



EUROPEAN CENTRAL BANK

EUROSYSTEM

Hedge Fund activity in Bond, Repo and Futures Markets: Unpacking the Data

Bond Market Contact Group

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HF activity : What we *can* see & what we *cannot* see



- **Hedge Funds (HF) are globally in the spotlight for their growing importance in fixed income markets (bond, repo, derivatives)**



- **Market intelligence and available data - often partial and aggregated - point to their increasing presence across euro area Gvt bond (EGB), repo and derivatives markets :**
 - HF are now behind more than half of the EGB trading in some of the trading platforms
 - HF repo positions seem to have moved from net EGB securities borrowing to net EGB securities lending, although there is country heterogeneity
 - HF are the largest end-client trading in centrally cleared EGB futures and repo, and HF have a significant presence in this group



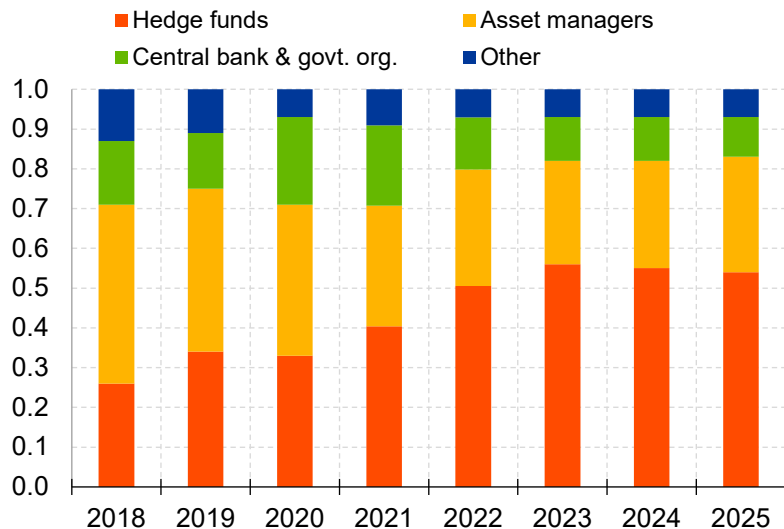
- **Yet (hard) data are sparse and imperfect to fully measure and understand their activities in EGB markets**
 - Especially for *offshore HF trading with non-EA dealers*
- **Proxying HF sovereign bonds holdings is challenging globally:** according to a recent Federal Reserve paper ([Barth et al. 2025](#)), HF holdings of US Treasuries were likely underestimated: at the end of 2024 holdings were close to 1.8 tn USD - previous estimates were around 1.4 tn USD ([FT article](#)). Same data suggest *HF also increased markedly their holdings of non-US sovereign bonds*.

Cash bond market

*Trading platforms (eg, Tradeweb),
DMO (eg, Finanzagentur),
international statistics (U.S. Securities
and Exchange commission)*

Limited: low-frequency aggregated information on specific market and trading platforms, often difficult to reconcile

