

BMO Shares the Spotlight with RBC

2015 Greenwich Leaders: Canadian Fixed Income

Q3 2015

There is only one story in Canadian fixed income this year, and that story is BMO Capital Markets. On the strength of strong gains in estimated market share, BMO Capital Markets has closed the previously precipitous gap between it and the perennial market leader, RBC Capital Markets.

BMO Capital Markets' impressive gains have come mainly in rates products, in which the firm has joined RBC Capital Markets as a market leader. RBC Capital Markets continues to maintain the dominant position across secondary and new issue investment-grade credit market share and client penetration. However, BMO Capital Markets has made a strong push in secondary credit trading and now takes the second spot in market share, with TD Securities at No. 2 in new issue trading. "In client penetration, market share and overall quality of Canadian institutional investors executing with Canadian brokers across fixed income, the trio of RBC, BMO and TD is starting to separate themselves from the pack," says Greenwich Associates consultant Peter Kane.

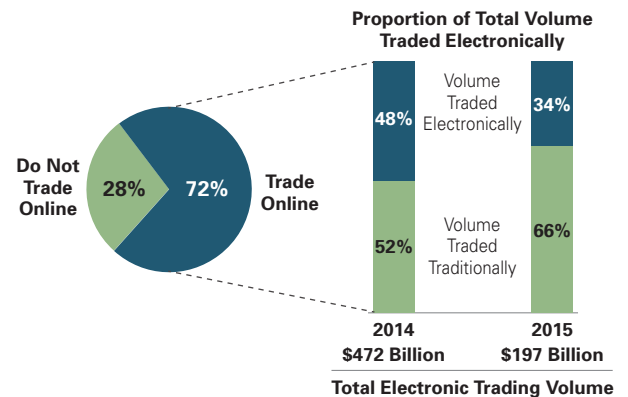
Electronic Trading

Fixed-income dealers that had been winning market share from the top Canadian dealers on the basis of strong electronic-trading performance saw that momentum stall over the last year. There were two main reasons:

1. Canadian dealers as a whole—and the leading firms in particular—have stepped up their own games when it comes to e-trading. An increase in commitment to electronic trading overall has helped the leading dealers fend off new rivals and even win back some previously lost market share.
2. The pace of growth of e-trading activity slowed over the last 12-month period—and might have even declined slightly from the previous year.

"The decrease in e-trading volumes following previous years of robust growth is almost certainly temporary and likely attributable to the general slowdown in trading volumes in Canadian government bonds among hedge funds and other particularly active institutional traders," says Peter Kane.

Electronic Trading Activity – Overall Fixed-Income Fixed-Income Investors – Canada



Note: Excludes money markets. Based on responses from 71 fixed-income investors in Canada in 2015 and 69 in 2014.

Source: 2015 North American Fixed-Income Study

Greenwich Share and Quality Leaders

In first place, BMO Capital markets and RBC Capital Markets are locked in a statistical dead heat, with market shares in overall fixed income of 14.7% to 15.8%. TD Securities and Scotiabank are next, tied with market shares of 11.5% to 11.8%, followed by National Bank Financial and CIBC, which are statistically tied with market shares of 7.6% to 8.7%. These firms are the 2015 Greenwich Share Leaders in Overall Canadian Fixed Income.

When it comes to quality, RBC Capital Markets is still king. Greenwich Associates asked the 132 investors participating in its 2015 Canadian Fixed-Income Investors Study to name the dealers they used in a range of fixed-income products and to estimate the amount of trading business allocated to each dealer. Investors were also asked to rate the quality of these dealers in a series of product and service categories. Dealers that received quality ratings topping those of competitors by a statistically significant margin were named Greenwich Quality Leaders.

RBC Capital Markets is a 2015 Greenwich Quality Leader in all three categories of Fixed-Income Sales, Research and Trading. As in market share, BMO Capital Markets

has made significant advances in quality ratings over the past year and earns a spot as a 2015 Greenwich Quality Leader in Fixed-Income Research. “Also notable for its improvements in quality over the past 12 months is TD Securities,” says Peter Kane.

Greenwich Share Leaders — 2015



Overall Canadian Fixed-Income Market Share

Dealer	Market Share	Rank
RBC Capital Markets	15.8%	1T
BMO Capital Markets	14.7%	1T
TD Securities	11.8%	3T
Scotiabank	11.5%	3T
National Bank Financial	8.7%	5T
CIBC	7.6%	5T

Note: Based on responses from 132 fixed-income investors in 2015. Leaders are based on top 5 dealers including ties.

Source: Greenwich Associates 2015 North American Fixed-Income Investors Study

Greenwich Quality Leaders — 2015



Canadian Fixed-Income Sales Quality

Dealer
RBC Capital Markets

Canadian Fixed-Income Research Quality

Dealer
BMO Capital Markets
RBC Capital Markets

Canadian Fixed-Income Trading Quality

Dealer
RBC Capital Markets

Note: Based on responses from 132 fixed-income investors in 2015. Leaders are cited in alphabetical order including ties.

Source: Greenwich Associates 2015 North American Fixed-Income Investors Study

Consultant Peter Kane advises on fixed-income markets in Canada.

Methodology

Between February and May 2015, Greenwich Associates conducted 132 interviews with institutional investors active in fixed income in Canada. Interview topics included trading and research activities and preferences, product and dealer use, service provider evaluations, market trend analysis, and investor compensation.

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