

Trader Insights

Actionable Ideas for the Power to Trade Smarter

Relationships Are More Important Than Ever

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Ms. Caliendo: As we've all experienced first-hand over the last few months, US equity market dynamics in 2020 have been unprecedented. Both Volume and volatility have increased significantly. YTD, the US equity markets have seen an average of 11.3B shares daily, vs. 7.0 billion shares in 2019 and 7.3B shares daily in 2018. Meanwhile, the VIX soared and 5% moves in major equity indices were the norm for a period of time.¹

Working patterns have also been disrupted. With many traders working remotely rather than on a trading floor, the natural flow of information has been impaired. The buy-side is compensating by turning to sell-side coverage to fill in the gaps. Traders with strong relationships are now at an advantage, leveraging their connections for content and market insight. Turning to trusted contacts when executing in this environment is key, particularly when we've seen such an emphasis on large, block liquidity. We're finding that this new working arrangement is strengthening existing trading relationships, leading to more frequent and dynamic interactions. The shift is reflected in the rise of the percent of high touch transactions executed. Among our hedge fund clients, the percentage of flow being directed to our high touch desk vs. algos is the highest we've seen over the last 6 years.

What does this trend mean for the industry going forward? Electrification will continue to deliver big benefits, but as the role of the trader evolves, collaborating and building personal networks could lead to a healthier balance and more effective dynamics.

For other actionable insights across asset classes, check out the rest of our Trader Insights series.

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