**Electronic trading volumes in EGBs on Tradeweb
by investor sector**
(share in decimal value)

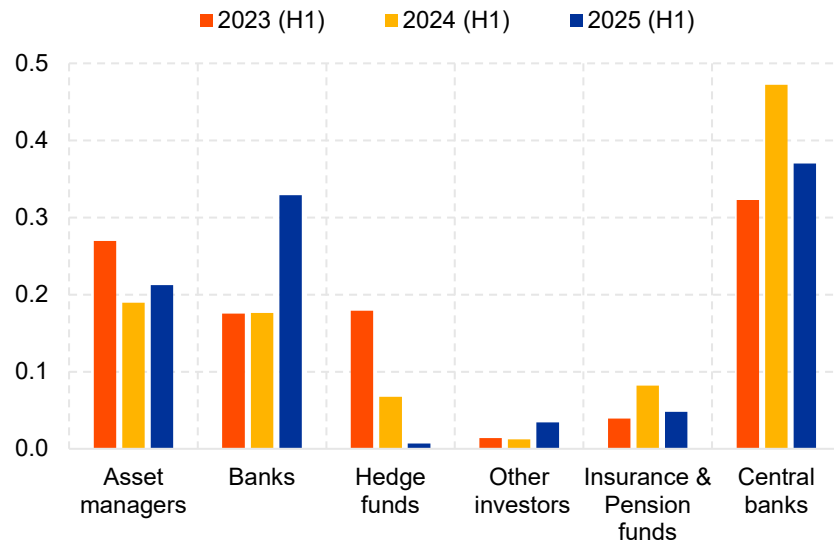


Sources: Tradeweb.

Notes: Tradeweb is a leading dealer-to-customer platform for electronic trading of fixed income securities, including EGBs.

Latest observation: September 2025.

**Net absorption via the secondary market of
German government debt securities from dealers**
(share in decimal value)



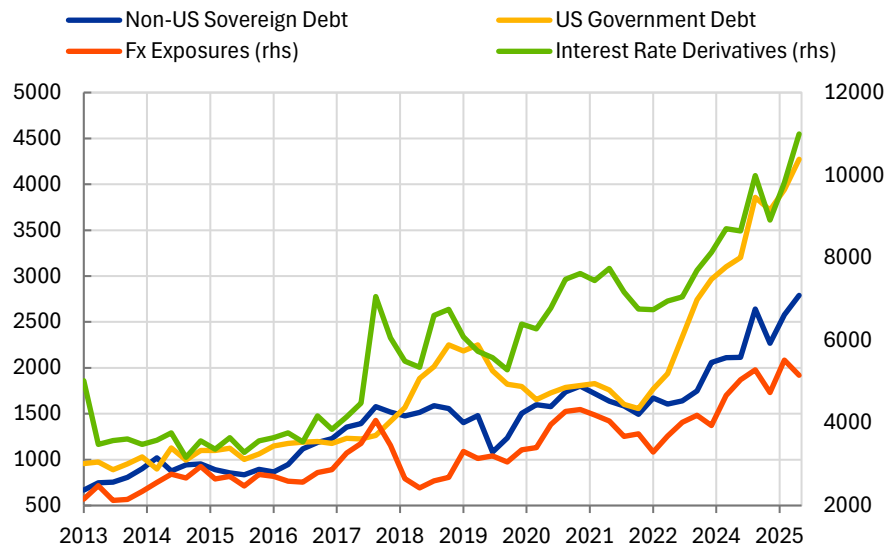
Sources: Deutsche Finanzagentur website.

Notes: Members of the Bund Issues Auction trades. Based on trading volumes and net positions, this reporting allows the Finance Agency to identify rough structures of secondary market trading. The chart displays data as of the first half of the respective year.

Latest observation: 2025 H1.

Limited view on sovereign bond holdings compared to the US

SEC-reporting Hedge Funds gross exposure by asset class
(amount in bn USD)



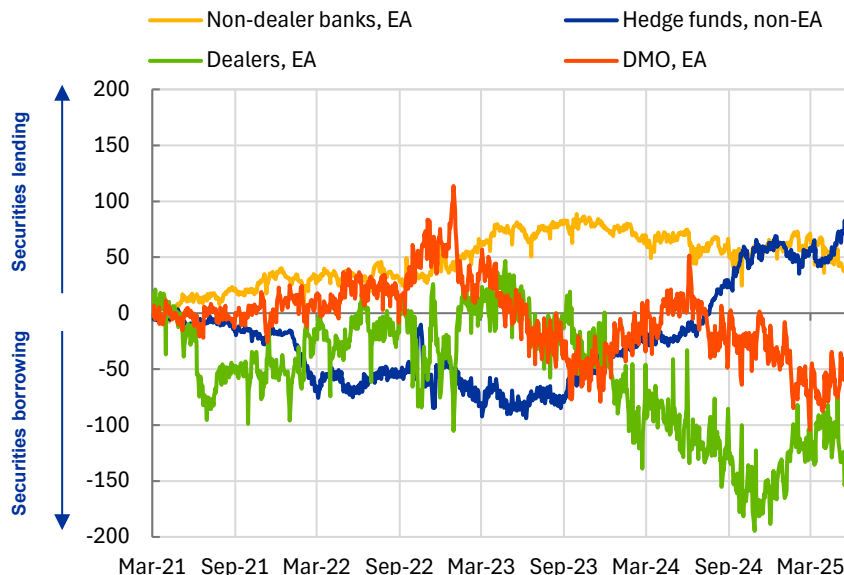
- In the US, the Securities and Exchange Commission (SEC) requires domestic but also foreign Hedge Funds to report their exposures ('Form PF').
- Data shows a rapid growth of both US and non-US sovereign debt holdings (Chart).
- Aggregated data without country-breakdown, not allowing to distinguish EA sovereign debt holdings.

