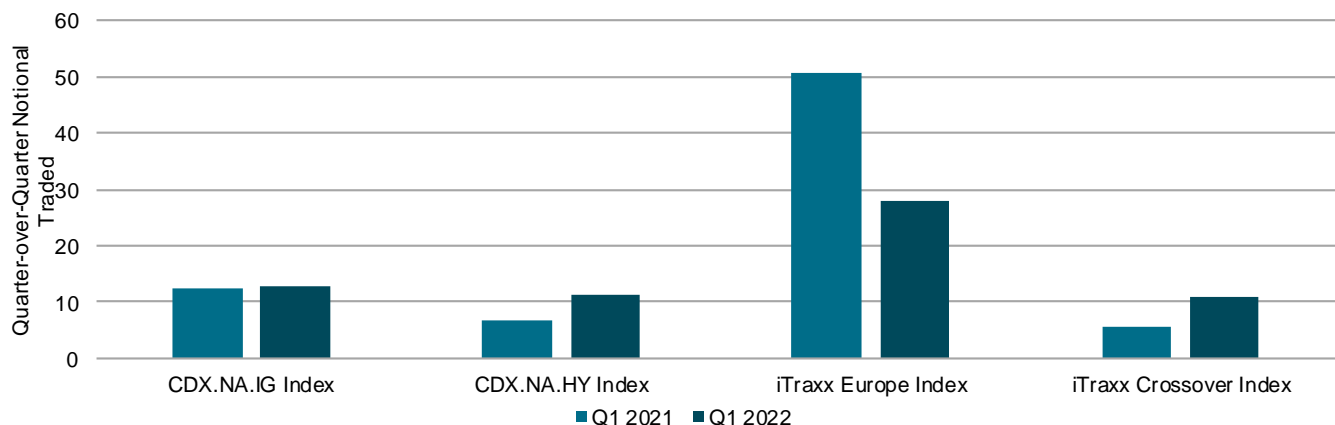
Source: DTCC. Data as of March 31, 2022. Chart is provided for illustrative purposes.

## Regional Indices

Among the regional indices, the CDX.EM Index showed a slight decrease of 8% in volumes in Q1 2022, relative to the same period in 2021. Part of this could be attributed to the presence of Russia in the index, which was affected by U.S. sanctions on trading Russian securities. Russia is not part of the current on-the-run CDX.EM index series, which started trading on March 21, 2022.

iTraxx Asia ex-Japan Index volumes showed an increase of 54% in Q1 2022, on a quarter-over-quarter basis. The iTraxx Japan Index and iTraxx Australia Index posted marginal increases of 7% and 4% in Q1 2022, respectively, relative to the same period in 2021.

