

February 2024

FX Market Structure Monthly

CHANGES IN SPREAD AND VOLATILITY FOR MAJOR MARKET PAIRS

In February, median FX spreads tightened across all 23 currency pairs, continuing a trend initiated last month following a global widening of spreads in Q4 2023. Notably, AUD.JPY and EUR.GBP exhibited the most significant decreases in spread month-over-month (MoM) during the pre-WMR trading window. Median volatility also reduced among all currency pairs, mirroring the movement of spreads. Most notable intraday decreases in volatility compared to prior month include GBP.JPY and EUR.JPY.

READING THE RESULTS

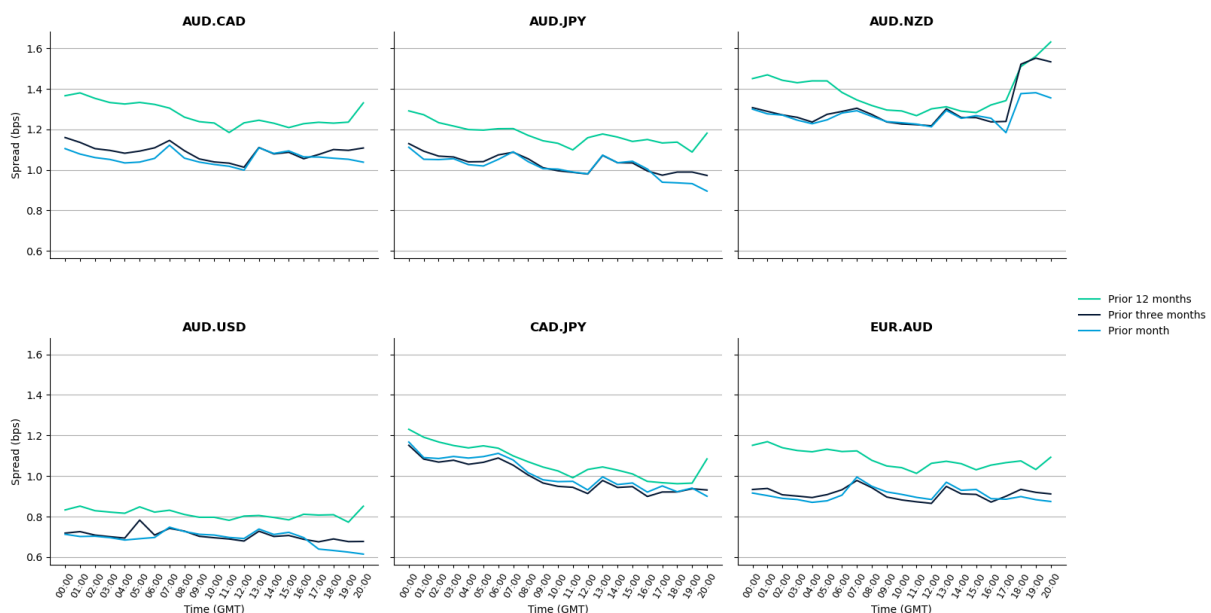
On the intraday charts, the green line represents the average spread or volatility for the past 12 months, the black line represents the past three months, and the blue line represents the past month. On the daily charts, the green area represents the 95th percentile confidence interval for the spread and volatility.