Source: Federal Reserve Board, Office of Financial Research, U.S Securities and Exchange Commission, Form PF.
Note: Hedge funds must file Form PF if they have investment advisors that are registered or are required to register with the Securities and Exchange Commission (SEC), manage one or more private funds, and have at least \$150 million in private fund assets under management.
Last Observation: 2025q2

Repo market (SFT)

A possible shift of HF to securities lending suggesting they became net long in EGB bonds

Net repo positions (stocks) by sector in EA collateral



- Hedge funds' footprint is visible in terms of net repo market positions.
- Repo positions have moved from net securities borrowing to net securities lending (chart). This may be indicative of a move of HF towards being on aggregate net long in the EGB bond markets.

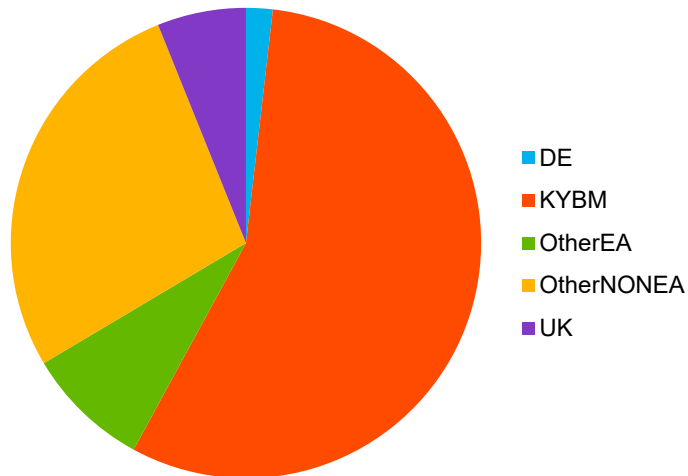
Source: SFT, de-duplication of Linzert et al. (2025)

Notes: negative (positive) values for net securities borrowing (lending). Repos with DE, IT, FR, ES, BE, AT, NL bonds as collateral, excluding open repos. Dealers are MMSR reporting agents. Sector allocation based on ESA 2020: Banks (S122), Hedge Funds (S124). Euro area Debt Management Offices are not covered by the reporting requirements of SFT but transactions going via CCPs are identified based on the missing reporting transaction leg, see Linzert et al. (2025). The time series has been rebased to the start of the sample, March 2021.

Last Observation: 20 May 2025

HF are mostly located in offshore centres

Volumes of securities borrowed by
domiciliation of Hedge funds (%)



- According to SFT data and based on repo volumes, **HF are mostly located outside the EA**, in particular in Bermuda (BM) and Cayman Islands (KY).

