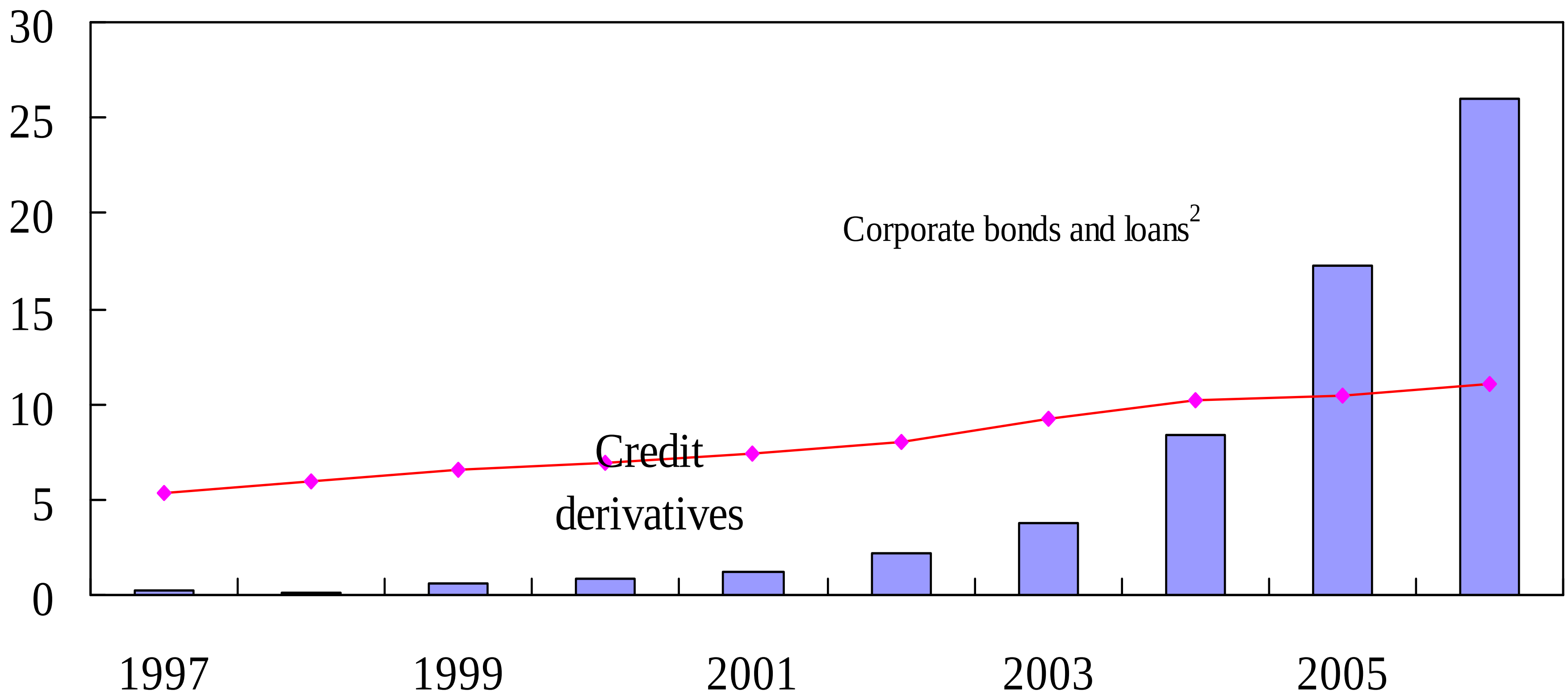
RECENT DEVELOPMENTS IN CREDIT DERIVATIVE AND STRUCTURED CREDIT MARKETS

Hung Q. Tran

International Monetary Fund

Global Credit Derivatives Outstanding[1]

(In trillions of U.S. dollars)