SPREADS

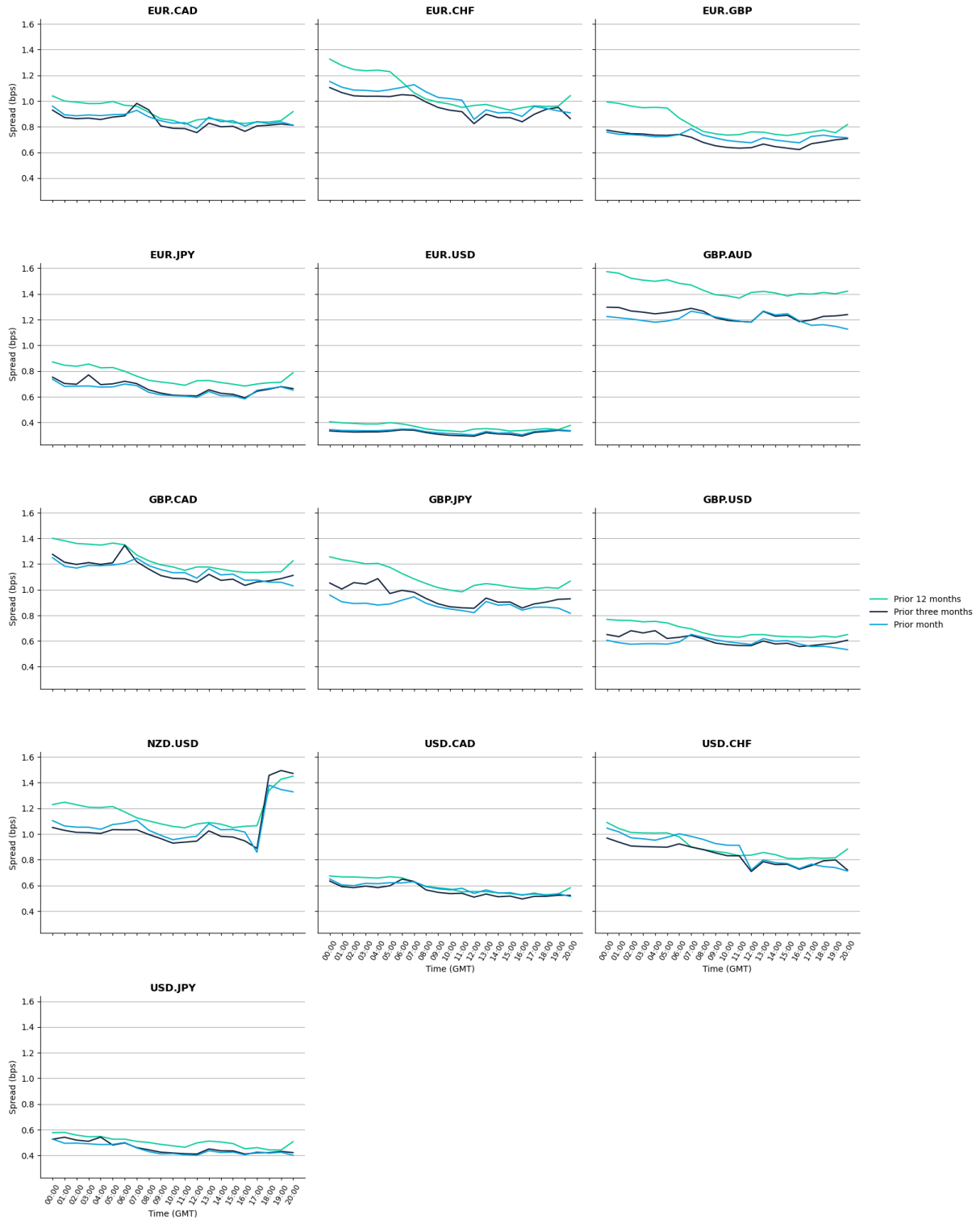
While spreads tightened across all pairs, intraday movement of spreads remained consistent. From prior months, we discussed that spreads remained narrow until about 12:00 GMT as traders prepared for the WMR auction. Not only spreads were narrower throughout the day for all 23 pairs, ‘surges’ around 12:00 GMT were generally smaller in amplitude, which meant smaller deviation from the intraday averages throughout the day. Overall, spreads remained lower compared to both 3-month and 12-month levels, suggesting further reduced activity in FX markets this month.