**Exhibit 12: Regional Indices – Quarter-over-Quarter Notional Traded**

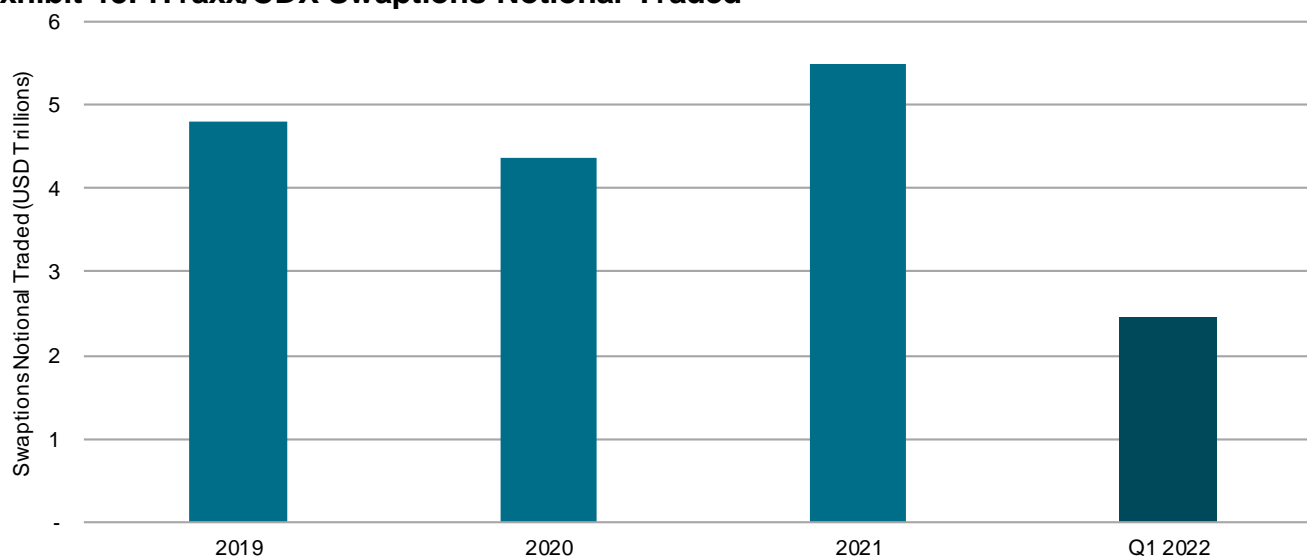


Source: DTCC. Data as of March 31, 2022. Chart is provided for illustrative purposes.

## iTraxx and CDX Swaptions

The iTraxx/CDX swaptions had another strong year in 2021, trading about USD 5.5 trillion in notional, up from USD 4.3 trillion in 2020. In the first quarter of 2022, the iTraxx/CDX swaptions traded close to USD 2.5 trillion, on track for yet another strong year. The iTraxx/CDX swaptions have proved to be liquid instruments for effective downside hedging and managing credit volatility.

### Exhibit 13: iTraxx/CDX Swaptions Notional Traded



Source: OSTTRA. Data as of March 31, 2022. Chart is provided for illustrative purposes.

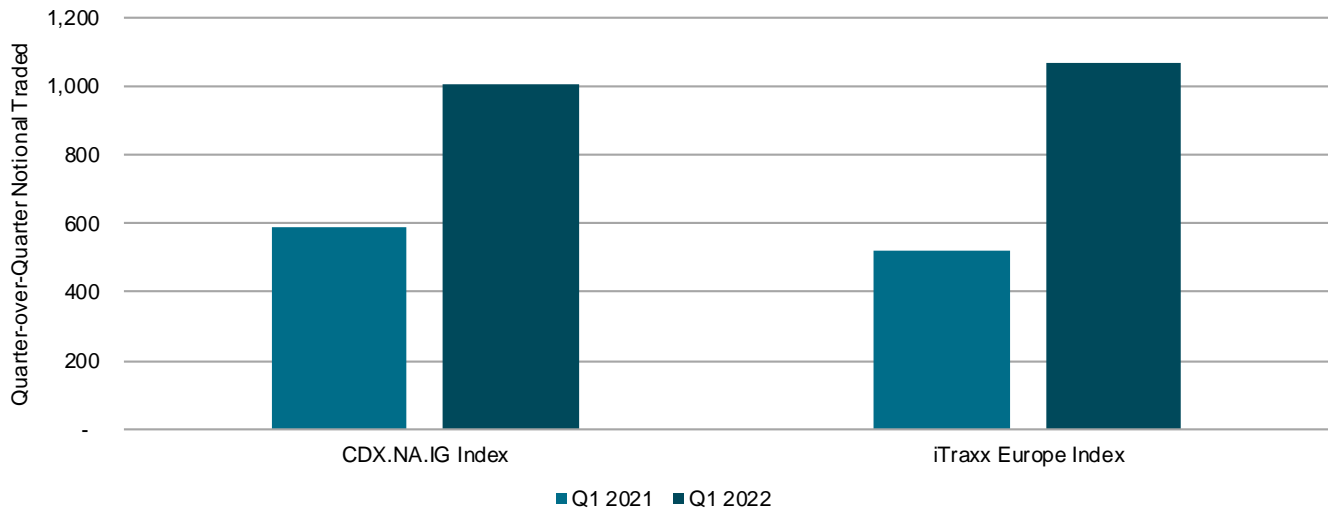
## Options on Investment Grade Indices

Volumes on the investment grade iTraxx/CDX swaptions showed strong growth in the first quarter of 2022, on a quarter-over-quarter basis. Options on the CDX.NA.IG Index and iTraxx Europe Index increased by 70% and 104% in Q1 2022, respectively, relative to the same period in 2021.

It is also worth noting that the iTraxx Europe Senior Financials Index (not shown), which traded about USD 40 billion in 2021, saw about USD 23 billion in notional traded in Q1 2022.



