

TRADEWEB MARKET DATA & ANALYTICS

We look at the range of analytics and market data now being offered by TradeWeb, a leading bond and fixed income trading platform.

The electronic trading of fixed income and derivative securities is now commonplace across the world's financial centres. For example, TradeWeb, the leading dealer-to-customer fixed income trading platform, handles over \$200 billion of volume each day, operating in Europe, the US and Asia.

The display of real-time pricing has undoubtedly increased transparency in the fixed income market place. There is a more general trend towards price discovery, price disclosure and transparency, and with the addition of regulatory influences to the equation, the effect is clearly to quicken the move of fixed income trading from art to science. This science relies on the GIGO principle - any conclusion about a market is only as good as the data that is available to derive that conclusion.

Historically, the OTC market place had seen a degree of opacity, since market information and price discovery had been largely confined to a two-party discussion (mostly by telephone) that was inherently not open to other participants. The arrival of widely used e-trading has shifted this information

gap and allows for much greater transparency.

TA analytics

The financial markets are open and transparent as never before and are

moving further in that direction. Transparency (the argument goes) invalidates opportunity and so the role of the trader and fund manager in spotting and sizing anomalies in pricing and behaviour has become more dominant.



Figure 1.

“TRADEWEB IS INCREASINGLY BEING ASKED FOR END OF DAY AND TICK DATA AS CLIENTS LOOK FOR THE ABILITY TO BACK-TEST TRADING IDEAS.”

- ANDREW BERNARD, TRADEWEB

The TradeWeb charting package, for example, delivered through the standard GUI, has a set of built-in technical analysis studies making use of historical and real time data. These range from the Simple Moving Averages through Bollinger Bands and Fibonacci Retracements to Stochastic studies that permit user input for time periods and also allow trend lines to be drawn. An example of a TradeWeb Fibonacci Retracement screen is shown in Figure 1.

For the analyst who uses his/her own or another proprietary set of studies, TradeWeb historical and real time data may be used to power those applications. Understanding that the pre-loaded charts may not provide some of the more specialised (not to say recherche) analytics, TradeWeb encourages users to download market data through a number of different routes and thus allows detailed technical studies to be performed on validated market prices rather than generic or implied prices.

From a morass of start-up internet electronic trading platforms, TradeWeb has emerged as the pre-eminent network for dealer to client business in the fixed income and derivative market place. Although originally recognised for its outstanding transaction capabilities, TradeWeb is rapidly becoming the source of the most accurate pricing data available for use by market participants.

It is a measure of the speed of evolution in this future-world, that it is no longer enough to offer only trade execution, however efficient. Platforms must also be providers of information and facilitate the detailed analysis of markets, transactions and of performance. Fund managers and traders need a suite of analytical functions that are directly related to their fixed income requirements.

Market data

Based on the premise that efficient execution is the primary requirement of the fixed income trader, TradeWeb has a set of analytical functions that are designed to make daily tasks much more efficient and less burdensome. TradeWeb provides historic end-of-day and tick data and is increasingly being asked for this data as clients look for the ability to back-test trade ideas, for scenario stress testing and for increasingly important regulatory analysis.

Whilst there is a temptation for Market Data to be seen as the exhaust from successful pricing engines, for TradeWeb the quality of the pricing data is what drives the trading platform, making their data a particularly valuable product in its own right. Each client has an individual focus onto the market so they tend to see specific demands based, for example, on invested currency mix and location. The analytics and data TradeWeb offers on the UK Gilt

market - including the index-linked bonds - are very much in demand as a separate product. However, the fixed income market is not clamouring for the same styles of trading as equity markets, although transparency and regulation may well prove catalysts for new types of activity.

Historical performance and price data for a security is always at the forefront of any decision making process so it is essential to use a consistent and consistently accurate pricing source. The TradeWeb composite price is recognised through the fixed income market place as being the most accurate and timely indication of where the market is pricing a particular security. Because TradeWeb has such a vast amount of trading volume across a variety of fixed income and derivative products →

TradeWeb Markets

- European Government Bonds (Including GILTS)
- European Credit
- €, \$ and £ Interest Rate Swaps
- CDS Indices (€ and \$)
- Pfandbriefe/Covered Bonds
- US Treasuries
- Agencies
- Supranationals
- TBA-MBS



Figure 2.

moving through the platform each day, it is possible to validate pricing data, and move away from imputed or generic pricing.