G-10 Currency Pairs: Average Hourly Spread, 00:00-20:00 GMT

Comparison over the past month, three months and year

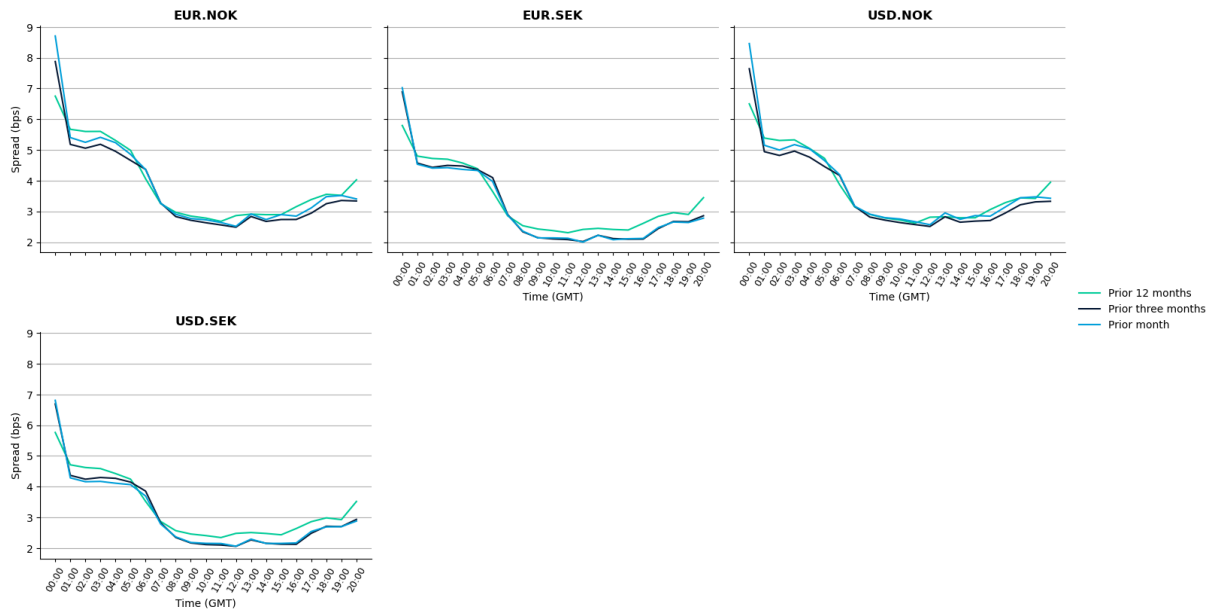


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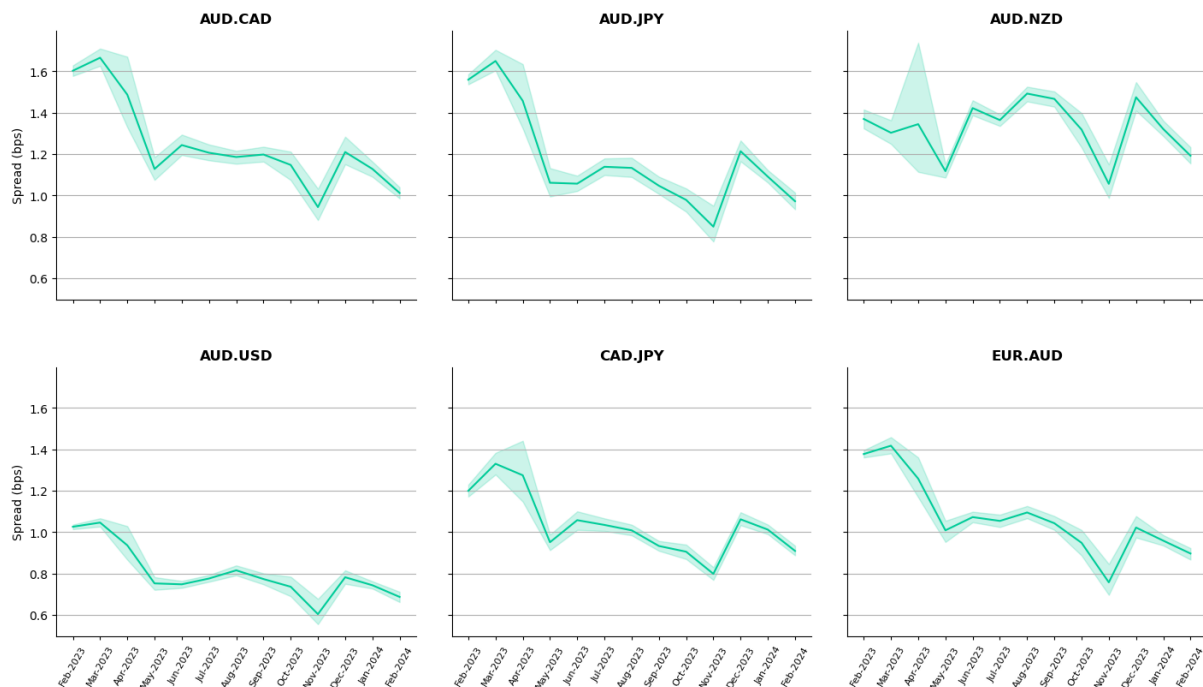




Scandinavian G-10 Currencies: Average Hourly Spread, 00:00-20:00 GMT Comparison over the past month, three months and year



