

Actionable Ideas for the Power to Optimize Your Trades

Tip 11: What's the Best Execution Approach for Tough FX Markets?

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Mr. Sada-Paz. Fragmented FX markets, rising volatility and falling volumes on major platforms have resulted in scarce liquidity. In an environment where continual change is the norm, algo execution can offer powerful advantages.

As multi-dealer platforms and ECN pools spread liquidity around, algos using smart order routing technology ensure that venue access is consolidated and intelligent. Algo execution can also significantly reduce spread cost on individual executions. It can minimize market impact by reducing information leakage via internal matching of orders, which the large flows of Bank of America Merrill Lynch allow us to do. Or it can distribute an order over multiple venues to help reduce its footprint. Increased transparency is another key benefit. Our transaction cost analysis details overall performance against benchmarks, giving you a holistic view of execution and implementation quality.

In challenging conditions, algo usage is expected to increase. We provide multiple execution methods, including voice principal risk transfer, eFX principal, algos, resting orders and benchmark fixings, which allows us to remain attuned to client demand and the changing FX landscape.

For more actionable ideas with the power to help optimize execution, check out the rest of our Trader Insights video series.