



# Transformation in the U.S. Corporate Bond Market



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# Host and Guest Speakers



**Kevin McPartland, Greenwich Associates**

Kevin McPartland is the head of the Firm's market structure and technology research practice. He has nearly 15 years of capital markets industry experience with a deep expertise in OTC derivatives and financial services technology.



**The Bond Dealers of America (BDA) is based in Washington, DC and it is the only national trade association exclusively dedicated to representing the banks and broker-dealers that focus primarily on the U.S. fixed income markets.**



**AJ Maggio, Director and Head of Electronic Trading, Hilltop Securities**



**Brian Brennan, Division Head, Fixed Income, Derivatives Trading and Sales and Foreign Exchange Trading, KeyBanc Capital Markets**



# About Greenwich Associates

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Greenwich Associates is the leading provider of global market intelligence and advisory services to the financial services industry

We provide unique market information, insights and advice to help clients:

- Improve their business performance
- Drive product strategy & development
- Increase sales effectiveness
- Gain a significant competitive advantage
- Enhance operational performance
- Optimize development initiatives
- Transform their business to improve every aspect of customer experience

## Firm Facts:

- Founded in 1972
- Privately held
- Headquartered in Stamford, CT, with regional offices in Pleasanton, CA, Toronto, London, Singapore, and Tokyo

## By the numbers:

**260+ Sell-Side Clients**  
in the financial services industry

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**350 Employees**  
throughout the United States, Canada, Europe, Asia, and Japan

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**60,000 Annual Interviews**  
with buyers of financial services

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**150 Executive Interviewers**  
gather data in 70 countries in 14 languages

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**310,000 Universe of Experts**  
unique buy-side contacts

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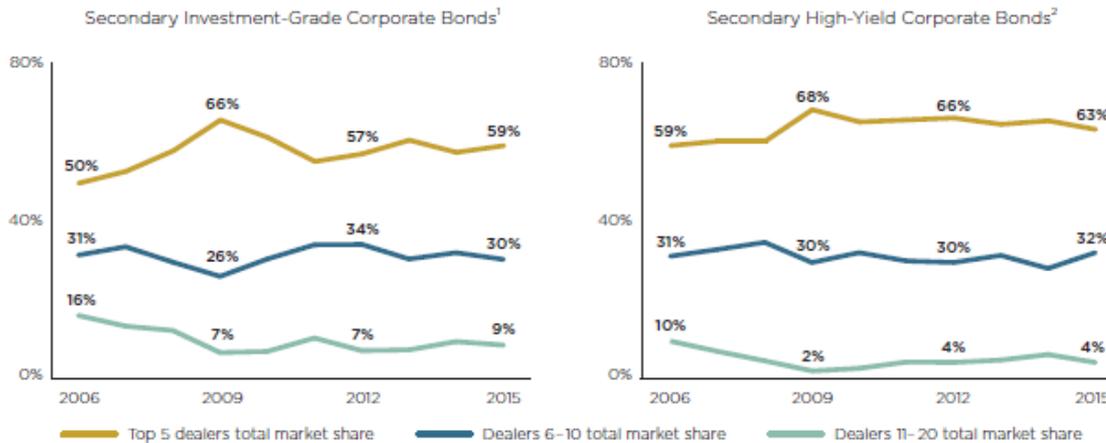


# Corporate Bond Market Update

# Changing Market Structure, New Opportunities

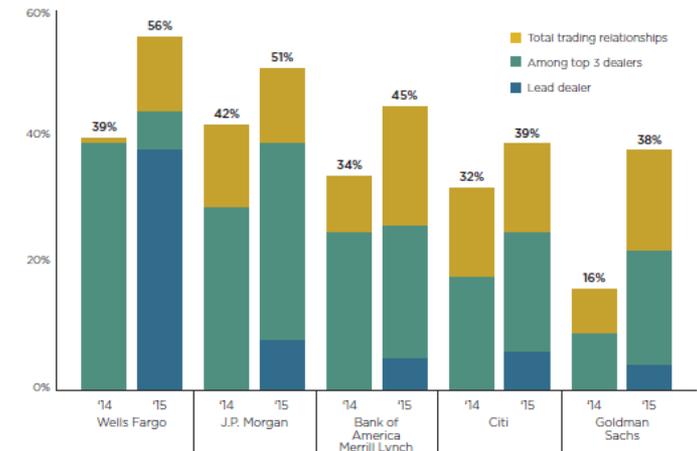
- Bulge bracket dealers still handle the majority of client trading, but opportunity is growing for new entrants and regional dealers.
- Electronic trading, sector/regional expertise and high touch service are helping investors find new dealer relationships.
- In 2012, the global bulge accounted for 85% of the total secondary IG cash bond volume executed; as of 2015 it's 77%.
- Further, 48% of IG investors allocate at least 20% of their business to non-bulge dealers

## CORPORATE BOND DEALER MARKET SHARE CONCENTRATION



Note: <sup>1</sup>Based on 299 respondents in 2006, 300 in 2007, 266 in 2008, 141 in 2009, 146 in 2010, 124 in 2011, 121 in 2012, 123 in 2013, 113 in 2014, and 110 in 2015.  
<sup>2</sup>Based on 86 responses in 2006, 103 in 2007, 79 in 2008, 54 in 2009, 94 in 2010, 103 in 2011, 114 in 2012, 107 in 2013, 112 in 2014, and 114 in 2015.  
 Source: Greenwich Associates 2015 North American Fixed-Income Research Study

