

# FX Market Behaviour during the WM/R Fixing Window, 2015–2019

Global Foreign Exchange Committee (GFXC)  
Sydney, December 2019

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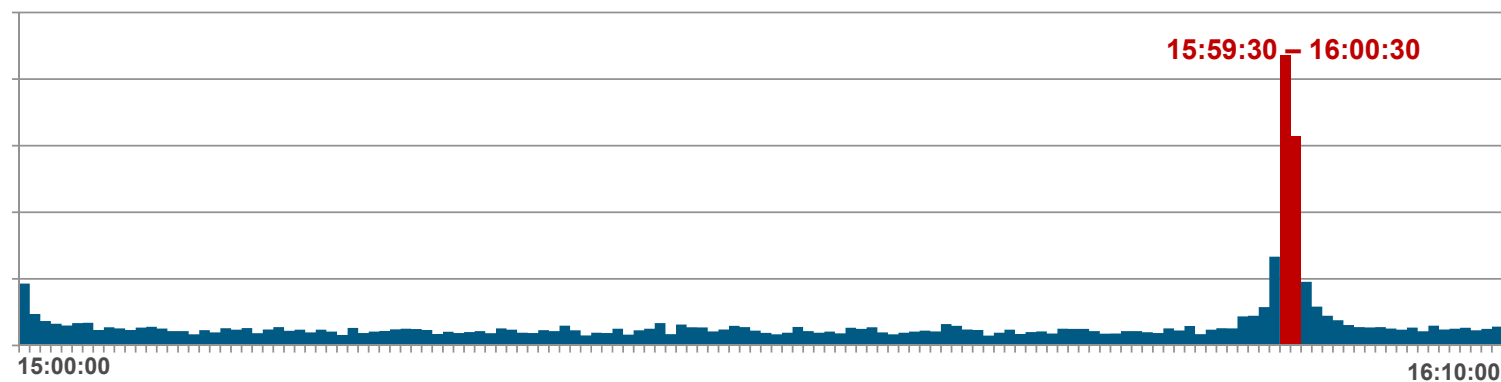
## We have been tracking activity on Matching during the WM/R window since 2014

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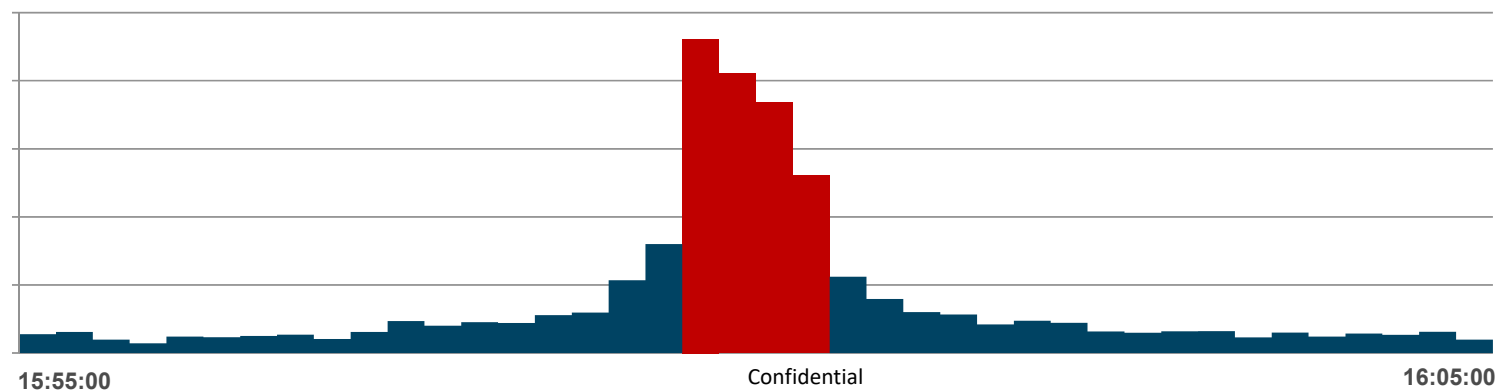
- Levels of activity before, during and after the window
- Distribution of trading activity within the window
- Changes in spreads within the window
- Size of market movement during the fixing period
- Predictability of market direction after the window opens

Prior to February 2015, GBP volumes peaked during the window, and there was an increase in volumes ahead of the window

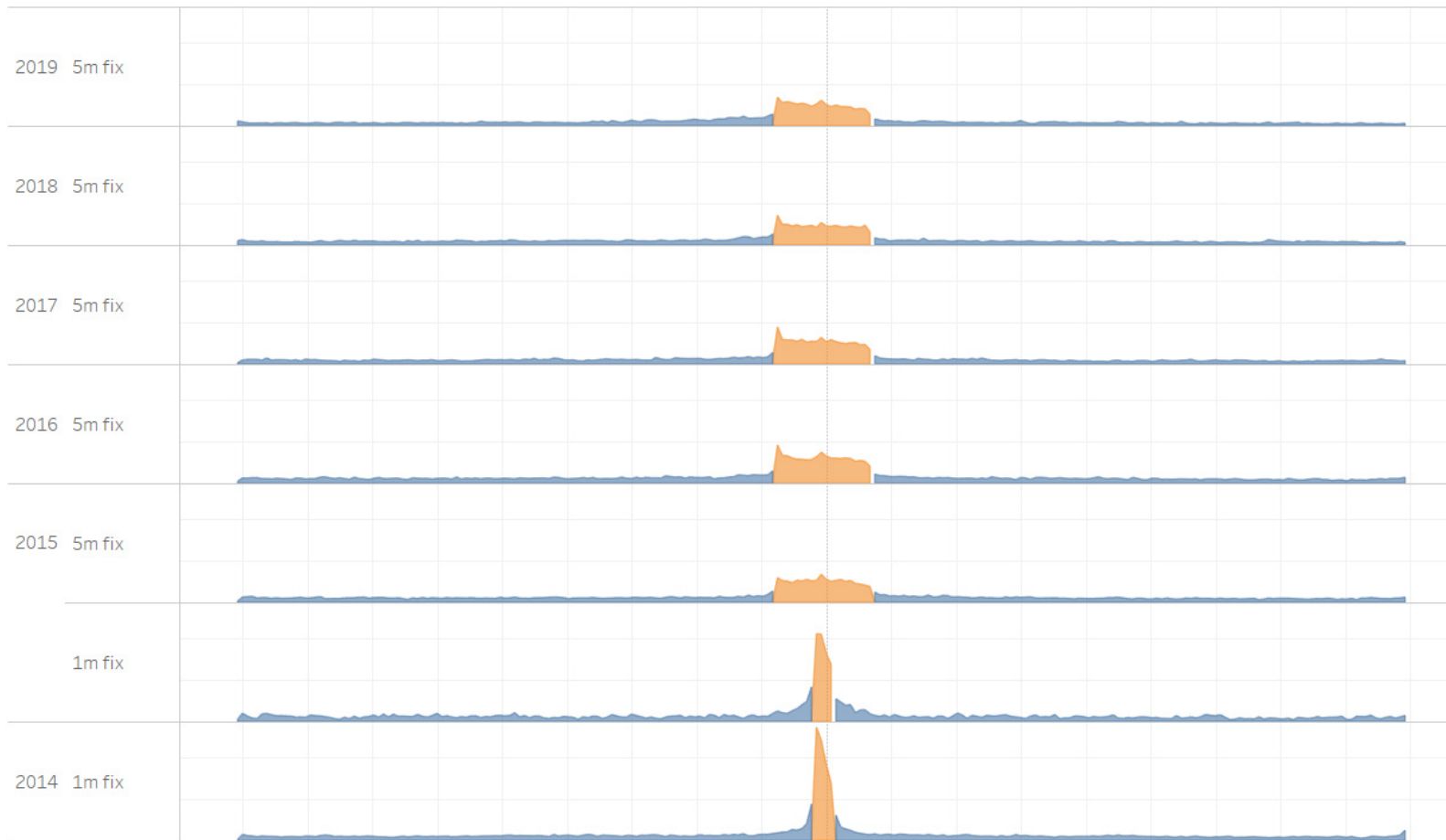
Average Amount Traded GBP/USD at 30s Intervals Around 4pm WM/R fix  
(in £GBP) Nov 24th 2014-Feb 13th 2015



