

Interest Rate ENNs: Futures Addendum Analysis as of December 13, 2019

by

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Entity-netted notionals were introduced in a paper published in the beginning of 2018; ENNs, in that original paper, aimed to provide a measure for the amount of risk transfer in rate swaps that is comparable to measures used for other interest rate markets, such as U.S. Treasury securities and corporate bond markets.² More recently, the work developing entity-netted notional values for the interest rate market was expanded to another interest rate derivatives market – interest rate futures. The first interest rate futures quarterly ENNs report was published in September 2019, summarizing positions as of 2Q 2019.³

This report provides an update on risk-adjusted interest rate futures positions as of 4Q 2019. Compared to the prior quarter, ENNs values rose (on an aggregate basis, by around 5 percent), even though on an aggregate basis, rate futures notional fell by around 9 percent quarter-on-quarter. This quarterly notional trend was primarily driven by a 9 percent drop in the relatively low risk Eurodollar contract. This may be indicative of the broader Libor transition or, more cyclically, indicative of end-of-year exposure trends.

Trends at the level of participant type were similar to those at the aggregate level. The two participant groups with the largest Eurodollar exposures (Intermediaries and Leveraged Speculators) reduced their positions on a notional basis, but ENNs equivalents were generally flat. For those participant groups with lower Eurodollar exposures, like the Other Financials and the Non-Financials groups, both notional and ENNs values tended to see only minor quarterly changes.

Please send any questions or comments about the analysis to the corresponding authors.

¹ Office of the Chief Economist, Commodity Futures Trading Commission. While this paper was produced in the authors' official capacity, the analyses and conclusions expressed here are those of the authors and do not necessarily reflect the views of other Commission staff, the Office of the Chief Economist, or the Commission. Corresponding authors: Lee Baker, Economist: lbaker@cftc.gov and Richard Haynes, Senior Economist: rhaynes@cftc.gov

² The link to the original paper can be found [here](#). An update as of September 2019 can be found [here](#).

³ The original futures ENNs report, which includes a detailed discussion of the methodology, can be found [here](#).

Table 1: Futures ENNs by Financial Contract

Contract	Notional Amounts (\$tns)		Notional Amounts in 5-Year Equivalents (\$tns)			
	Long	Short	Long	Short	ENNs Long	ENNs Short
2 Year Note	0.74	0.76	0.25	0.26	0.23	0.23
5 Year Note	0.61	0.61	0.39	0.39	0.30	0.30
10 Year Note	0.73	0.73	0.56	0.55	0.42	0.41
Ultra 10 Year Note	0.08	0.07	0.21	0.19	0.16	0.14
30 Year Bond	0.20	0.20	0.34	0.36	0.27	0.28
Ultra 30 Year Bond	0.11	0.12	0.76	0.81	0.62	0.66
Eurodollar	66.64	66.47	0.61	0.60	0.28	0.27
	69.11	68.96	3.12	3.16	2.28	2.29
Aggregate Netting					1.68	1.71

Table 2: Futures ENNs by Participant Type

Participant Type	Notional Amounts (\$tns)		Notional Amounts in 5-Year Equivalents (\$tns)			
	Long	Short	Long	Short	ENNs Long	ENNs Short
Asset Manager	5.89	7.38	1.92	1.15	1.11	0.33
Intermediary	13.59	14.48	0.37	0.52	0.18	0.33
Leveraged Speculator	48.17	46.12	0.65	1.39	0.24	0.99
Other Financial	0.70	0.90	0.18	0.10	0.15	0.06
Non-Financial	0.76	0.08	0.00	0.00	0.00	0.00
	69.11	68.96	3.12	3.16	1.68	1.71