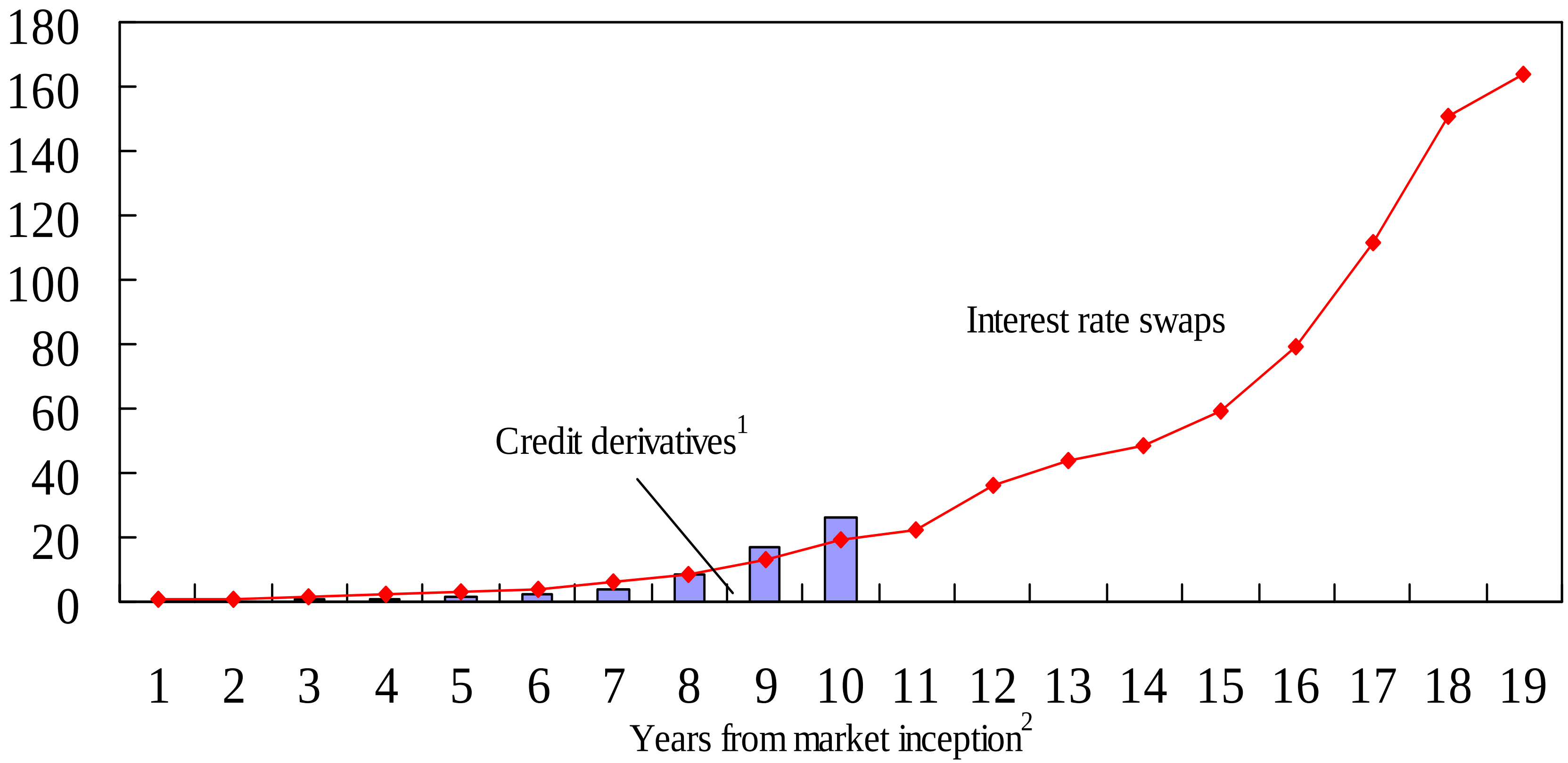
Sources: BBA, BIS, ISDA, and Risk Magazine.

[1]Credit derivatives, as reported here, are comprised of credit defaut swaps, credit-linked notes, and portfolio swaps.

[2]Data for 2006 are only available through the first half.

Growing Pains? Credit Derivative Market versus Interest Rate Swap Market Growth

(In trillions of U.S. dollars, amount outstanding)