Average Amount Traded GBP/USD at 15s Intervals Around 4pm WM/R fix  
(in £GBP) Nov 24th 2014-Feb 13th 2015



## Switch to the 5 minute window led to reduced trading ahead of the window

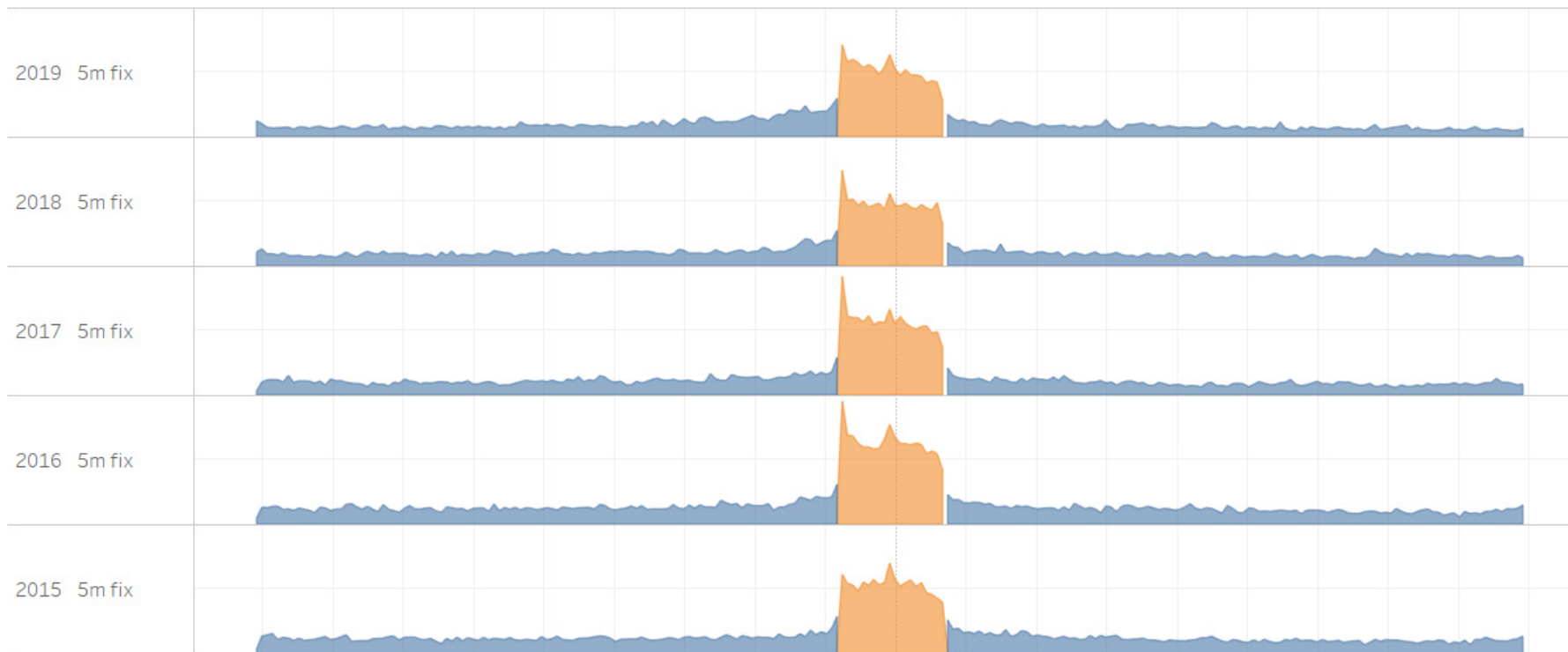


Left:

Average quantity  
executed on  
**gbp/usd** in 15s  
slices from 3.30pm  
to 4.30pm London  
time

Y-axes have same  
scale per graph

## Switch to the 5 minute window led to reduced trading ahead of the window (expanded view)

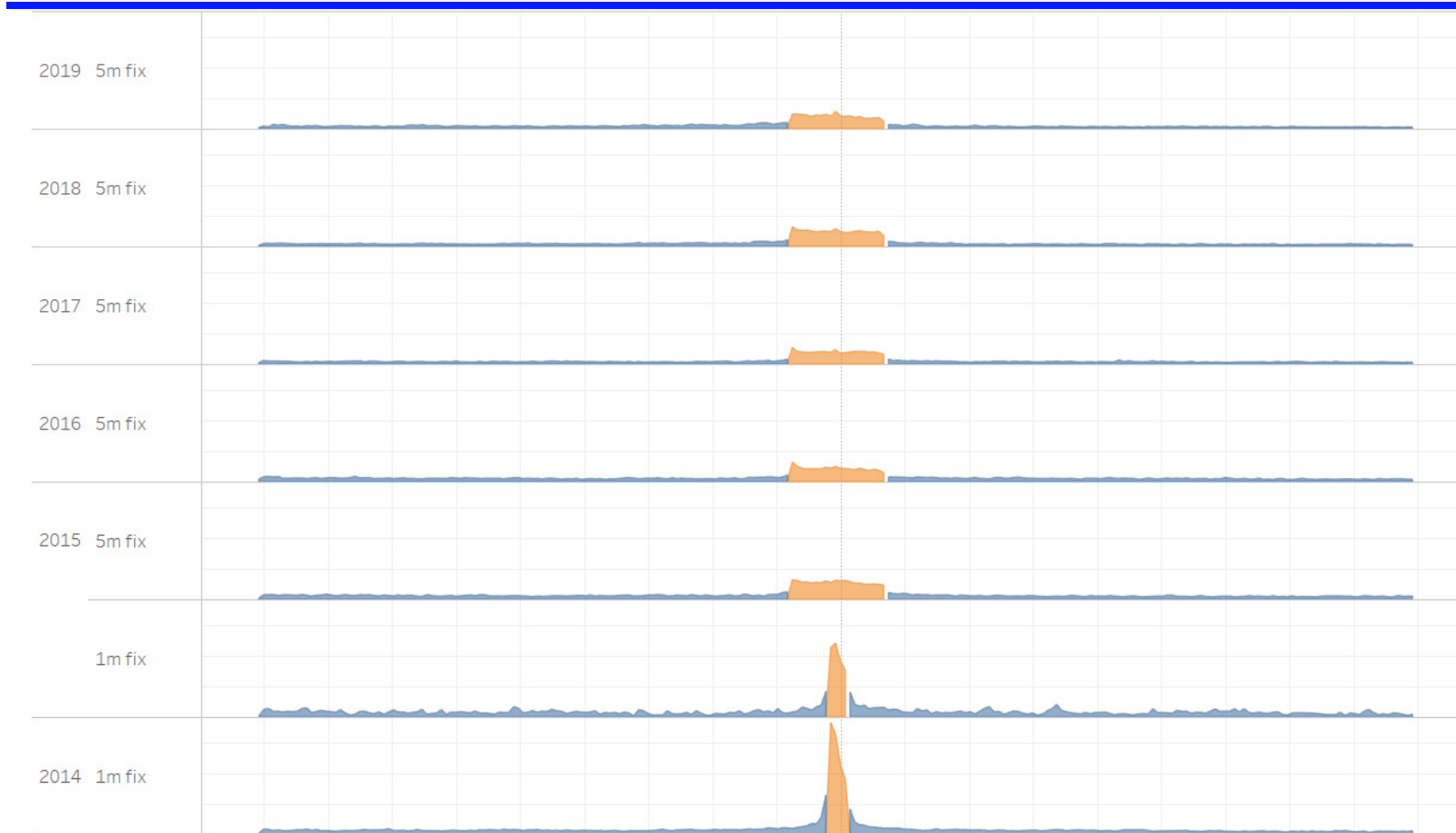


Left:

Average quantity executed on **gbp/usd** in 15s slices from 3.30pm to 4.30pm London time