### Exhibit 14: Investment Grade Swaptions – Quarter-over-Quarter Notional Traded

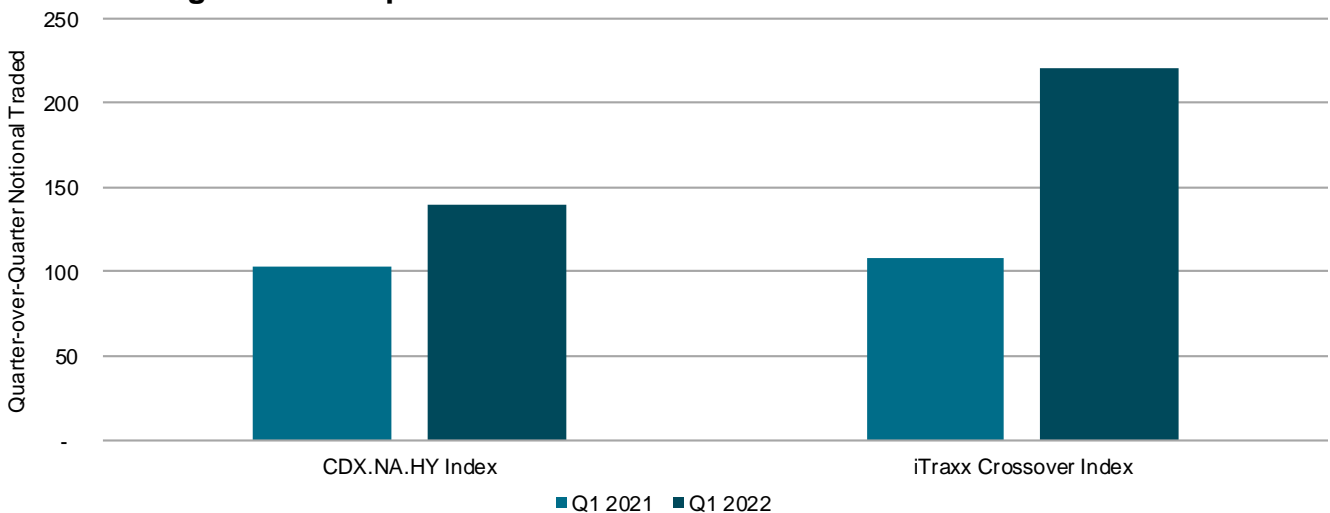


Source: OSTTRA. Data as of March 31, 2022. Chart is provided for illustrative purposes.

## Options on High Yield Indices

Volumes on the high yield iTraxx and CDX swaptions also showed a significant growth trend in the first quarter of 2022, on a quarter-over-quarter basis. Options on the CDX.NA.HY Index and iTraxx Crossover Index increased by 35% and 103% in Q1 2022, respectively, relative to the same period in 2021.

### Exhibit 15: High Yield Swaptions – Quarter-over-Quarter Notional Traded

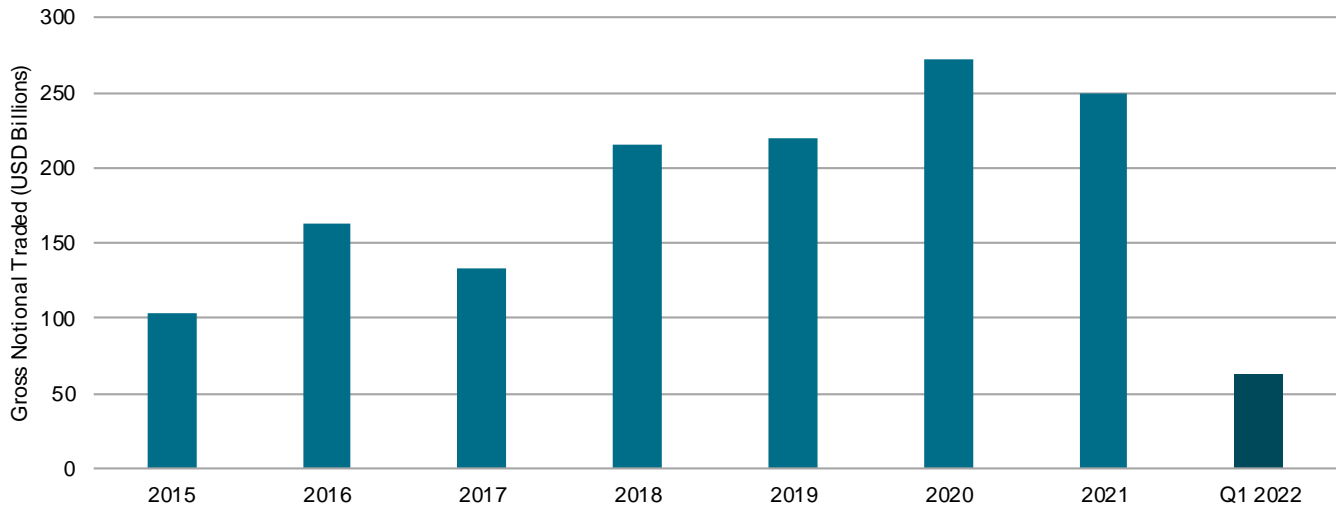


Source: OSTTRA. Data as of March 31, 2022. Chart is provided for illustrative purposes.