G-10 Currencies: Average Daily Spread, 12:00-16:00 GMT February 2023 - February 2024

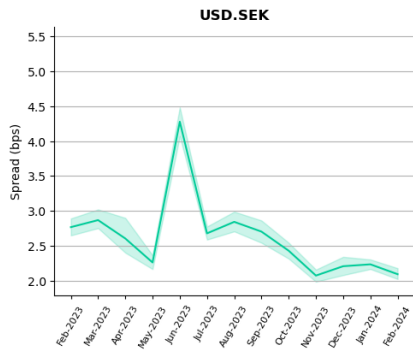
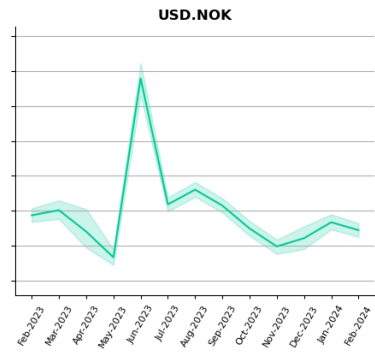
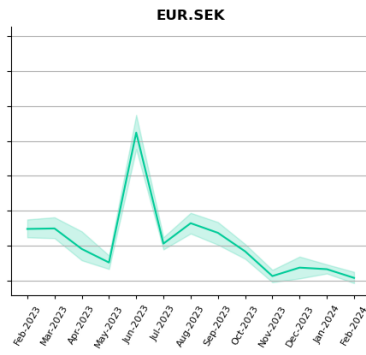
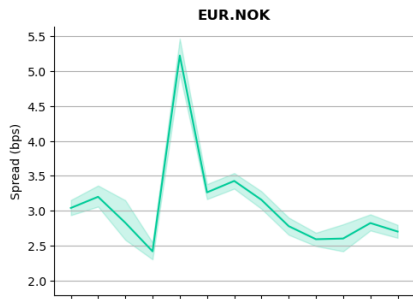




Scandinavian G-10 Currencies: Average Daily Spread, 12:00-16:00 GMT February 2023 - February 2024



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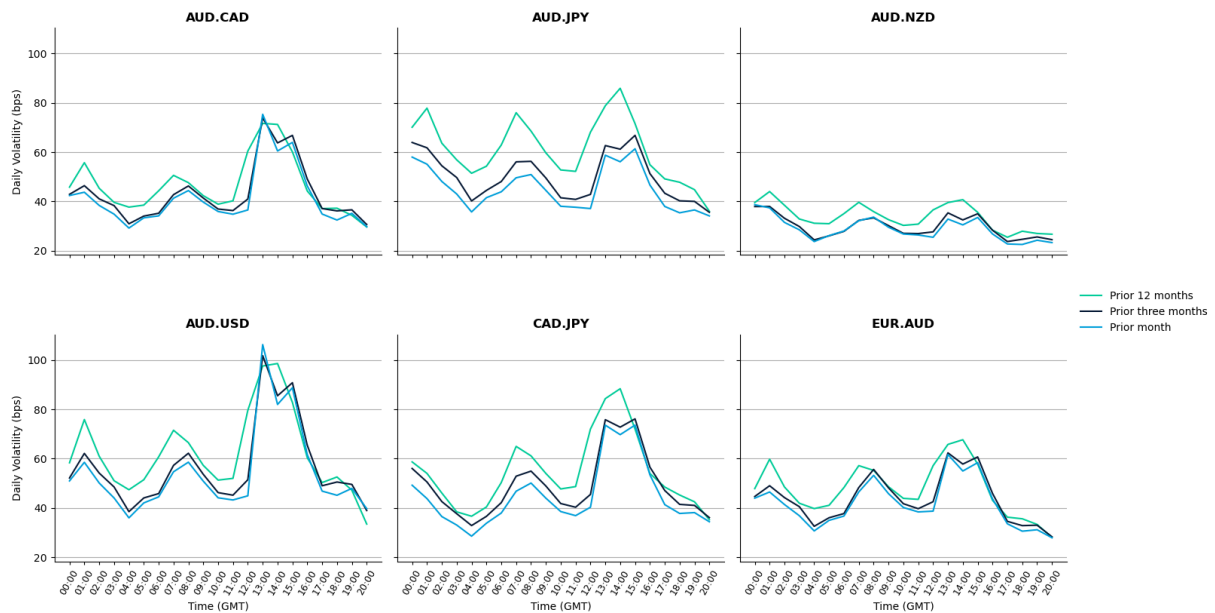
VOLATILITY

FX volatility fell for two consecutive months across all pairs, with 20 of the 23 pairs we observe experiencing 12-month low volatility since February 2023. Most notable decreases in volatility throughout the past 12 months were USD.JPY and AUD.JPY, where median daily volatility decreased a significant 30bps, from ~90bps in February 2023 to ~50bps last month.

