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The Equity Market is Not Run by Robots

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Sales trader relevance has been debated for more than a decade as buy-side driven execution algorithms and trading tools have made self-service trading ubiquitous. Despite the ability of institutional investors to trade via cheaper self-directed channels, our latest research, The Future Sales Trader, found that more than half of U.S. equity trading done by clients passes through broker sales traders. Why? A smarter, more client-focused sales trading force, coupled with uncertain markets and a complex market structure, keep clients picking up the phone.

But being a good sales trader isn't as easy as it used to be.Ten years ago sales traders needed to be good at "blocking and tackling"—basically knowing how to work an order the right way to limit information leakage and get the right price. Today the buy side expects a sales trader who can not only get an order done, but also understands how the market works and the external factors that might influence a client's decision-making progress. While being an expert in macroeconomics, market structure and individual sectors is not a requirement, being able to carry on an intelligent conversation on these topics is a must.

These changes mean the sales trader of the future will look dramatically different than he/she does today. While the major method of differentiation—relationships—has not changed, the definition has evolved. Twenty years ago relationships meant sending order flow to old friends and college roommates. Today relationships mean providing the right kind of information and services that make the buy-side trader look smart in front of the portfolio manager and ultimately lead to a better ranking in the broker vote process. Establishing these newly defined relationships is how the future sales trader can cement his importance. Just knowing your client's kids' names and having Yankees tickets isn't enough anymore.

Enter sales trader technology. The next generation of sales trader tools—many of which already exist and are available for the taking—go beyond the CRM systems common today. Communication methods have exploded, including social media, group chats, various IM platforms, (occasionally) email, and phone calls that can now be recorded and transcribed in real-time. Based on these communication records, market data, news, and a client's portfolio history, technology will enable sales traders to send custom suggestions via the client's preferred method of communication, and do that on a scale that wasn't possible before.

So no, the market is not run by robots. People do and will continue to talk to people as there is no substitute for a trusting relationship. But those tasked with helping clients navigate market complexity will more now than ever use technology to make those relationships even stronger.

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