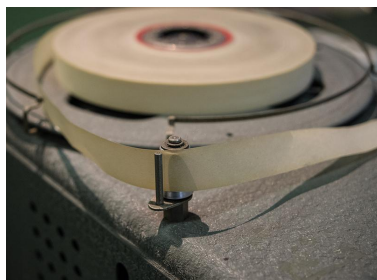


The Inside Market

July 10th, 2023

What a Difference a Field Makes!



Observing the [ongoing debate about establishing a consolidated tape for European fixed income markets](#) has increased my appreciation for TRACE in the US corporate bond market. Over 20 years ago, a commitment was made to make transaction data available to the public. It is not a coincidence that US corporate bond electronic trading platforms began to gain traction as

TRACE was introduced and adopted. While the system is by no means perfect, removing TRACE from the current market would undermine the progress that has been made in the US corporate bond market and severely limit the prospects of further innovation.

“Please sir, can I have some more (TRACE)?”

The post-trade fixed income transparency bar is pretty low, so while TRACE is something to be thankful for, there is material room for improvement. Some [focus has been on improving TRACE by reducing transaction reporting times from 15 minutes to 1 minute.](#)

However, the most profound way to improve TRACE is to expand the taxonomy of trade reporting by adding key fields. Increased granularity materially improves our understanding of the US corporate bond market.



More Fields, More Answers!

Think of FINRA corporate bond transaction data as one big Excel spreadsheet. Each trade is a single line (row) with multiple columns that add details to the trade (ex: transaction time, trade type, etc). On May 15th, 2023, FINRA added a portfolio trade modifier to the tape, which created a new column that identifies if the transaction was a part of a portfolio trade:

[FINRA Adopts Amendments to TRACE Reporting Rule to Require Identification of Portfolio Trades](#)

“FINRA has adopted amendments to Rule 6730 (Transaction Reporting) to require members to append a modifier to a corporate bond trade that is part of a portfolio trade when reporting to FINRA’s Trade Reporting and Compliance Engine (TRACE). The amendments to Rule 6730 will take effect on May 15, 2023.”

For the past few years, portfolio trading has been highlighted as one of the great improvements in US corporate bond market structure. Now, the simple addition of this modifier gives market participants the ability to ask important questions about US corporate bond portfolio trading and get real, factual, answers in return.

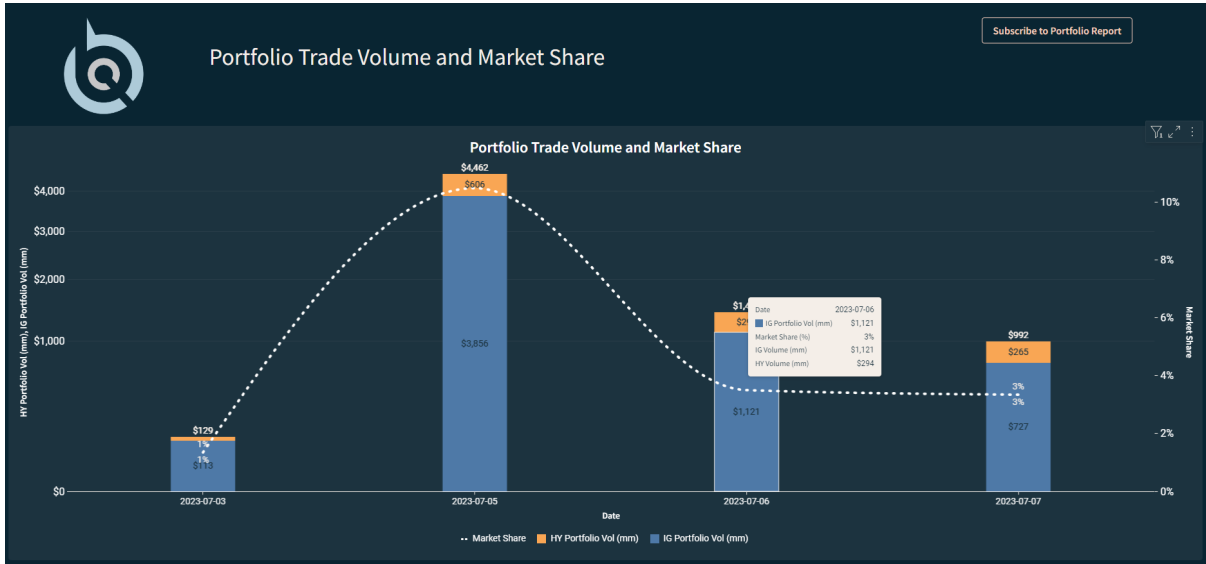
Key Questions:

