

## All-to-All Bond Trading

4/24/2019

**All-to-All bond trading** is the process of using electronic trade execution platforms to match bond buyers and sellers directly, without the hidden costs and markups of the legacy Wall Street banks acting as gatekeeper and filter to your trades.

### Advantages

- Transparency of markets, pricing and trading costs
- Direct access to live markets of end buyers and sellers
- Lower net cost to buy and sell bonds (see study on price improvement here: [https://www.fidelity.com/bin-public/060\\_www\\_fidelity\\_com/documents/BondPricingStudy.pdf](https://www.fidelity.com/bin-public/060_www_fidelity_com/documents/BondPricingStudy.pdf))

### Disadvantages

- Systems are growing rapidly, but still may not have participation by investors in smaller, less liquid markets
- Resistance by legacy brokers who see this as a disintermediating force to their business
- Less advice on security selection, which can be overcome with the use of non-conflicted fiduciary advisors like Trinvest Advisors

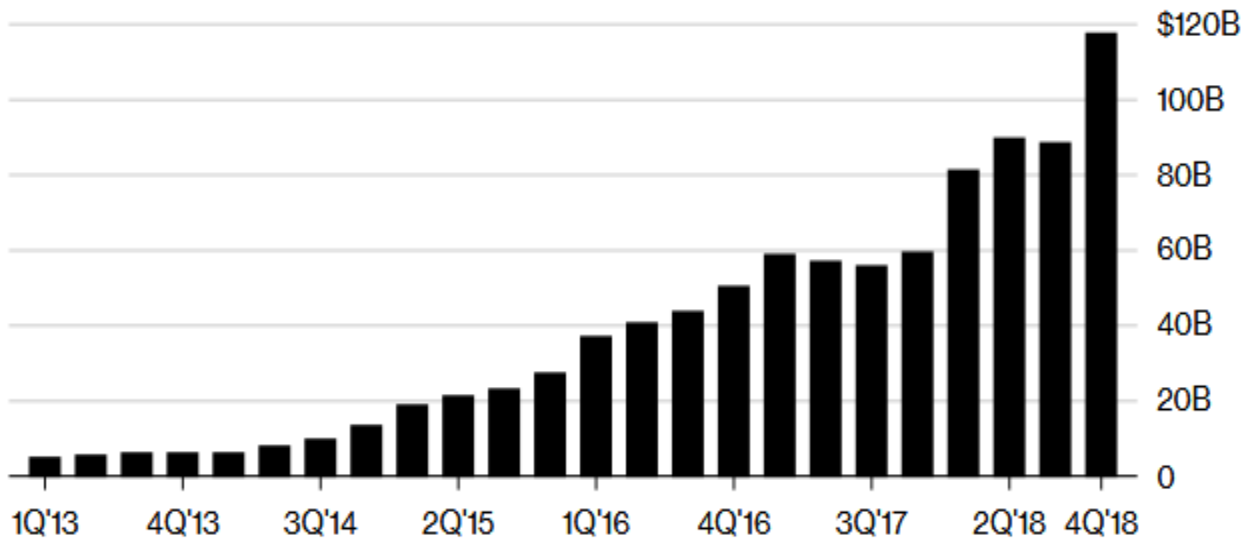
Banks are beginning to feel the effects. The April 2<sup>nd</sup> story here: <https://finance.yahoo.com/news/bond-market-hops-aboard-carousel-100022841.html> says:

But, of course, banks are the primary losers in all-to-all trading. While some of the shift is a natural reaction to post-crisis regulation, that's still little comfort for the world's 12 largest dealers, whose revenue from bond and loan trading tumbled to \$2.2 billion last year from almost double that amount in 2016. With fee wars intensifying among mutual funds, it stands to reason that revenue will only drop further as investors grow more comfortable with electronic trading to cut costs. Banks have had little choice but to adapt.

In its report April 1<sup>st</sup> headlined; “**Wall Street Is Getting Cut Out of Bond Market It Long Dominated**”, Bloomberg reports that:

*For MarketAxess, 27 percent of corporate bond trades were on its all-to-all platform Open Trading in the fourth quarter, up from 3 percent at the start of 2014, the company said. On Liquidnet's all-to-all platform, more than 90 percent of volume is between investors. Electronic trading is still a relatively small part of a market dominated by dealers, but its share of trading is growing.*

■ Open Trading Trade Volume



Source: MarketAxess

*The switch to all-to-all trading may accelerate from here. The post-crisis regulations that have made it more expensive for dealers to hold onto corporate bonds have resulted in dealer inventories of the securities shrinking more than 55 percent over the last five years.*

<https://www.bloomberg.com/news/articles/2019-04-01/wall-street-is-getting-cut-out-of-bond-market-it-long-dominated>

Please call or email with questions on how you can have full access to the more transparent and lower cost all-to-all electronic markets for bonds.

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