

## 2014 Greenwich Leaders: U.S. Equities

Q2 2014

In U.S. equities the main priority is getting paid for what you deliver. By maintaining their trading share, some of the bulge bracket banks are now punching above their weight class in terms of their research presence. On the other hand, mid-sized brokers and research specialists that are now being paid in large part through CSAs must be careful that they are being adequately compensated for their research.

### 2014 Greenwich Share Leaders

Bank of America Merrill Lynch, Goldman Sachs and J.P. Morgan are tied for the number-one spot among brokers

in U.S. equity trading share with U.S.-based institutions as of early Q1 2014. These three brokers are deadlocked atop the market with 8.3%–8.5% share of combined high-touch and low-touch commissions in U.S. cash equities. Morgan Stanley and Credit Suisse round out the top five with identical shares of 7.8%. These firms are the 2014 Greenwich Share Leaders in U.S. Equity Trading.

In the increasingly important category of U.S. equity algorithmic trading, the top position is held jointly by Credit Suisse, Goldman Sachs and Morgan Stanley, which are used for algo trading by 60%–64% of institutional inves-

### Greenwich Share Leaders — 2014



#### U.S. Equity Research/Advisory Portfolio Managers Vote Share<sup>1</sup>

Broker	Vote Share	Statistical Rank
J.P. Morgan	10.4%	1T
Bank of America Merrill Lynch	9.8%	1T
Goldman Sachs	8.3%	3T
Credit Suisse	7.8%	3T
Morgan Stanley	7.8%	3T
Deutsche Bank	7.3%	3T

#### U.S. Equity Trading Share<sup>1,2</sup>

Broker	Trading Share	Statistical Rank
Bank of America Merrill Lynch	8.5%	1T
Goldman Sachs	8.3%	1T
J.P. Morgan	8.3%	1T
Morgan Stanley	7.8%	4T
Credit Suisse	7.8%	4T

#### U.S. Equity Algorithmic Trading Share<sup>4</sup>

Broker	Market Penetration	Statistical Rank
Credit Suisse	64%	1T
Goldman Sachs	61%	1T
Morgan Stanley	60%	1T
J.P. Morgan	51%	4T
UBS	49%	4T
Bank of America Merrill Lynch	48%	4T

#### U.S. Equity Research/Advisory Analysts Vote Share<sup>1</sup>

Broker	Vote Share	Statistical Rank
J.P. Morgan	8.4%	1
Goldman Sachs	6.5%	2T
Morgan Stanley	6.4%	2T
Bank of America Merrill Lynch	6.3%	2T
Deutsche Bank	5.5%	5T
Citi	5.4%	5T
Barclays	5.3%	5T

#### North American Portfolio Trading Share<sup>3</sup>

Broker	Trading Share	Statistical Rank
Citi	10.5%	1
Bank of America Merrill Lynch	9.7%	2T
Goldman Sachs	9.3%	2T
Morgan Stanley	9.2%	2T
Barclays	8.6%	5T
Deutsche Bank	8.2%	5T
Credit Suisse	8.2%	5T

Note: Based on responses from 225 buy-side institutions for U.S. Equity Research/Advisory Portfolio Managers Vote Share, 2,295 for U.S. Equity Research/Advisory Analyst Vote Share and 316 for U.S. Equity Trading Share, both weighted by commission spend of accounts. <sup>1</sup>Greenwich Associates Research/Advisory Vote Share and Trading Share represent a broker's relative importance to the buy-side institutions within the Greenwich Associates universe. Scores are based upon the amount of business conducted with each respondent and the size of each responding institution based on commission spend with the sell-side community. <sup>2</sup>Equity Trading encompasses sales trading, execution, sector trading, and electronic trading. <sup>3</sup>For the 82 respondents for U.S. Portfolio Trading Share, the results are weighted by notional portfolio trading dollar volume. Top five leading brokers are cited including ties. <sup>4</sup>Based on 67 respondents. Important algorithmic or smart-order-routing trading provider includes those cited as a top 10 provider in order of commission volume for algo trading (including dark pool sourcing algos) or SMO routing trades, or as distinctive on any algorithmic factor.

Source: Greenwich Associates 2014 U.S. Equity Investors Study and U.S. Equity Analysts Study

tors, followed by J.P. Morgan, UBS, and Bank of America Merrill Lynch, which are tied with market penetration scores of 48%–51%. These firms are the 2014 Greenwich Share Leaders in U.S. Equity Algorithmic Trading.

Citi is the leader in portfolio trading for North American accounts, with a 10.5% share of notional volume traded. Next, three banks—Bank of America Merrill Lynch, Goldman Sachs and Morgan Stanley—tied with notional trading shares of 9.2%–9.7%, followed by another three-way tie—Barclays, Deutsche Bank and Credit Suisse—with shares of 8.2%–8.6%. These firms are the 2014 Greenwich Share Leaders in Portfolio Trading in North America.