Y-axes have same scale per graph

## AUD behaviour is similar

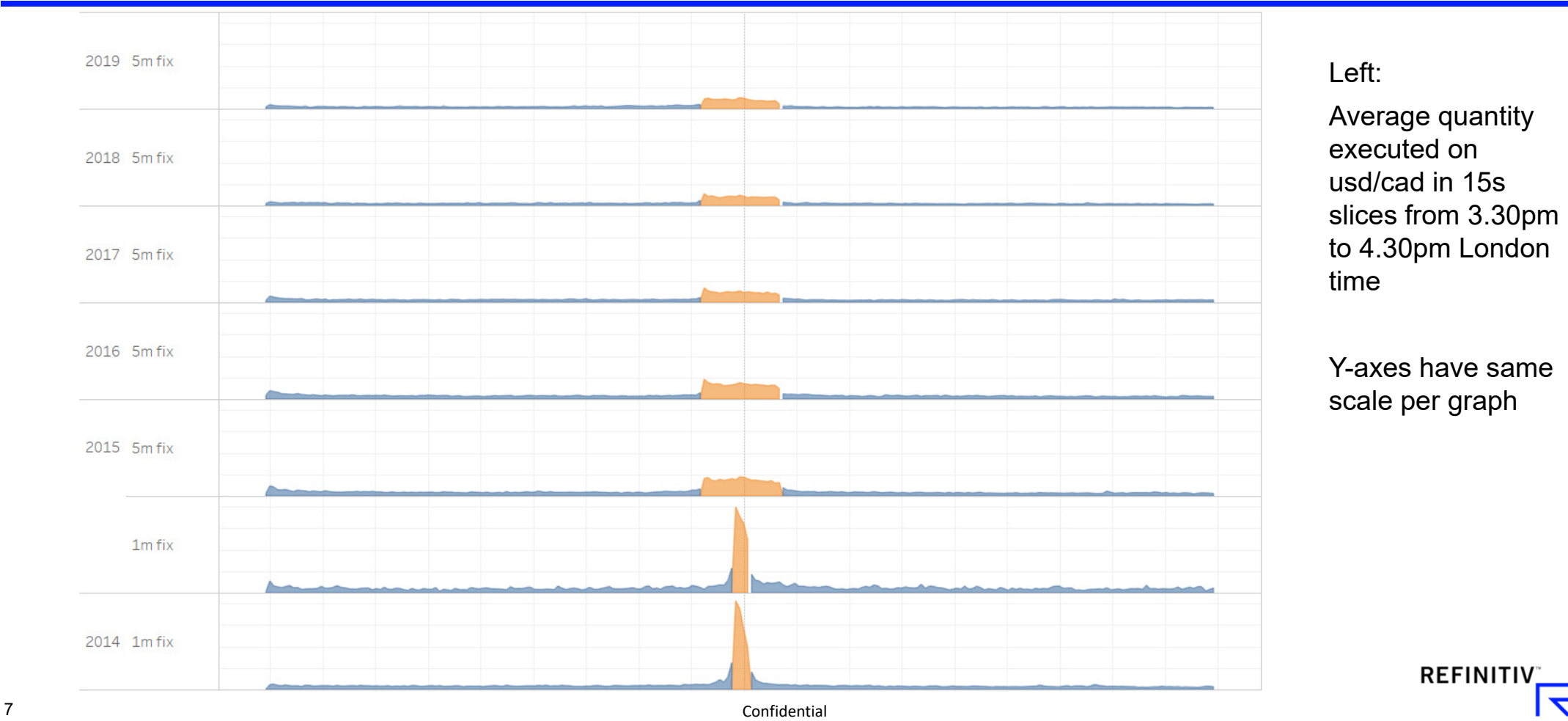


Left:

Average quantity  
executed on  
**aud/usd** in 15s  
slices from 3.30pm  
to 4.30pm London  
time