- What are average daily portfolio trading volumes?
- What % market share is portfolio trading?
- What are portfolio trading client flows?
 - By sector
 - By maturity
- How do portfolio trading flows compare to non-portfolio trading flows?

BondCliQ has the data, infrastructure, and technology to provide the answers to these portfolio trading questions (and more). This week BondCliQ is launching a **Portfolio Trading Dashboard that delivers the insights needed to analyze corporate bond portfolio trading in detail.**

Volumes and Market Share

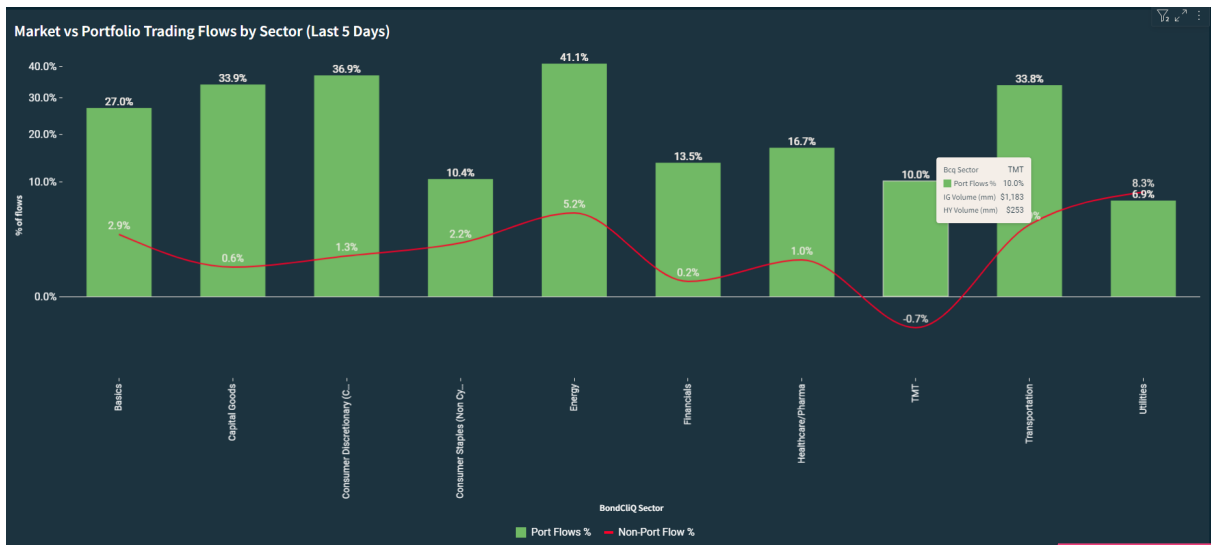
The first visual in the dashboard tracks the past trading days of portfolio trading activity:



The bars represent cumulative portfolio trading volumes for both investment-grade and high yield bonds, while the line tracks portfolio trading market share. By hovering over the bar, you can see the detailed volume and market share information.