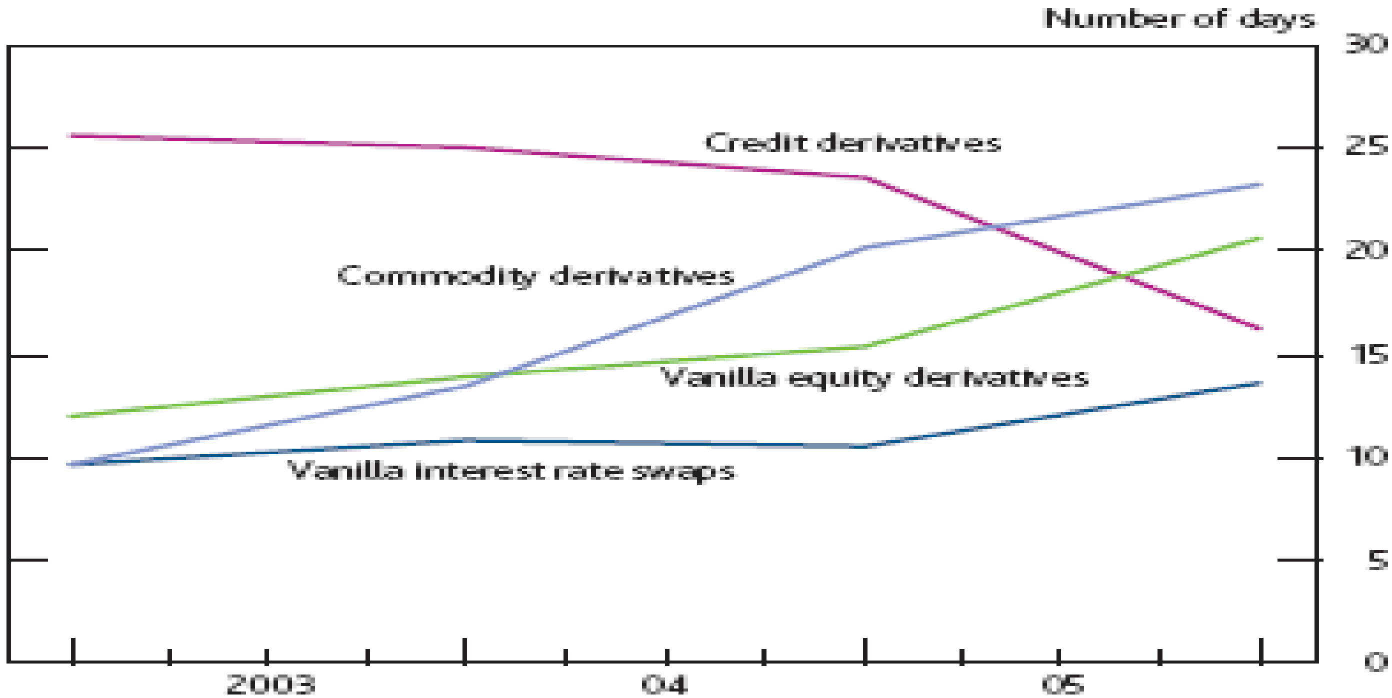


Sources: BIS; and ISDA.

[1]Credit derivatives, as reported here, are comprised of credit default swaps, credit-linked notes, and portfolio swaps.

[2]Credit derivatives data start from 1997, while interest rate swaps start from 1987.

Chart 2.17 Outstanding confirmations at large firms[a]



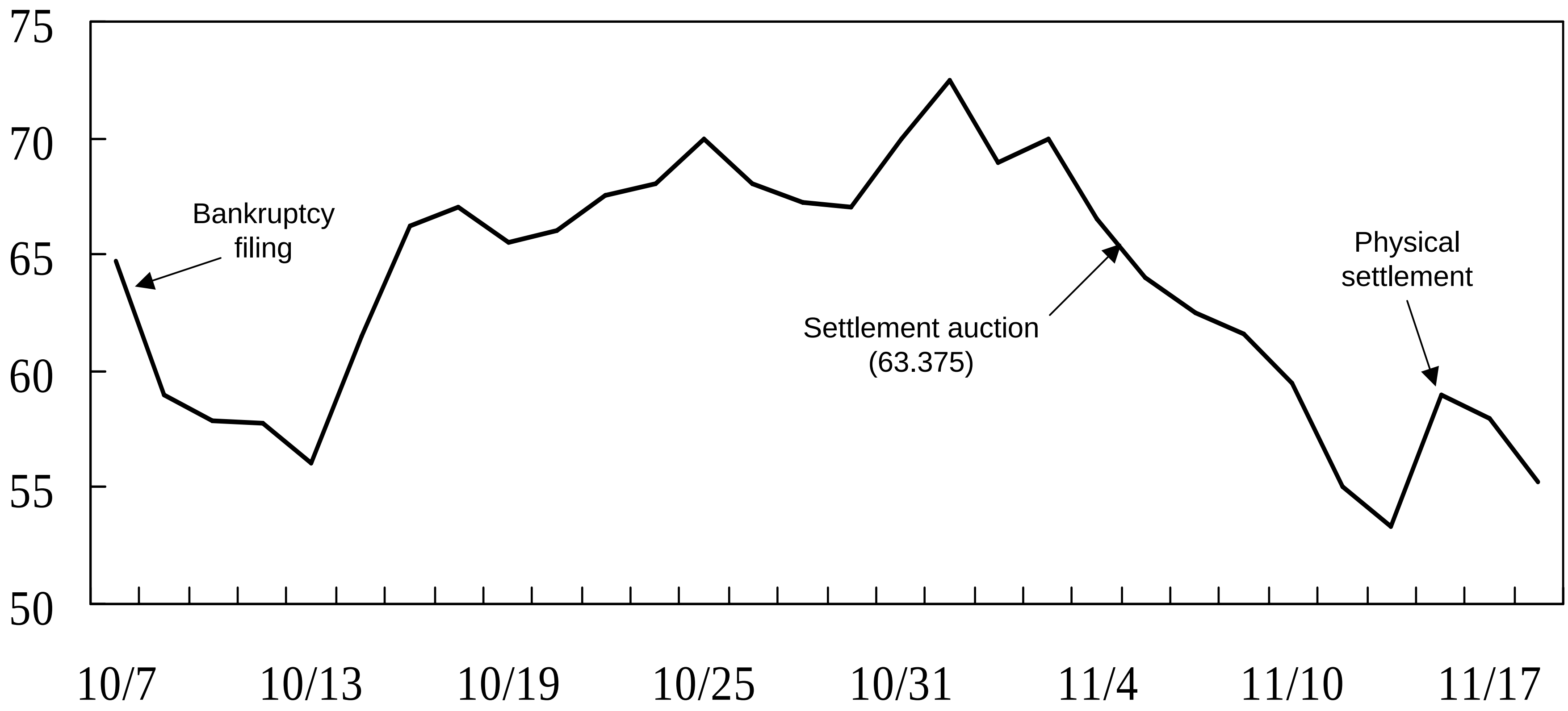
Source: ISDA Operations Benchmarking Survey (2006).