Source: Linzert et al. (2025)

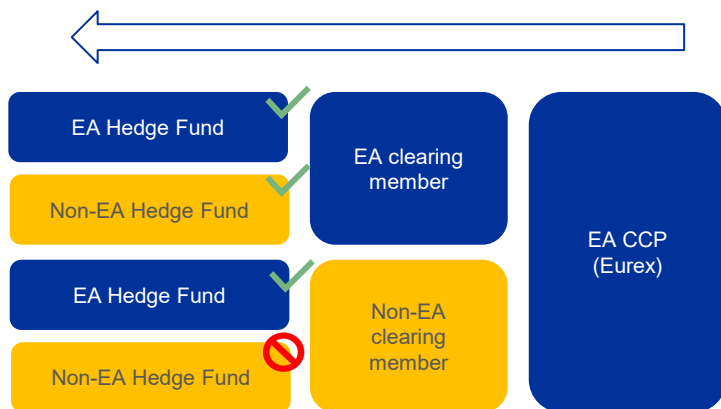
Notes: In this figure, we show the distribution of securities borrowed by Hedge funds (S124 sector) based on the country of incorporation. Data are sourced from Securities Financing Transactions (SFT) dataset and are limited to fixed-rate single-collateral-backed repo transactions for German central government bonds, for the year 2023.

Bond futures market

(EMIR)

Partial information on HF presence in derivatives

Retracing Hedge Funds' activity in EMIR (example with EGB Futures in Eurex)



Source: ECB elaboration.

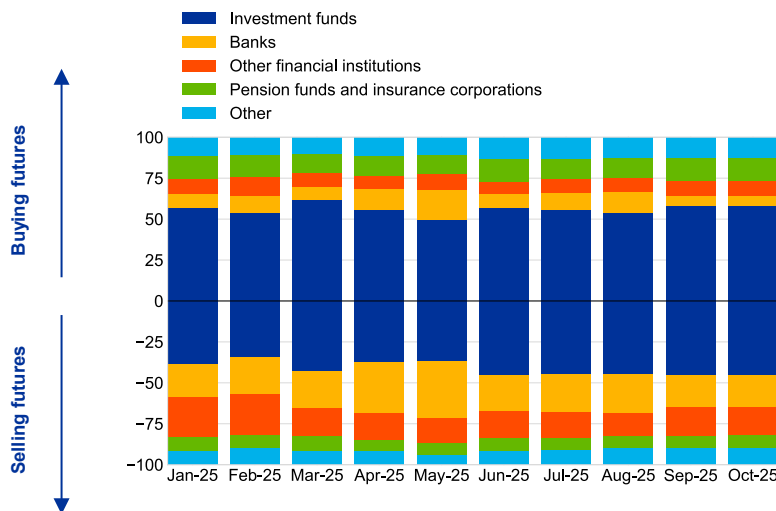
Notes: Eurex is the main marketplace for EGB futures.

- Similarly to SFT repo data, **offshore HF activity is only observable in EMIR if the HF trades with a counterparty located in the EA.**
- Individual client reporting is less easily exploitable in EMIR, but **CCP reporting is generally the most accurate.**
- Using the CCP reports (Eurex for EGB futures) allows to proxy the aggregate activity of all clients accessing the CCP via both EA and non-EA clearing members.

HF are the main counterparty in EGB futures trading

Gross positioning by client sector, EGB futures

(%, end of month)



- **Hedge funds are categorized within the Investment Funds (IF) sector** – and are by far the largest counterparties within this sector.
- They are the **largest end-clients trading with Eurex clearing members** (chart).
- Most of IF present in the Eurex-cleared EGB futures market and visible in EMIR are domiciled in the EA (LU, DE, FR).

Source: EMIR, ECB calculations.

Notes: Futures on sovereign bonds issued by DE, FR, IT and ES. Only positions for clients of CCP clearing members, shares computed based on the end of month total outstanding notional amount, separately on the long (positive) and the short (negative) side. Sector classification based on RIAD (ESA 2010 classification). IF: non-MMF investment funds; OFI: other financial institutions; ICPF: Insurance companies and pension funds. The sample starts in January 2025. Last observation: 2025-10-30.

Topics for discussion

- What are the most crowded trades in the cash and repo markets, and how much is it driven by HFs ?
- What could trigger HF trade unwinding and what could be possible spillovers across geographies?
- Do HF prefer to trade with dealers from a particular geography (Euro area, UK, US) or via particular trading protocols (RfQ, RfM, bilateral streaming prices)?