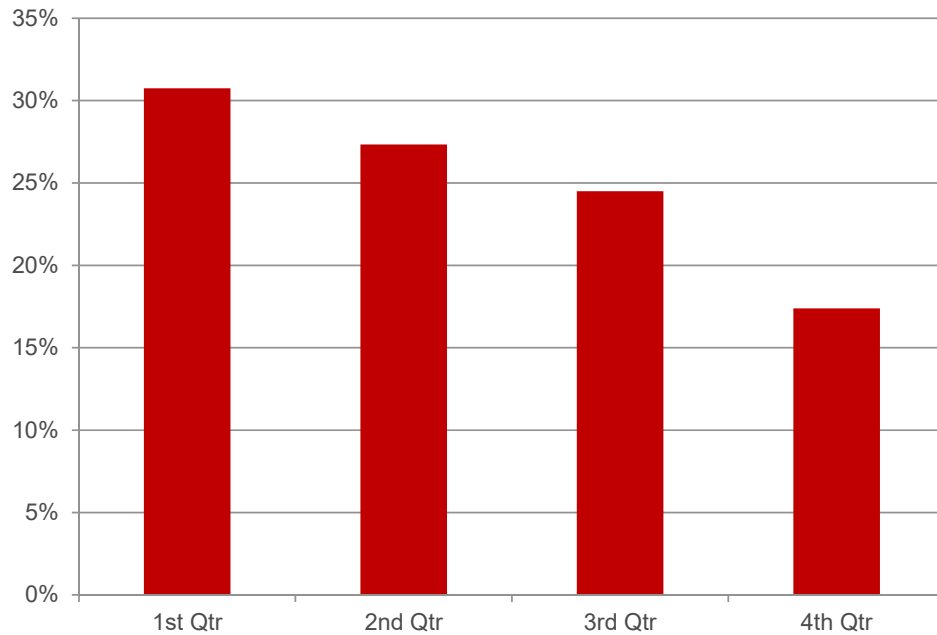
Y-axes have same  
scale per graph

# CAD behaviour is similar

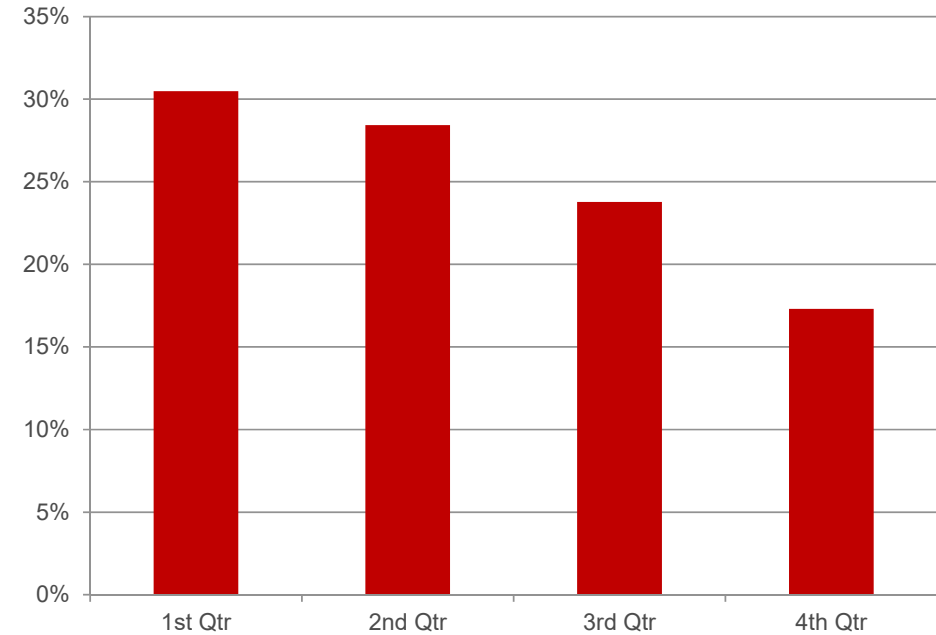


Prior to February 2015, trading activity was highest in the first part of window

**GBP/USD Volume During Quartiles of Fixing Window,  
24 Nov 2014 – 13 Feb 2015**

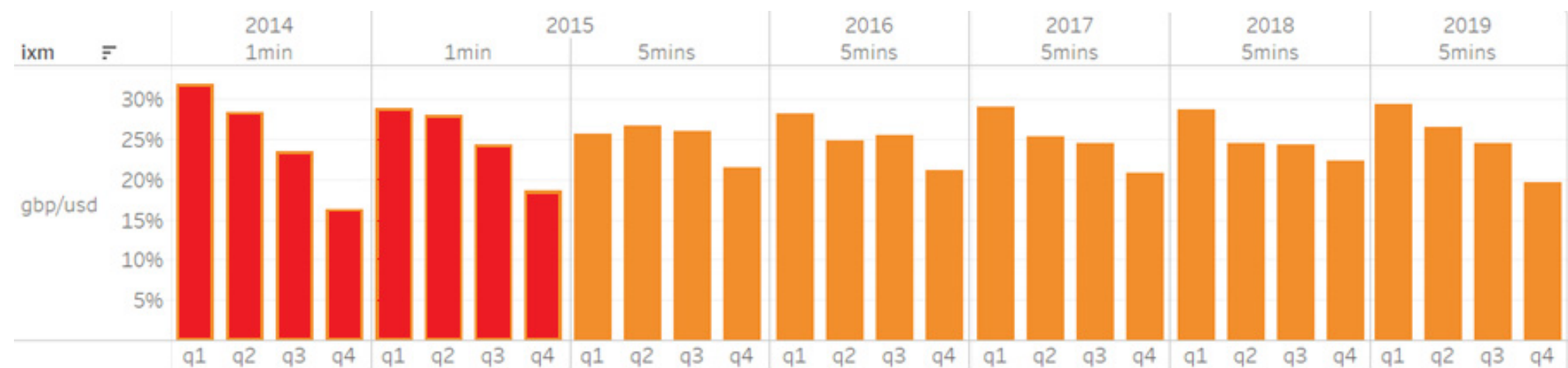


**AUD/USD Volume During Quartiles of Fixing Window,  
24 Nov 2014 – 13 Feb 2015**

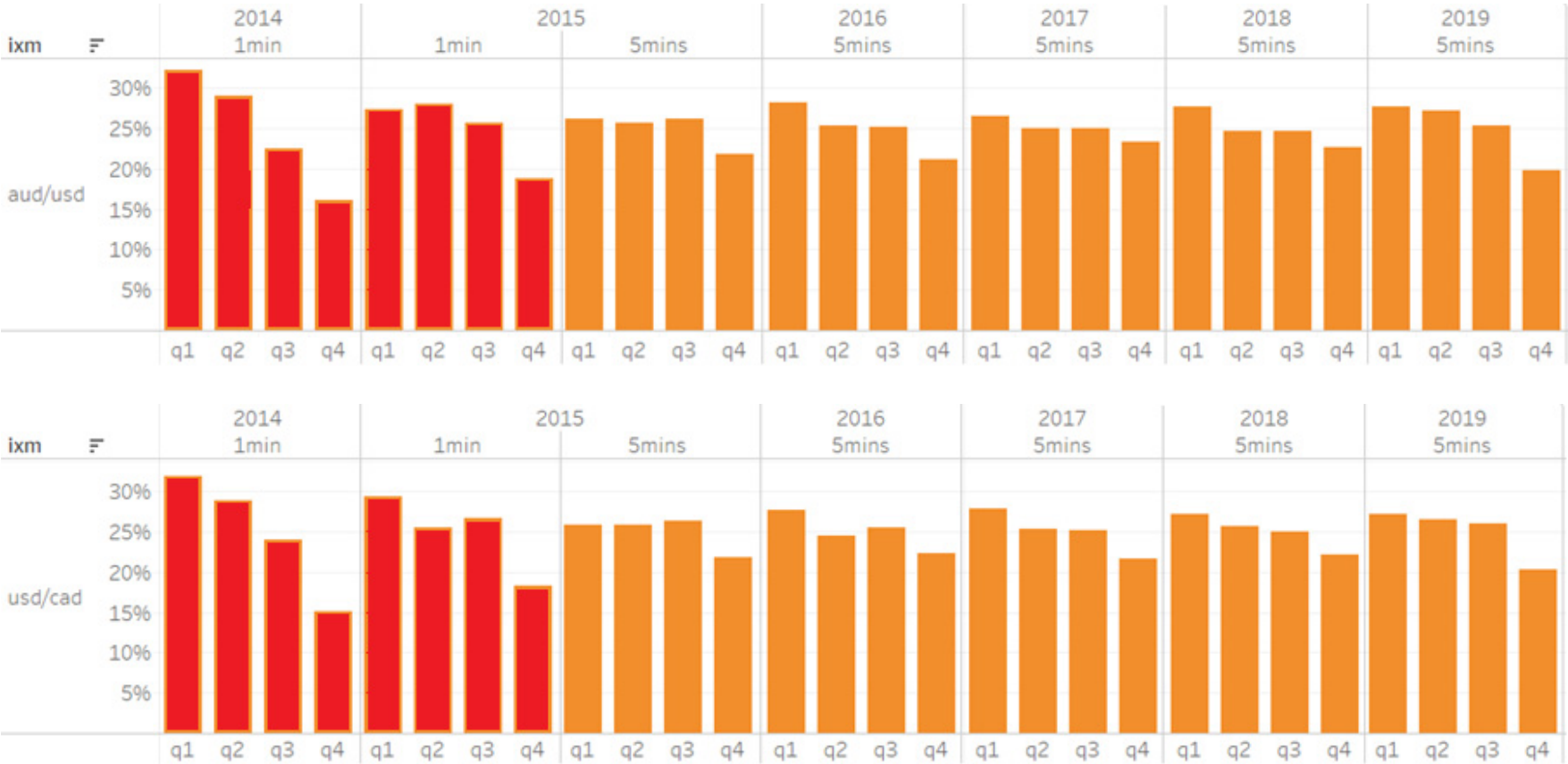




In GBP, volume became more evenly distributed after lengthening the window, but has recently been reverting back to a steeper profile

