FX Swaps and Forwards
Dollar Funding of Second-to-Last Resort

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FX Swaps and Forwards
The US Dollar plays a unique role in global trade and finance

FX Swaps and Forwards
Foreign exchange markets show deviations from covered interest parity (CIP)

Source: Goldman Sachs.
FX Swaps and Forwards
Which means USD borrowing/lending rates differ by jurisdiction

Source: Goldman Sachs.
FX Swaps and Forwards
Large and variable CIP deviations over time and across countries

Source: Goldman Sachs.
FX Swaps and Forwards
Basis related to private savings imbalance and home bias in deposits

Source: IMF, Goldman Sachs Global Investment Research.
FX Swaps and Forwards
Market slow to adapt to “venue” disruptions

Source: ICI, Federal Reserve, Goldman Sachs.
FX Swaps and Forwards

Investors increasingly active in Yen basis

Source: ICI, Federal Reserve, Goldman Sachs.
**FX Swaps and Forwards**
Reserve managers a natural supplier of Dollars

### Foreign Currency Assets\(^{(a)}\)

<table>
<thead>
<tr>
<th>Currency</th>
<th>Securities held outright</th>
<th>Securities lent under repurchase agreements</th>
<th>Deposits at official institutions(^{(b)})</th>
<th>Total (gross)</th>
<th>Forward foreign exchange commitments(^{(c)})</th>
<th>Total (net)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>9,354</td>
<td>-447</td>
<td>749</td>
<td>9,655</td>
<td>185</td>
<td>26,159</td>
</tr>
<tr>
<td>Euro</td>
<td>5,953</td>
<td>-550</td>
<td>6,378</td>
<td>11,781</td>
<td>-6,770</td>
<td>3,714</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>20,680</td>
<td>0</td>
<td>15,911</td>
<td>36,591</td>
<td>-13,192</td>
<td>-21,040</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>790</td>
<td>0</td>
<td>5</td>
<td>795</td>
<td>0</td>
<td>2,361</td>
</tr>
<tr>
<td>Chinese renminbi</td>
<td>1,741</td>
<td>0</td>
<td>611</td>
<td>2,352</td>
<td>0</td>
<td>2,352</td>
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<td>UK pound sterling</td>
<td>837</td>
<td>0</td>
<td>1</td>
<td>838</td>
<td>-1</td>
<td>1,546</td>
</tr>
<tr>
<td>South Korean won</td>
<td>2,343</td>
<td>0</td>
<td>9</td>
<td>2,353</td>
<td>0</td>
<td>2,353</td>
</tr>
<tr>
<td>Total</td>
<td>41,698</td>
<td>-997</td>
<td>23,664</td>
<td>64,365</td>
<td>-19,777</td>
<td>215</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Excludes investments in the Asian Bond Fund

\(^{(b)}\) Includes deposits at foreign central banks and the Bank for International Settlements

\(^{(c)}\) In accordance with IMF guidelines, ‘forward commitments’ reflect notional values of unsettled spot and forward transactions, converted to Australian dollars at the prevailing forward exchange rate; other forward commitments largely reflect cash lent under repurchase agreements

Source: RBA.
FX Swaps and Forwards

Many factors limit strict basis arbitrage activity

Source: Bloomberg, Goldman Sachs.
Disclosure Appendix

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