# iTraxx and CDX Tranches

The iTraxx and CDX tranche market has seen considerable growth since 2015, trading about USD 250 billion in 2021, up from about USD 100 billion in 2015. In Q1 2022, the iTraxx and CDX tranches traded about USD 63 billion, starting off on the right note for another potentially strong year.

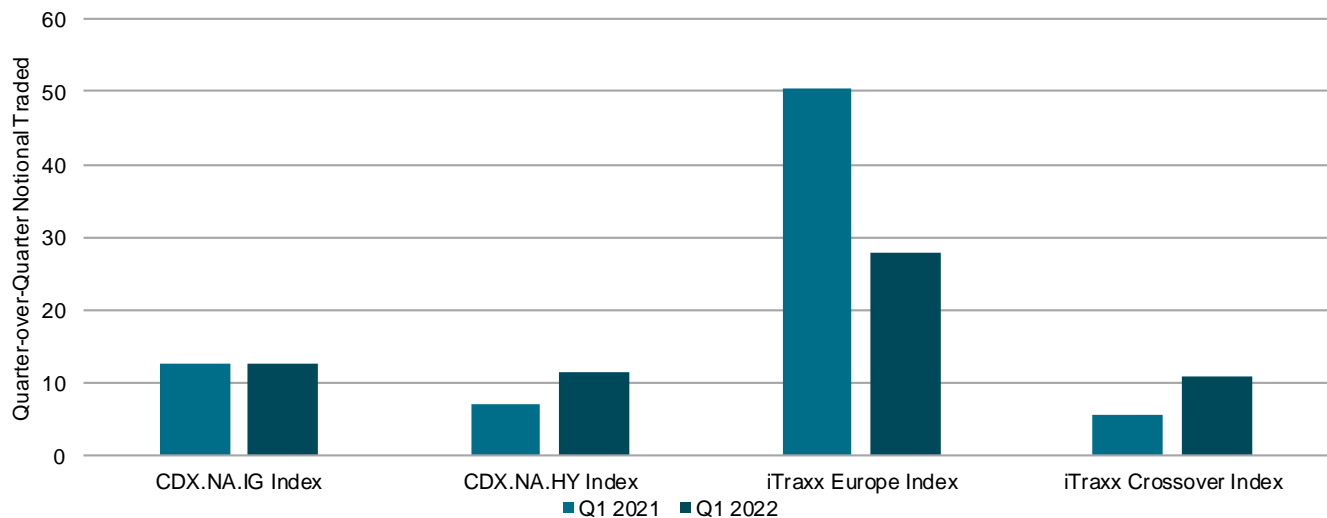
**Exhibit 16: iTraxx and CDX Tranches Notional Traded**



Source: DTCC. Data as of March 31, 2022. Chart is provided for illustrative purposes.

While there was no notable quarter-over-quarter change in notional traded for tranches on the CDX.NA.IG Index, tranches on the CDX.NA.HY Index, iTraxx Europe Index and iTraxx Crossover Index saw changes to the tune of 63%, -45%, and 95%, respectively.

**Exhibit 17: Tranches – Quarter-over-Quarter Notional Traded**



Source: DTCC. Data as of March 31, 2022. Chart is provided for illustrative purposes.

## Conclusion

2022 began on a volatile note, owing to geopolitical tensions, as well as rampant inflation across geographies and the resulting contractionary monetary policies by central banks, setting the stage for lower economic growth rates. Credit-index-linked ETFs, TRS and futures, along with iTraxx and CDX, have continued to offer investors a robust toolkit of instruments to select from, each carrying unique characteristics. The iTraxx/CDX indices and swaptions have continued to see increases in volume activity as investors rely on them to manage their credit and credit volatility exposure, while the full range of credit instruments from ETFs, TRS, futures and tranches continue to develop and add to the robust credit ecosystem.

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