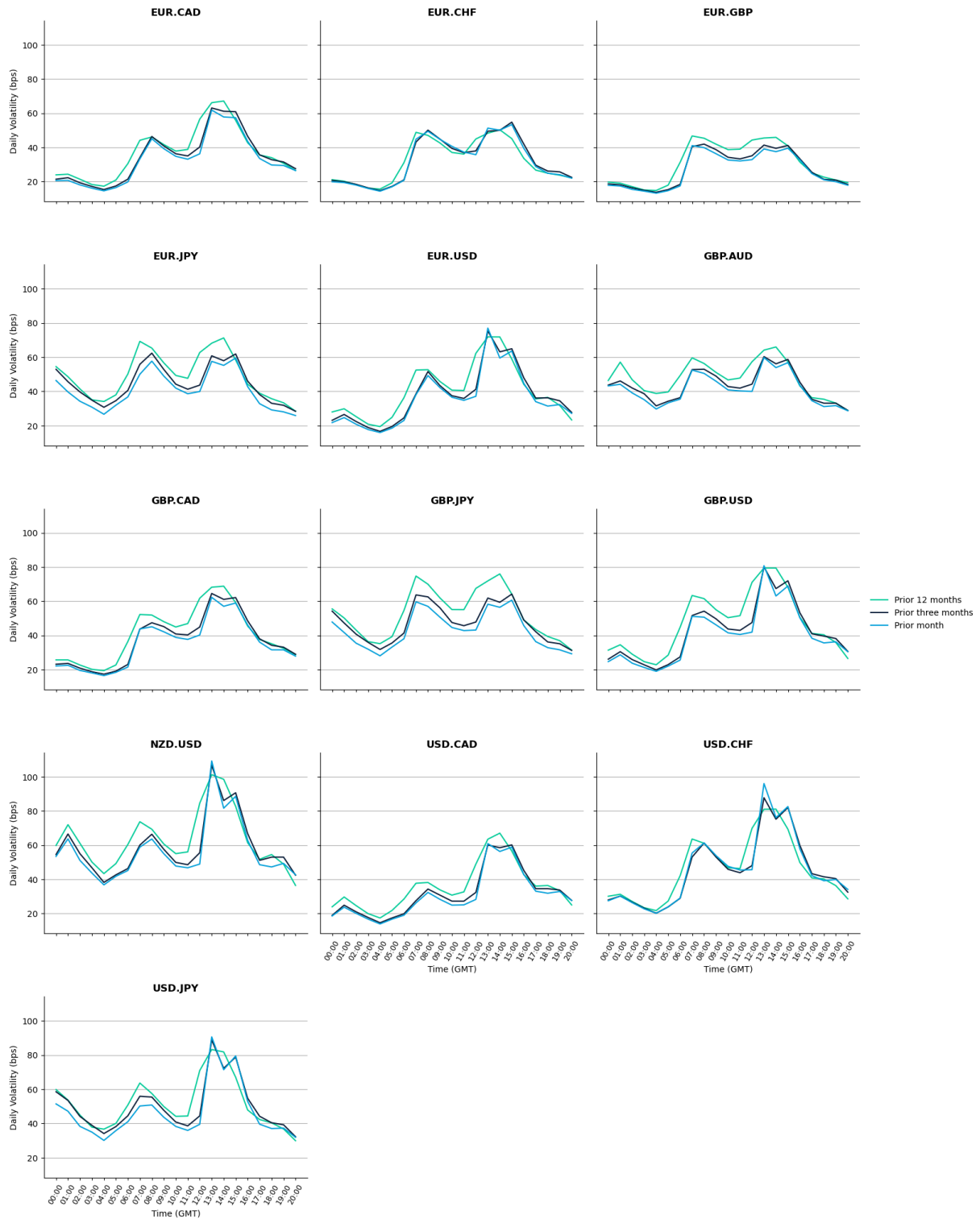
Further investigation into hourly volatility also revealed a consistent trend, where all major, minor and cross pairs showed a decrease in median hourly volatility in Tokyo, London and New York trading hours last month. The only exceptions to this were the 3 Scandinavian pairs: EUR.NOK, EUR.SEK and USD.SEK, which saw increased volatility during Tokyo and New York hours.