In U.S. equity research/advisory services, Greenwich Associates determines the competitive positioning of providers by assessing the combined impact of brokers’ research, analyst and sales service, and corporate access akin to the internal “broker voting” process among institutional portfolio managers and analysts. The 2014 Greenwich Leaders for U.S. Equity Research/Advisory Services among Portfolio Managers are Bank of America J.P. Morgan and Merrill Lynch (tied for the top spot with commission-weighted vote shares between 9.8% and

10.4%), followed by a tie among Credit Suisse, Deutsche Bank, Goldman Sachs, and Morgan Stanley. Among buy-side analysts, the 2014 Greenwich Share Leaders are J.P. Morgan (tops the market with a commission-weighted vote share of 8.4%), followed by a three-way tie among Bank of America Merrill Lynch, Goldman Sachs and Morgan Stanley, and then another three-way tie among Barclays, Citi and Deutsche Bank.

### 2014 Greenwich Quality Leaders

Greenwich Associates asks institutional portfolio managers, analysts and traders participating in our annual research program to rate the quality of service and content they receive from individual brokers. In U.S. Equity Sales, the quality leaders with generalist portfolio managers are Bank of America Merrill Lynch and J.P. Morgan, while the clear quality leader with small/mid-cap portfolio managers is Robert W. Baird. In U.S. Equity Research/Analyst Service among generalist portfolio managers, J.P. Morgan and Sanford C. Bernstein are the 2014 Greenwich Quality Leaders, while Robert W. Baird leads when assessed by small/mid-cap funds. Among institutional analysts, Sanford C. Bernstein claims that title alone.

## Greenwich Quality Leaders — 2014



### U.S. Equity Research/Analyst Service Quality — Portfolio Managers

**Broker**

J.P. Morgan  
Sanford C. Bernstein

### U.S. Equity Research/Analyst Service Quality — Analysts

**Broker**

Sanford C. Bernstein

### U.S. Equity Sales Quality

**Broker**

Bank of America Merrill Lynch  
J.P. Morgan

### U.S. Equity Trading Quality<sup>1</sup>

**Broker**

Credit Suisse  
Goldman Sachs  
Morgan Stanley

### U.S. Equity Electronic Trading Quality

**Broker**

Credit Suisse  
RBC Capital Markets

Note: Based on 225 respondents for U.S. Equity Research and Analyst Service Quality (portfolio managers) and U.S. Equity Sales Quality, 2,295 for U.S. Equity Research and Analyst Service Quality (analysts), 316 for U.S. Equity Trading Quality, and 298 for U.S. Equity Electronic Trading Quality. Leading brokers are displayed in alphabetical order including ties.

<sup>1</sup>Equity Trading encompasses sales trading, execution, sector trading, and electronic trading. Source: Greenwich Associates 2014 U.S. Equity Investors Study and U.S. Equity Analysts Study

**Greenwich Share and Quality Leaders — 2014**



**U.S. Small- and Mid-Cap Research/Advisory Penetration<sup>1</sup>**

Broker	Market Penetration	Statistical Rank
Robert W. Baird	73%	1
J.P. Morgan	71%	2
Raymond James	66%	3
Credit Suisse	62%	4
Stifel Nicolaus	59%	5

**U.S. Small- and Mid-Cap Sales Quality**

Broker
Robert W. Baird

**U.S. Small- and Mid-Cap Research and Analyst Service Quality**

Broker
Robert W. Baird

Note: Based on interviews with 98 institutions. <sup>1</sup>U.S. Small- and Mid-Cap Research/Advisory Penetration represents proportion of investors citing each broker as one of their 15 most important research/advisory firms. Share leaders are based on top five brokers including ties. Quality leaders are cited in alphabetical order including ties.  
 Source: Greenwich Associates 2014 U.S. Equity Investors Study

The 2014 Greenwich Quality Leaders in U.S. Equity Trading are Credit Suisse, Goldman Sachs and Morgan Stanley. The 2014 Greenwich Quality Leaders in U.S. Equity Electronic Trading are Credit Suisse and RBC Capital Markets.

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**Methodology**

*Between December 2013 and February 2014, Greenwich Associates interviewed 225 U.S. generalist equity portfolio managers, 98 small/mid-cap fund managers, 815 buy-side equity analysts (covering 2,295 sector observations), and 316 U.S. equity traders at buy-side institutions. The study participants were asked to evaluate the sales, research and trading services they receive from their equity brokers and to report on important market practices and trends.*

*The findings reported in this document reflect solely the views reported to Greenwich Associates by the research participants. They do not represent opinions or endorsements by Greenwich Associates or its staff. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results.*

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