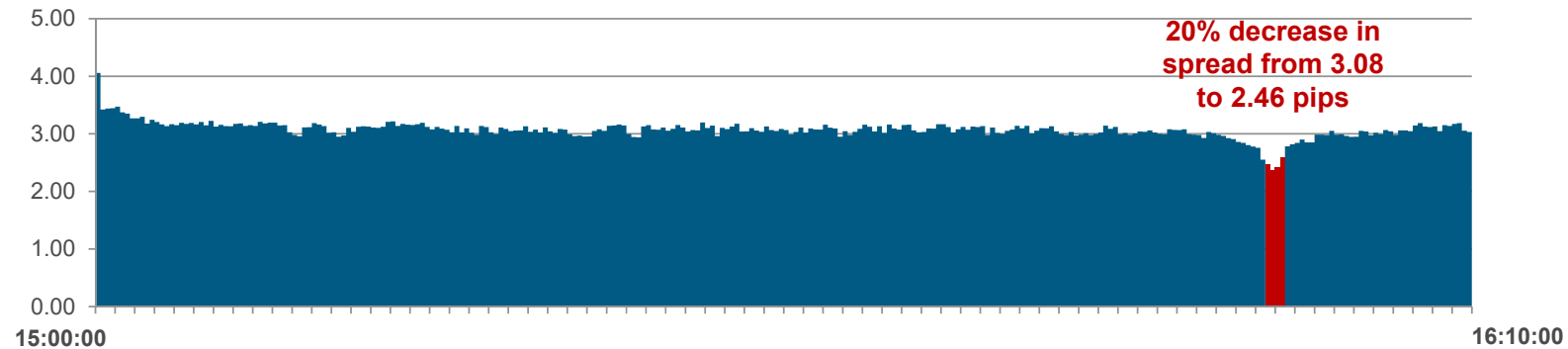


The behavior in AUD and CAD is similar, but has remained flatter

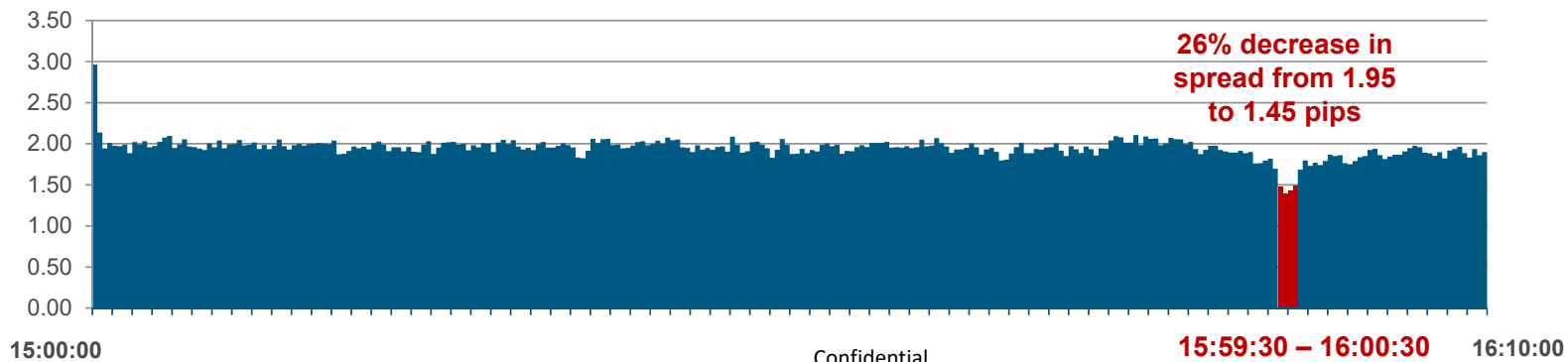


Prior to February 2015, spreads tightened during the window

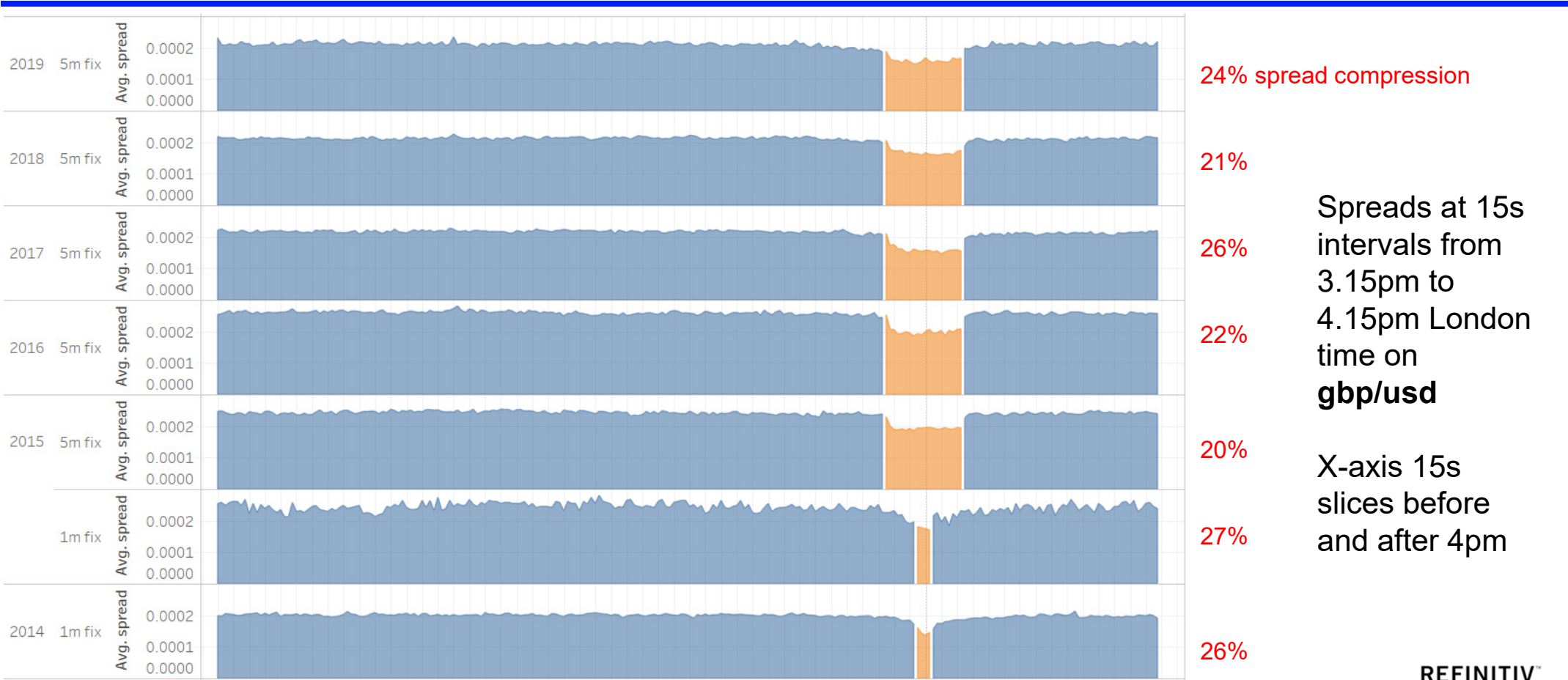
**Average GBP/USD Spread (pips) at 15s Intervals Around 4pm WM/R fix  
Nov 24th 2015 - Feb 13th 2015**



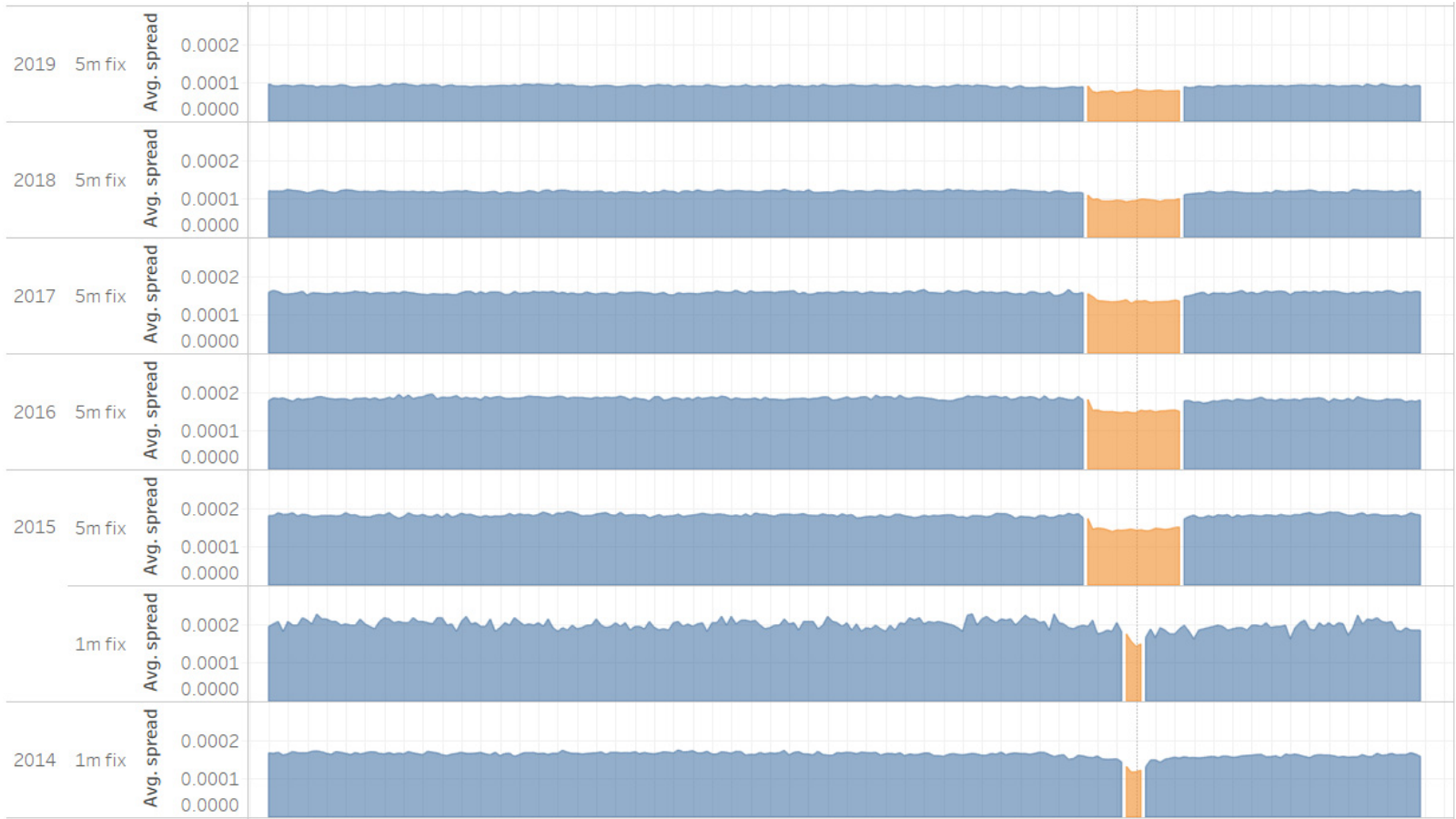
**Average AUD/USD Spread (pips) at 15s Intervals Around 4pm WM/R fix  
Nov 24th 2015 - Feb 13th 2015**