G-10 Currencies: Average Hourly Volatility, 00:00-20:00 GMT

Comparison over the past month, three months and year

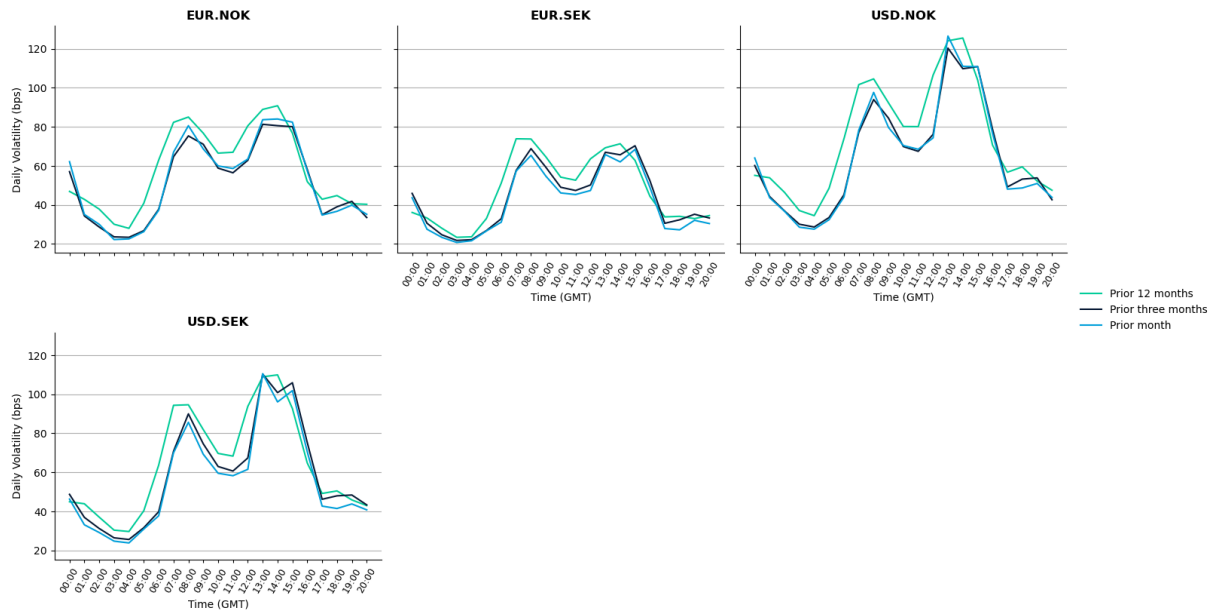


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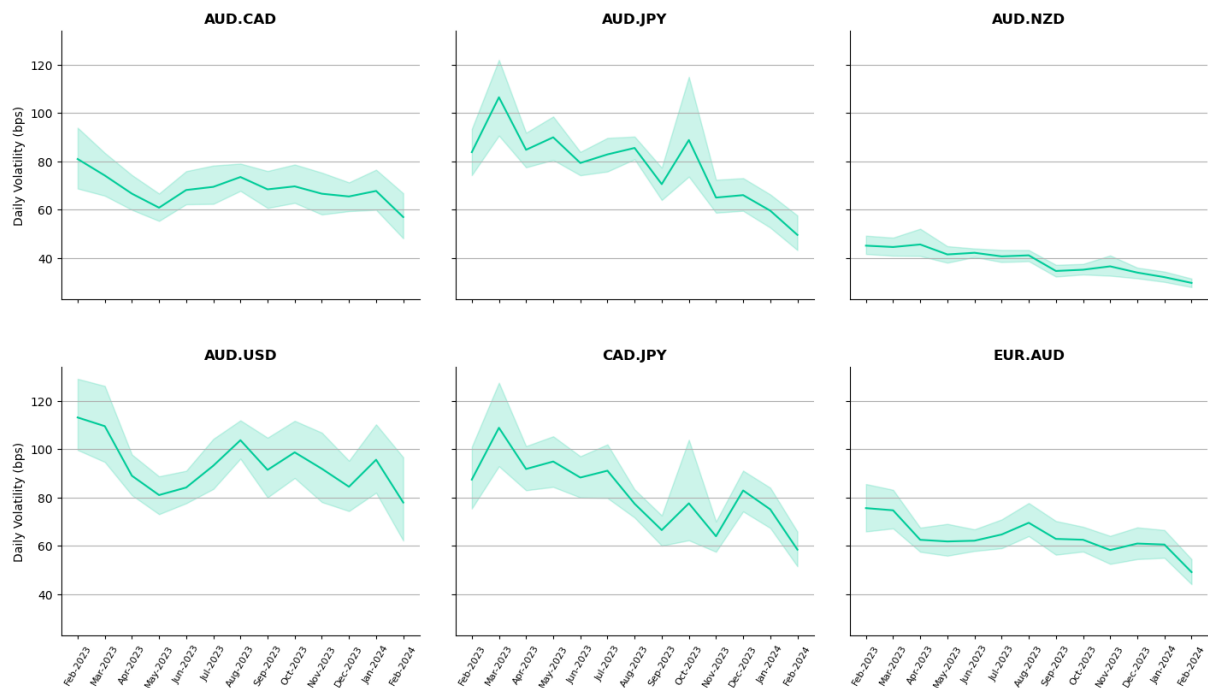




