

Trader Insights

Actionable Ideas for the Power to Trade Smarter

Can a Shorter Trading Day Improve Market Structure and Culture?

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Ms. Shevchenko: At eight hours and forty minutes, Europe has the world's longest trading day — a third longer than U.S. equity markets. Market participants, represented by the Association for Financial Markets in Europe and the Investment Association, are now asking exchanges to consider acting together to reduce it. Here's why.

Trading in Europe has become concentrated towards the close. Around 50% of daily volumes are traded in the final two and a half hours, with between 25 and 30% of total volumes traded during the closing auction alone. Conversely, morning volumes on European trading venues tend to be thin and dispersed, with wider spreads and higher volatility. This results in higher trading costs for investors. For example, it costs 4.4 basis points to execute a 1% average daily volume FTSE 100 basket in the last 30 minutes of trading. But executing in the first 30 minutes costs 11.4 basis points, nearly three times as much.*

The extended trading day, with insufficient liquidity in the morning, drives investors to trade later and later. A shorter day is intended to concentrate liquidity, helping to improve market quality and reduce trading costs. It could enhance investors' confidence in trading throughout the day, not just towards the close.

Opening the market later would also make roles in trading more accessible to staff balancing work and family commitments, cultivating greater diversity and inclusion, and improving work/life balance for all industry professionals. Being advocates for a shorter trading day reflects our commitment to reducing costs for investors and empowering employees to lead healthier lives.

Want to share your views on trading hours? Contact the market structure team or your sales representative. For other smart insights, check out the rest of our Trader Insights series.

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