# GBP spreads continue to tighten during the benchmark window



# AUD behaviour is similar



14% spread compression

19%

13%

17%

19%

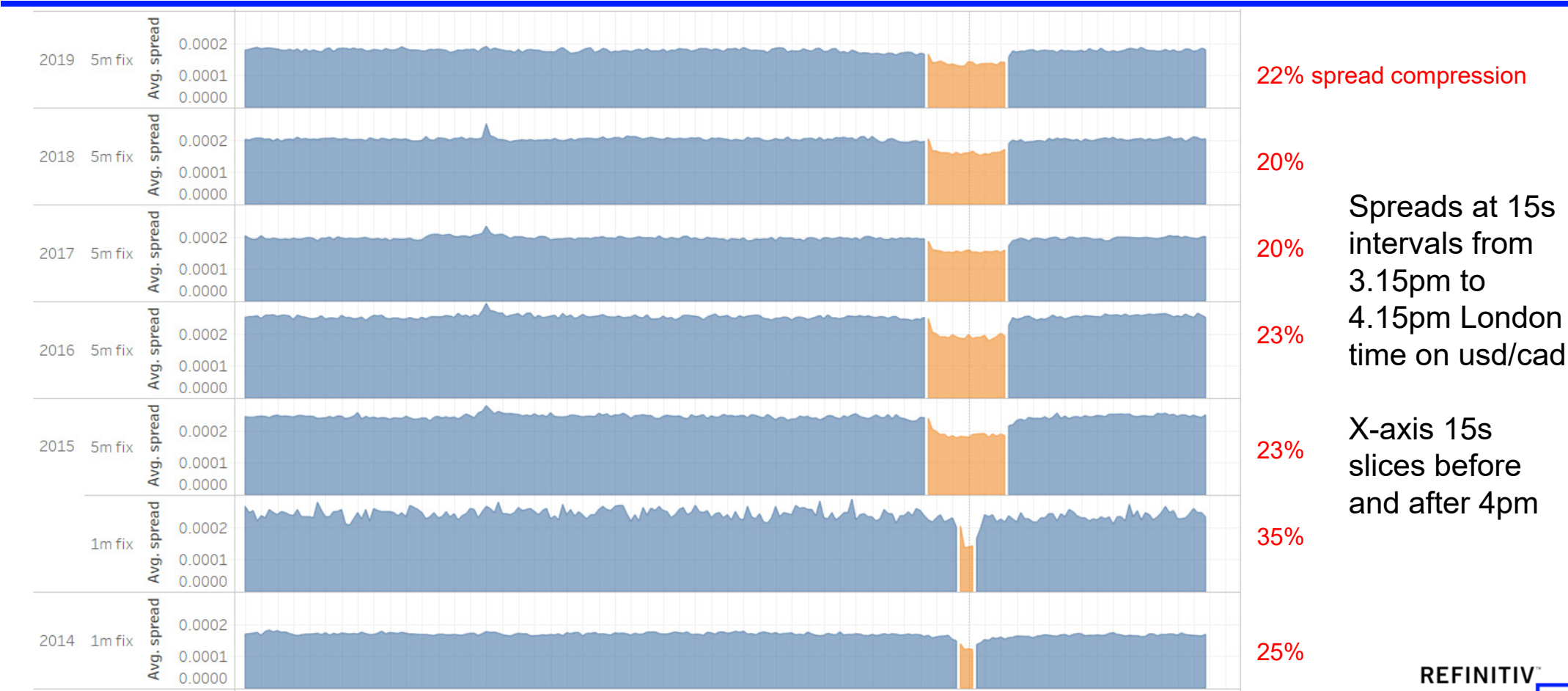
22%

25%

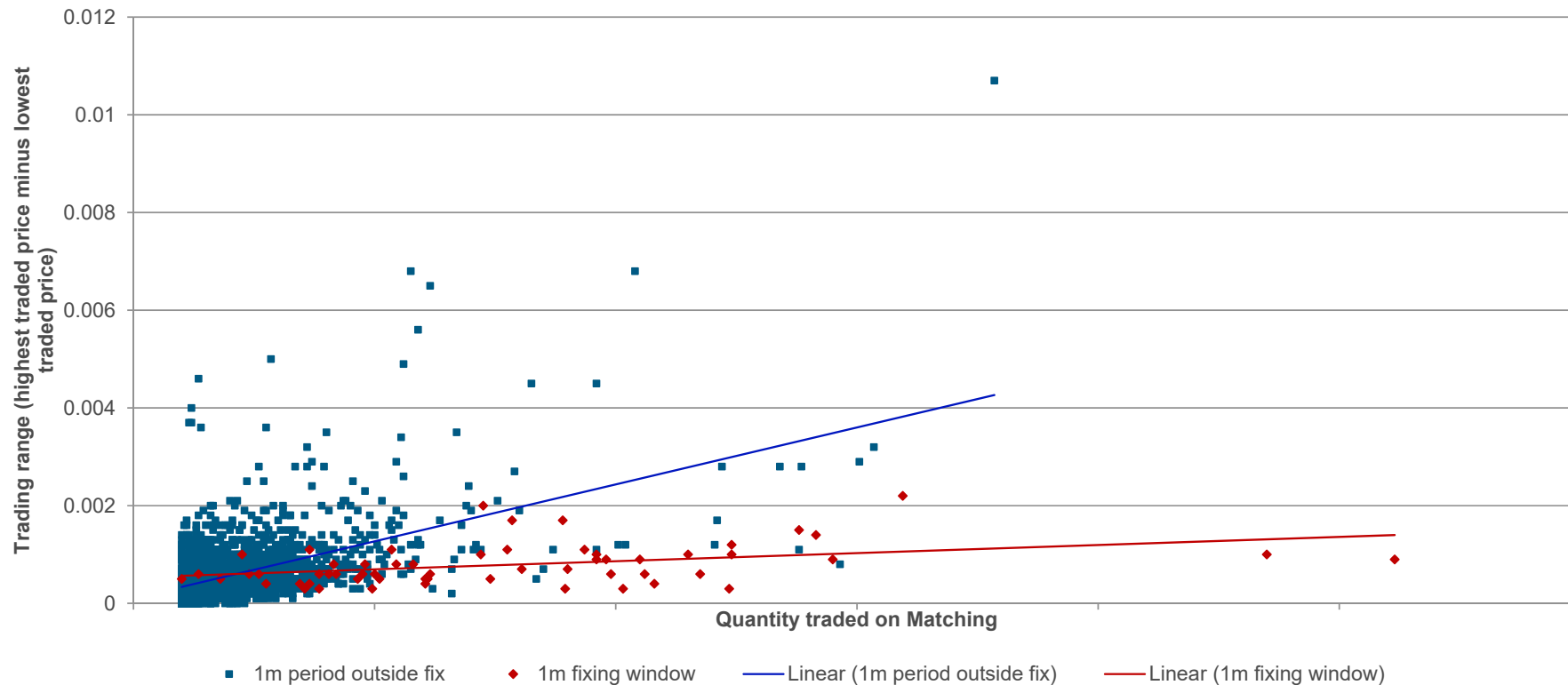
Spreads at 15s intervals from 3.15pm to 4.15pm London time on **aud/usd**