## MARKET PENETRATION IN ELECTRONIC TRADING OF INVESTMENT-GRADE BONDS

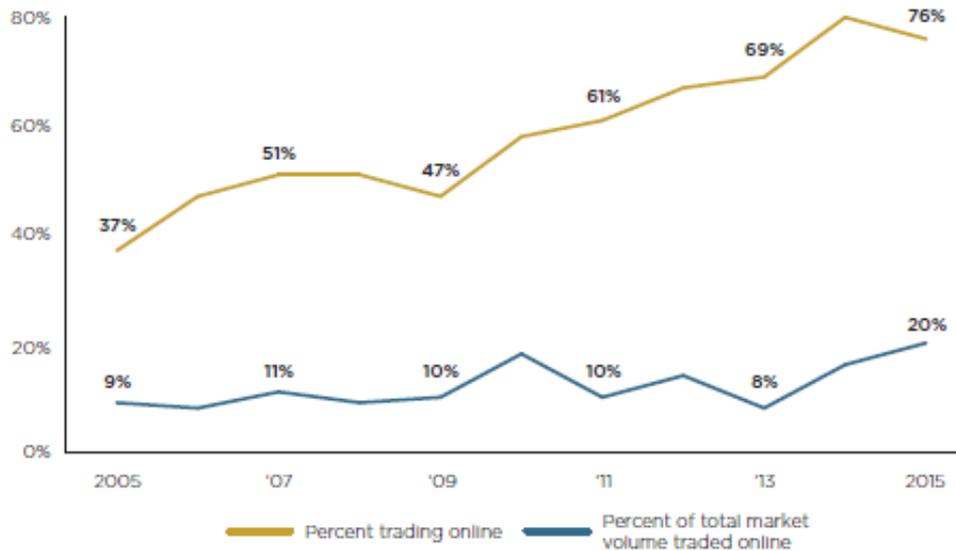


Note: Based on 77 fixed-income respondents in 2014 and 77 in 2015.  
 Source: Greenwich Associates 2015 North American Fixed-Income Research Study

# Price Makers and Market Makers

- Corporate bond e-trading is growing more quickly than ever, creating both opportunities and threats for the dealer community.
- Nearly 60% of investors feel the buy side can play a part of the liquidity story – as price makers.
- Price makers and market makers are not the same, with the difference critical to understanding all-to-all.

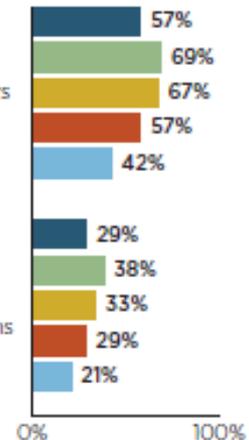
## ELECTRONIC TRADING ACTIVITY IN INVESTMENT-GRADE CREDIT



Note: Based on 115 respondents in 2005, 107 in 2006, 147 in 2007, 132 in 2008, 141 in 2009, 146 in 2010, 124 in 2011, 121 in 2012, 123 in 2013, 104 in 2014, and 105 in 2015.  
Source: Greenwich Associates 2015 North American Fixed-Income Research Study

## NON-DEALER CORPORATE BOND LIQUIDITY

Investors (asset managers, hedge funds, et al) as market/price makers are a viable source of liquidity



My firm currently functions as a market/price maker, or intends to do so within the next 12 months

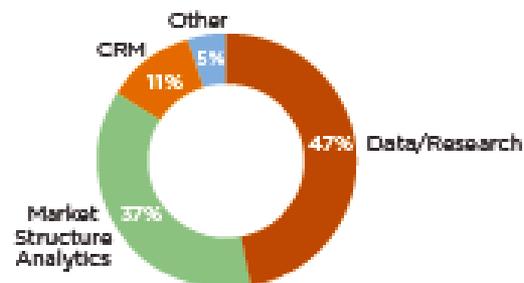


Note: Based on 51 responses.  
Source: Greenwich Associates 2015 Corporate Bond Liquidity Study

# Technology is for More Than E-trading

- Sales desks are finding it harder and harder to tell clients something they don't already know.
- Dealing desks must not only understand e-trading platforms, but technology that helps the trader to keep clients proactively informed.
- Evaluated pricing and transaction cost analytics are both beginning to make an impact on the corporate bond market.

## TECHNOLOGY MANDATORY FOR DESK

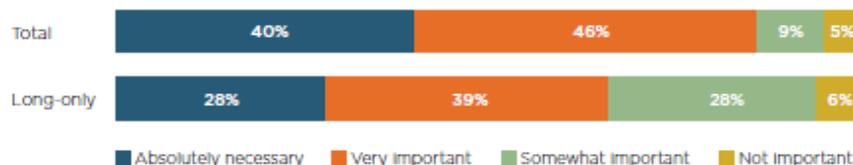


Source: Greenwich 2015 Sell-Side Interviews

**We're working to apply science to client flows in an effort to generate data that the sales team can use.**

- Mid-Tier Dealer

## IMPORTANCE OF BENCHMARK PRICES



Note: May not total 100% due to rounding. Based on 57 responses.  
Source: Greenwich Associates 2015 Corporate Bond Liquidity Study



# Discussion: Competitive Landscape



# Discussion: Electronic Trading



# Discussion: Sales Trader Upgrade

# Additional Information or Questions?



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