Andrew Bernard, Managing Director

of TradeWeb explains, "TradeWeb's market data is based on our role as a trading platform that focuses on dealer-to-client (B2C) fixed income and derivative business. We see around 89% of

our transactions effected at or inside the indicative pricing we provide. We carry the core products that drive the fixed income world, and this means that the validity of the pricing we have is very strong."

As can be seen in Figure 2, TradeWeb makes it easy to follow the relative value spread between securities. Using the chart in the "2 security" mode it is easy to see how the yield spread between two securities has varied over time. This enables the user to make a trading decision based on the historical relative value of the two bonds.

Once a trading decision or spread target has been set, it is possible to monitor that target in real-time using the alert function on the TradeWeb viewer to see when the desired spread is achievable in the market place. For European Credit securities TradeWeb also allows the user to monitor historically, and in real-time, three essential spreads that market participants will find very interesting - Z spread, I-spread and the asset swap spread (Figure 3).

Although algorithmic and program trading have been used in the equity markets for some time, the lack of an exchange or central market place has meant that it they have not been so common in the fixed income arena. TradeWeb real-time data feeds enable the trader to fuel their algorithms or pricing engines with accurate and up-to-the-minute pricing data that makes automatic execution and historical stress testing of trading strategies a much more viable proposition.

With the advent of MIFID, accurate mark-to-market and evaluation tools are needed to enable firms to comply with the directive. No matter how good these tools may be, they cannot operate efficiently without the correct information. TradeWeb has pre- and post-trade data available for use in transaction analysis products/software that makes the task of complying with MIFID less of a burden.

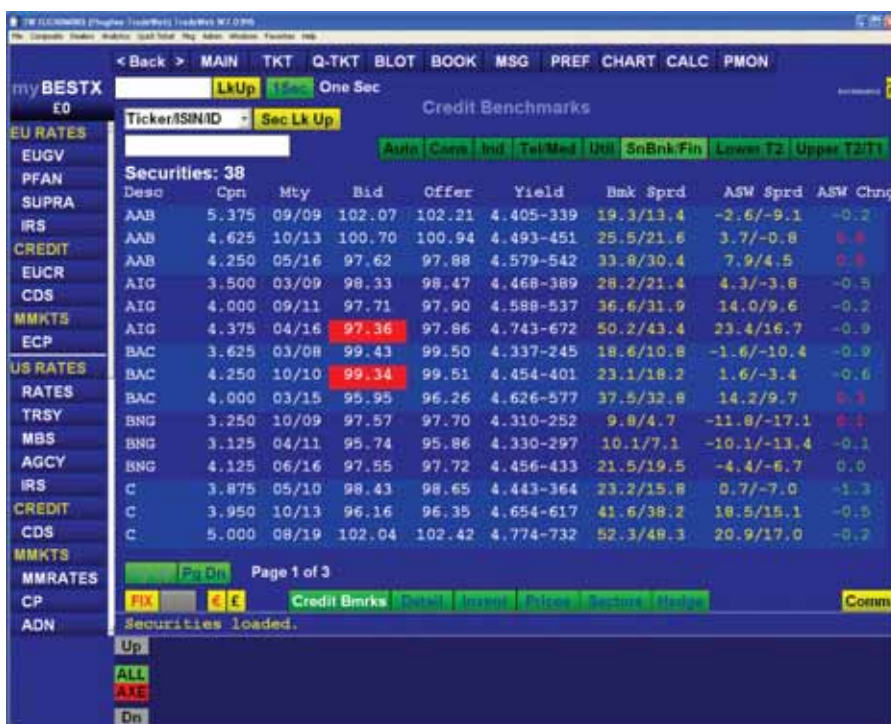


Figure 3.

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