X-axis 15s slices before and after 4pm

# CAD behaviour is similar

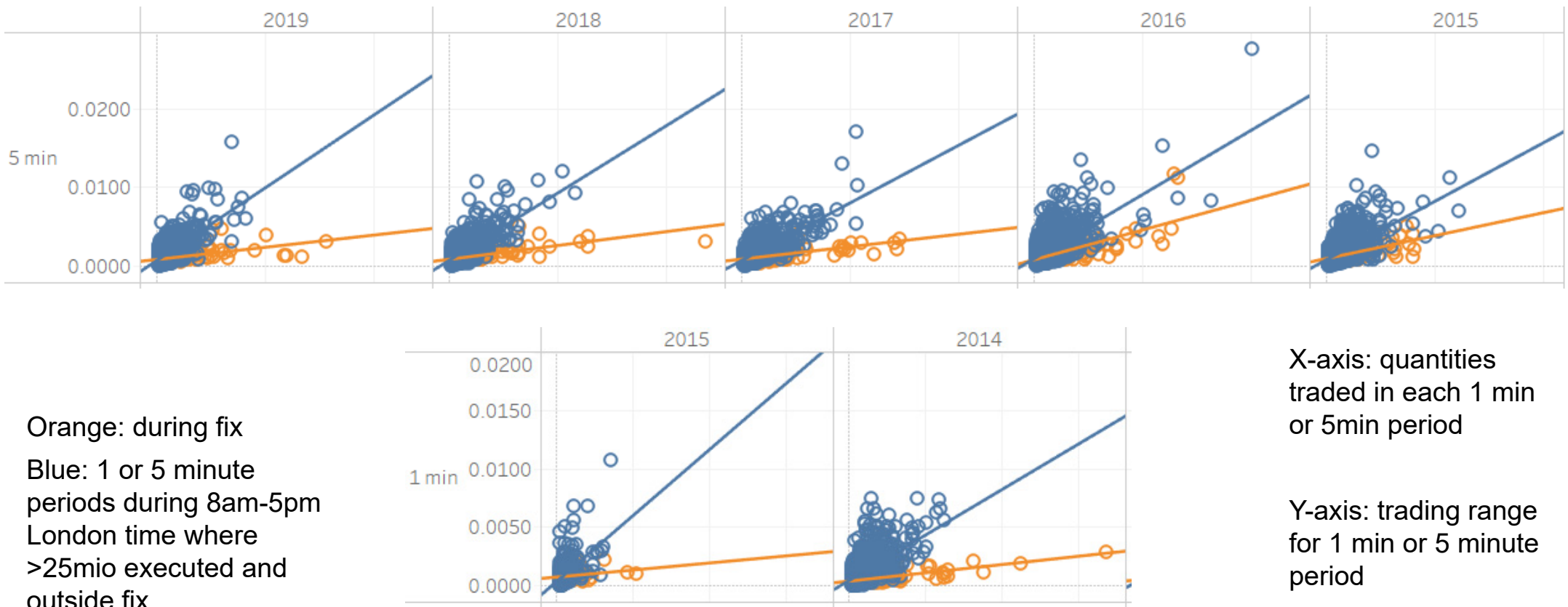


Prior to February 2015, large quantities of GBP could be executed with minimal market impact compared to other times of day



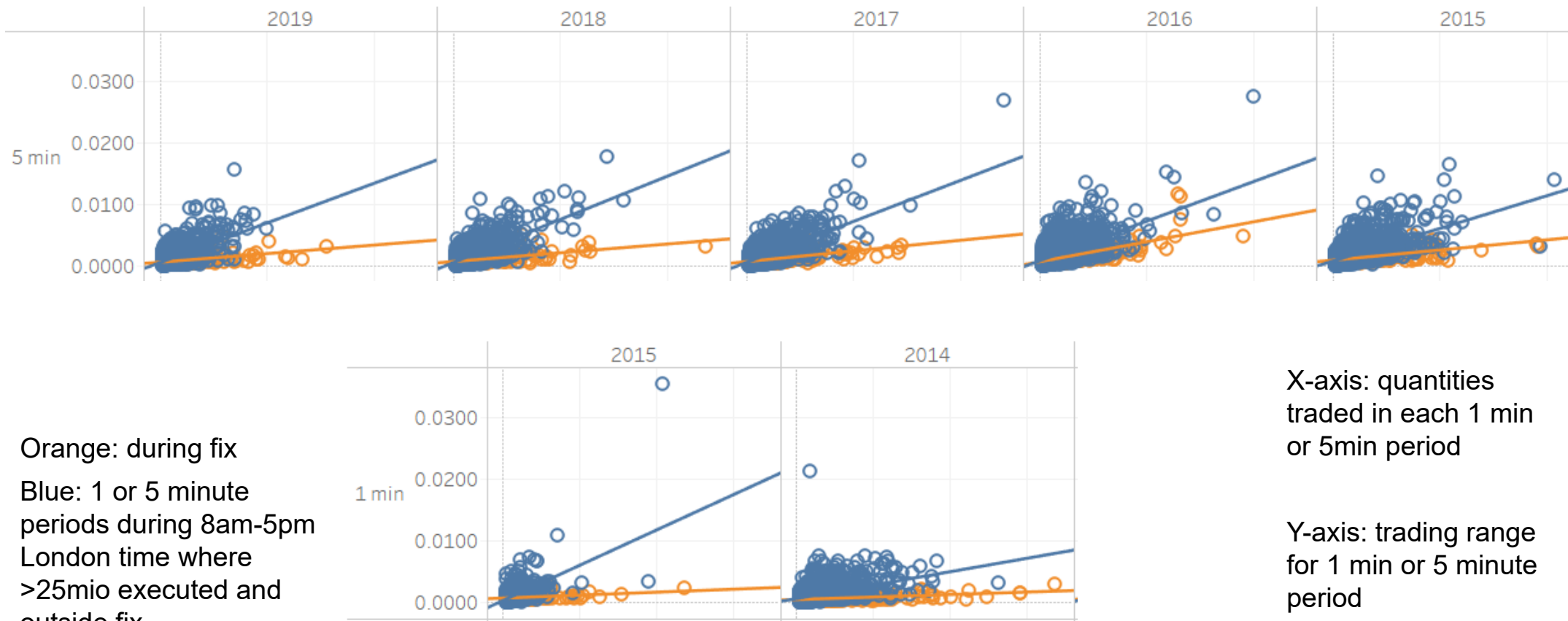
*Note: 1 min periods outside fix taken from London hours, 8am-5pm.  
Data from Nov 24<sup>th</sup> 2014 to Feb 13<sup>th</sup> 2015*

Large amounts can still be executed in GBP during the window with lower market impact than at other times of day

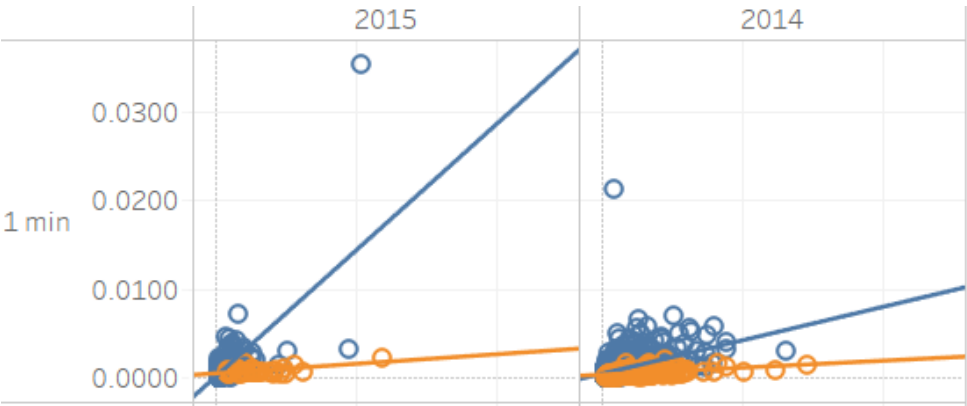
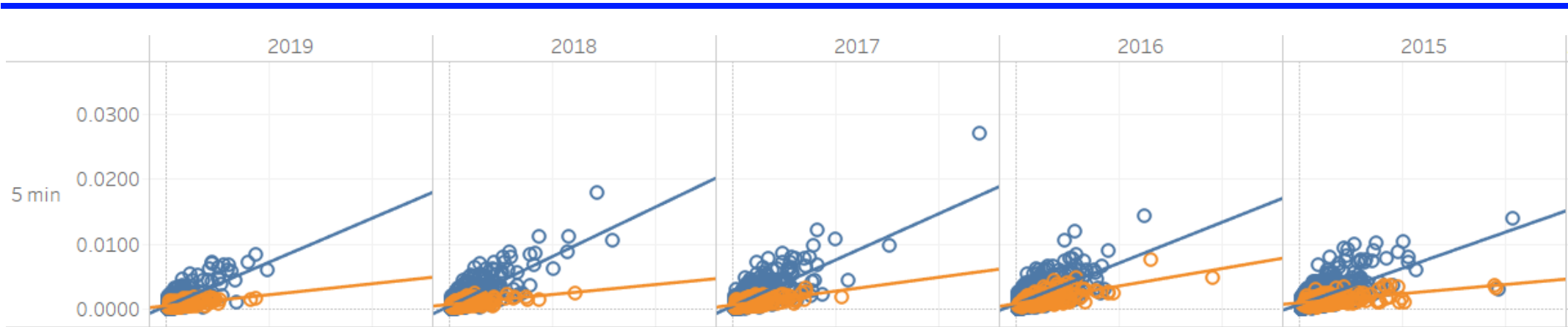