Scandinavian G-10 Currencies: Average Hourly Volatility, 00:00-20:00 GMT Comparison over the past month, three months and year



G-10 Currencies: Average Daily Volatility, 12:00-16:00 GMT February 2023 - February 2024

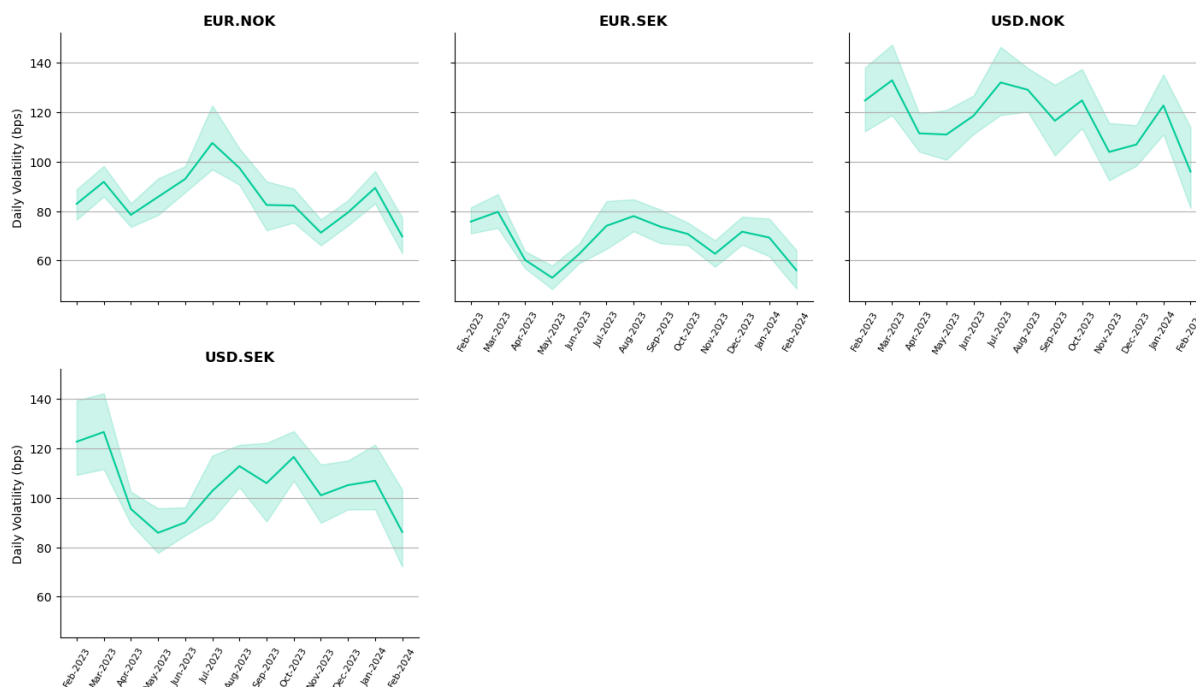




Scandinavian G-10 Currencies: Average Daily Volatility, 12:00-16:00 GMT February 2023 - February 2024



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