(a) Confirmation backlogs are expressed in terms of the number of days worth of business, calculated by dividing the number of outstanding confirmations by the daily volume of new trades.

Source: July 2006 Bank of England *Financial Stability Report*

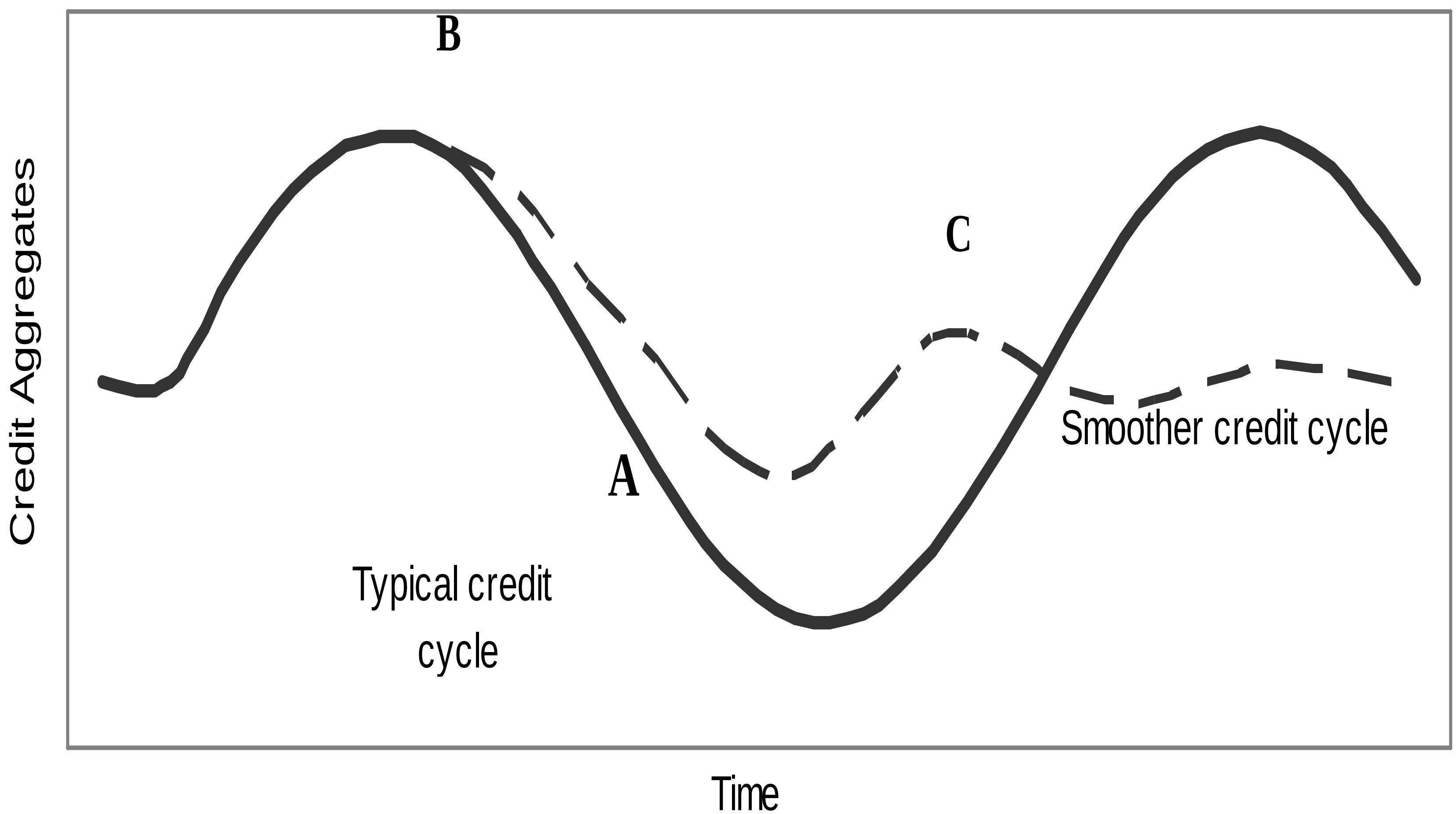
Price of Delphi 6.55 Percent Bonds due June 15, 2006

