

TradeWeb wins bond poll

Charles Piggott analyses the results of THE BANKER's survey of up and coming electronic trading systems for bonds

Dealer To Investor Platforms	Average	Design	Research	Liquidity	Breadth	New issues	M. Maker	Indpt	Pricing	Speed	STP	Deal	Reliability	Quality
1 TradeWeb	7.9	7.9	-	8.3	7.4	-	8.5	8.0	8.6	8.0	7.6	7.4	7.4	7.6
2 Bond.Hub*	7.4	7.5	10.0	-	7.5	6.7	7.5	6.7	-	-	-	-	6.7	6.7
3 eBondTrade	7.2	9.2	-	7.8	5.0	5.0	5.0	7.5	6.3	10.0	5.6	7.5	9.2	8.3
4 BondHub	7.0	6.7	4.4	5.8	6.7	-	6.7	6.7	7.5	8.8	7.8	8.3	7.5	6.7
5 BondBook	6.2	6.3	-	5.3	6.3	-	6.7	5.3	6.7	5.3	5.3	7.0	7.0	7.0
6 Visible Markets	6.1	7.3	-	4.0	7.3	3.3	2.7	8.0	6.0	6.0	8.3	6.7	7.3	6.7
7 BondDesk.com	6.0	6.0	-	4.3	6.7	4.3	6.7	6.7	6.7	6.7	6.7	4.3	6.7	6.7
8 Market Axess	5.7	6.7	3.8	5.6	5.8	3.3	7.5	5.6	7.5	6.7	3.3	5.6	6.7	6.5
9 Bloomberg BondTrader	5.7	5.8	8.3	5.0	5.8	1.7	3.3	7.5	7.5	6.7	6.7	5.8	5.0	5.0
10 BondClick**	5.0	5.0	-	5.0	5.0	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

*Research only **Suspended following merger with BondVision SOURCE: THE BANKER

TradeWeb out in front

TradeWeb, is the market leader and the most ubiquitous. Most investors polled use the system and, although some traders argue that dealer-to-client systems have had less impact than inter-dealer systems in changing the way the market operates, they acknowledge the significant role played by TradeWeb in the development of an electronic bond marketplace accessible directly by investors.

TradeWeb is the poll's clearest winner, gaining the highest average score of any system in the poll. The site, which traded more than \$770bn in US Treasury bills in the first quarter of 2001, received some of the highest scores for liquidity, access to market makers, independent and neutral management, pricing and speed.

Although other systems were highly ranked, none of them appear as widely used as TradeWeb. Comparisons between other dealer-to-investor systems are complicated by the varying functions they perform. For example, although Bond.Hub is not strictly a trading system but an online research and information tool, it was rated highly by bond investors and therefore included in the results. Willie Brown, who manages a fixed-income arbitrage fund for American Express, says: "What makes this site so powerful is the ability to customise research and regression analysis with data from leading players." In fact, Bond.Hub scored full marks from every

respondent for its research function.

The only other platform to be awarded a 10 in any category from its users is eBondTrade. eBondTrade users gave the system full marks for speed of response and efficiency of execution.

Like many systems that have gained critical mass in the US, TradeWeb and Market Axess are now expanding their European operations. Many European traders polled were waiting for systems used by their US colleagues to be installed in the coming weeks and months. Although Market Axess, supported by several leading bond houses, ranks in our top 10 dealer-to-investor trading systems, some traders marked it down for being too complicated to use. One Wall Street bond trading chief at a bank that has invested in Market Axess says: "My biggest complaint is that the system is cumbersome. There are too many steps that have to be completed and this slows down trading. When we are really busy, this is very annoying."

Market Axess is not the only system criticised by traders for being difficult to use. A trader at one of the large Swiss banks speaking about all systems in general says: "The range of investments is generally good, but the trouble is in finding them on the system."

Other repeated criticisms were the fact that most trading systems, apart from those that specialise in new issue syndication, are still too slow to respond to new issues in the market. Similarly, coverage of the corporate

credit markets is generally considered poor. While electronic networks have made inroads into liquid fixed-income markets such as government, agency and municipal bonds, they have yet to play much of a role in the corporate credit markets. A credit corporate bond trader at a US investment bank comments: "We try to use the main trading systems, but liquidity is no good, transparency is not up to much. Perhaps there will be an electronic market for corporate credit in six months or a year." Another worry for investors is that because brokers and bank consortia own many of the bond-trading platforms, they may not be run for the benefit of investors. Online bond trading ventures owned by bank consortia have already attracted the attention of US Department Justice officials investigating anti-competitive practices. One trader at a leading European fund management firm says: "These ventures generally have their own agendas that do not necessarily reflect their users or the market."

For every convert to electronic trading, there are traders who dislike, distrust and denigrate the electronic trading revolution. Says one trader describing a platform in which his bank is a joint-venture partner: "There is already too much on our screens. We quote prices on the system, but only because we have to."