## AUD behaviour is similar



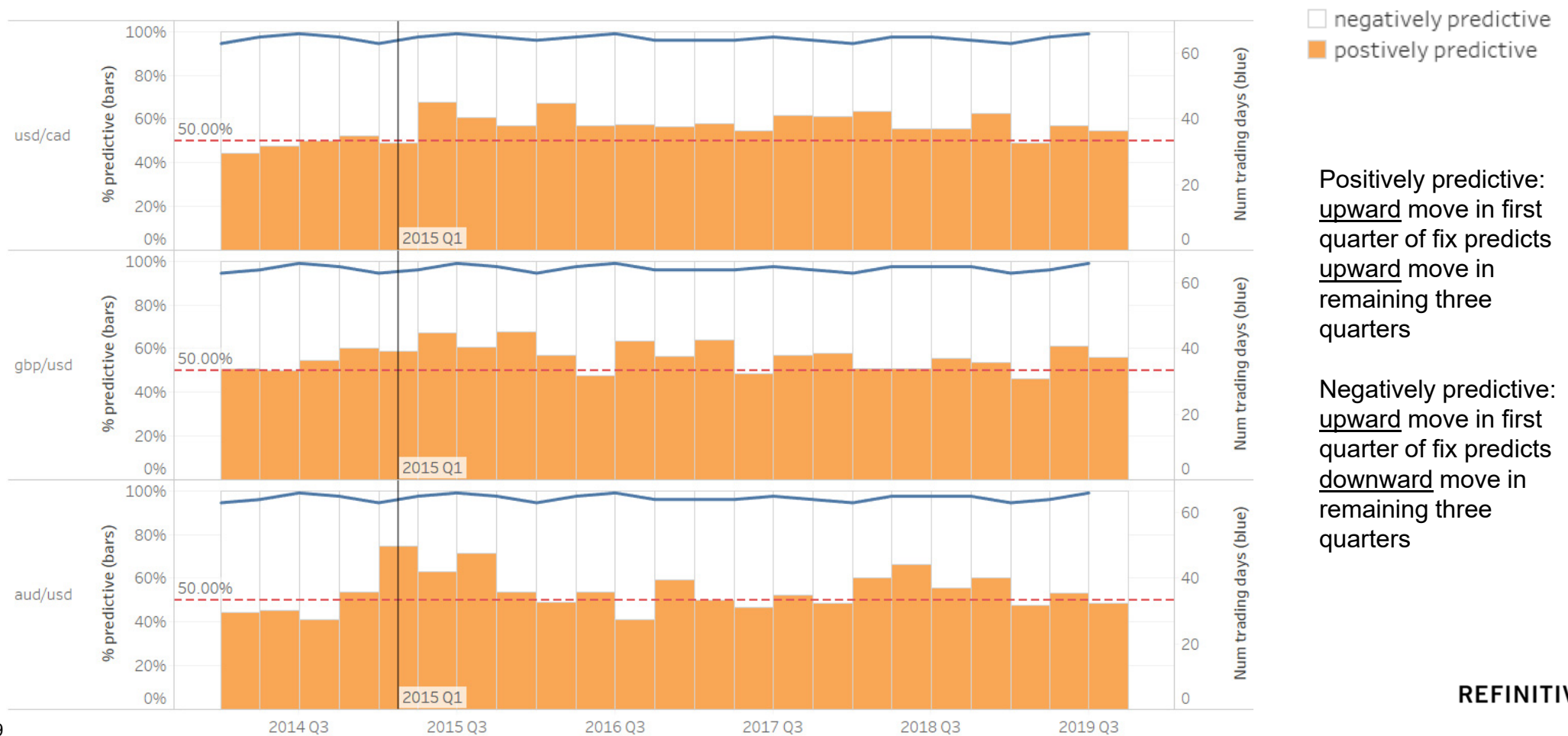
# CAD behaviour is similar



Orange: during fix  
Blue: 1 or 5 minute periods during 8am-5pm London time where >25mio executed and outside fix

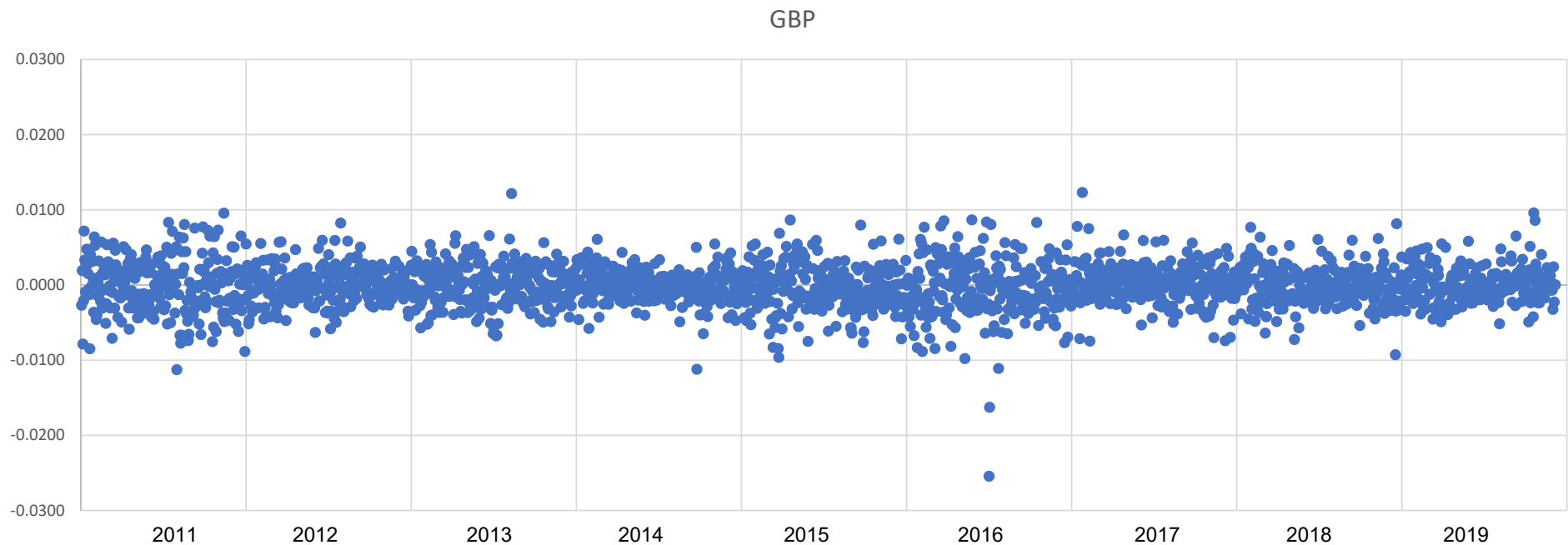
X-axis: quantities traded in each 1 min or 5min period  
Y-axis: trading range for 1 min or 5 minute period

# Does market direction in the first quartile predict market direction over the remainder of the window?



## How well does the VWAP of trades during the 4pm benchmark window correlate to the VWAP for the day?

The chart shows the difference between the VWAP of all trades during the 4pm benchmark window and the VWAP of all other trades in the day for GBP



## How well does the VWAP of trades during the 4pm benchmark window correlate to the VWAP for the day?

The chart shows the difference between the VWAP of all trades during the 4pm benchmark window and the VWAP of all other trades in the day for AUD and CAD