(October-November 2005 as a percent of par)

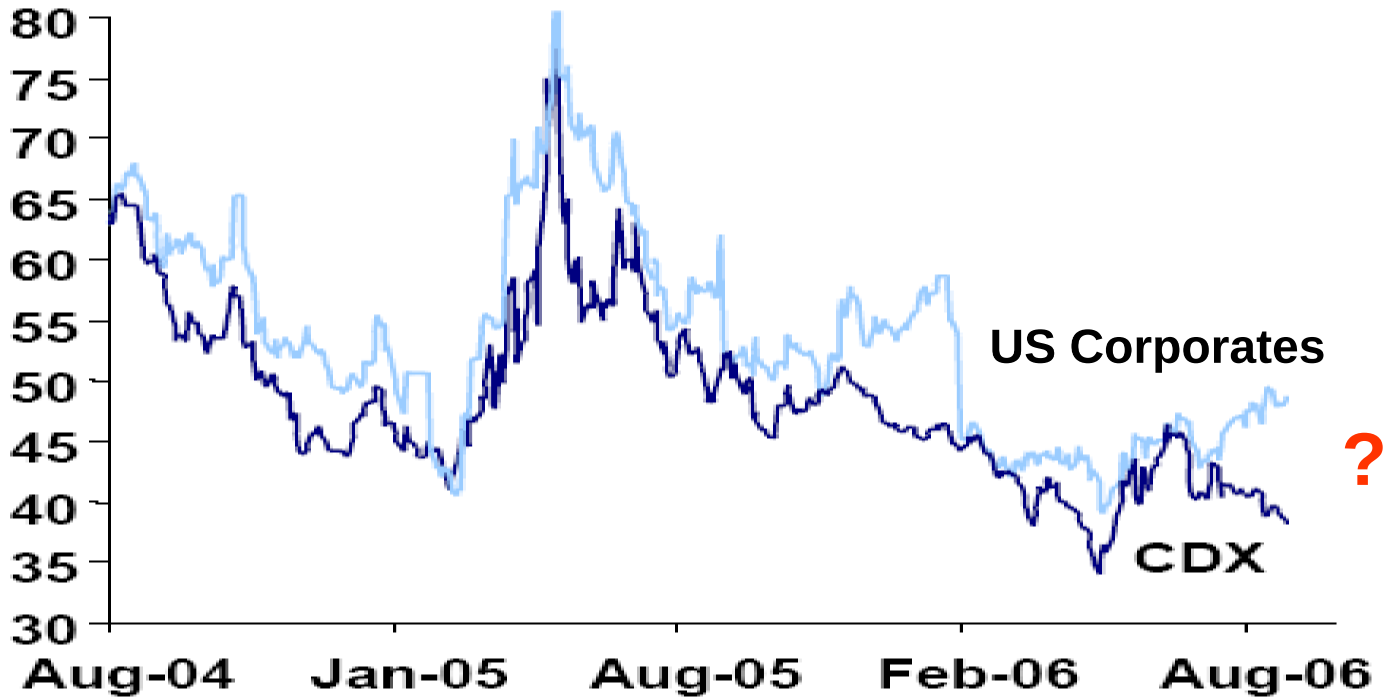


Source: Bloomberg

Potential Credit Cycle Dynamics



US CDS spreads are diverging from bond spreads



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