Portfolio Trading Client Flows by Sector

The next visual calculates client flow by sector for portfolio trading over the last 5 trading days:

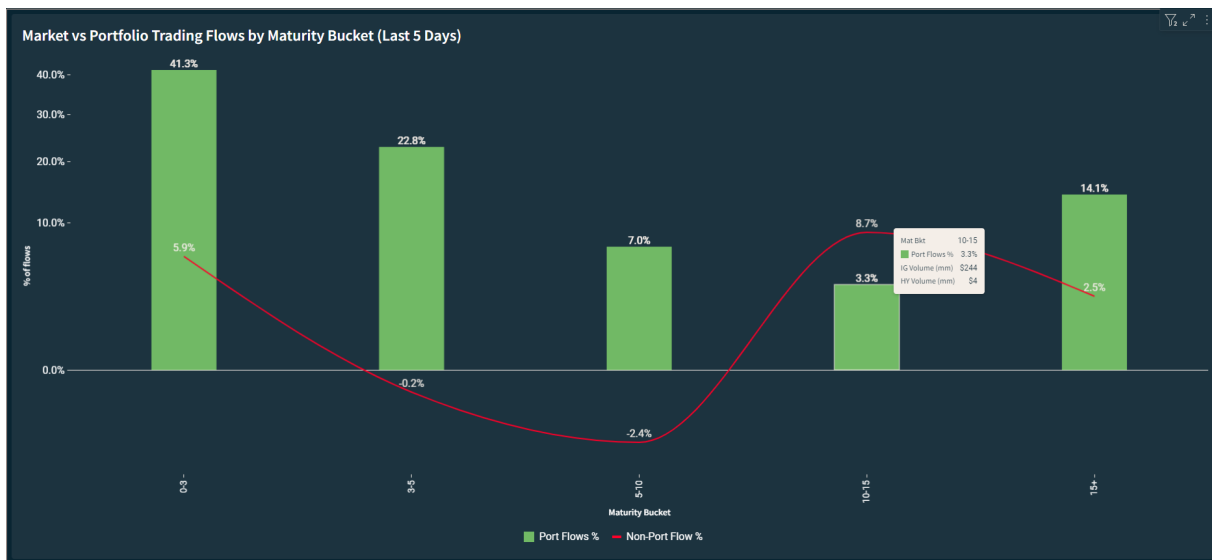


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The bars represent customer buy/sell imbalance in a given sector, while the red line tracks overall client flows in the sector for non-portfolio trading. This combination articulates whether US corporate bond portfolio trading is in-line or counter to overall market flows in each respective sector. *(Note: Flows were overwhelmingly positive for this time period)*

Portfolio Trading Client Flows by Maturity

The third visual is similar to the previous chart, but calculates client flows by maturity for portfolio trading over the last 5 trading days:



The bars represent customer buy/sell imbalance for a given maturity bucket, while the red line tracks overall client flows in each maturity for non-portfolio trading. This chart illustrates whether portfolio trading is in-line with or counter to, overall market flows in each maturity bucket. *(Note: Flows were overwhelmingly positive for this time period)*

Top 20 Portfolio Trades

Using the new FINRA portfolio trading modifier, BondCliQ is able to identify each individual portfolio trade that is presented in TRACE. The final tool in the BondCliQ Portfolio Trading Dashboard is a table that presents the top 20 Portfolio Trades (by volume) over the past 5 trading days:

Top 20 Portfolio Trades															
Trade Date	CUSIP	Avg Trade Size	Volume (mm)	Cust Buys	Cust Sales	D2D	Financials	Energy	Cons Staples	Cap Goods	Utilities	TMT	Basics	Health Pharm	
07/05/2023 04:28 PM	2,278	0.65	1,471	50%	50%	0%	26%	8%	9%	4%	6%	23%	2%	14%	
06/30/2023 04:45 PM	888	1.16	1,030	27%	23%	50%	56%	4%	3%	5%	14%	7%	2%	5%	
06/30/2023 04:00 PM	1,825	0.52	944	42%	39%	19%	29%	10%	6%	2%	9%	26%	2%	10%	
06/30/2023 04:42 PM	338	2.42	819	46%	4%	50%	13%	20%	5%	8%	11%	14%	3%	6%	
06/30/2023 05:09 PM	102	7.30	765	50%	0%	50%	44%	4%	9%	2%	6%	10%	0%	15%	
07/05/2023 10:22 AM	124	4.40	546	48%	52%	0%	20%	0%	8%	0%	4%	34%	1%	12%	
07/05/2023 04:30 PM	1,194	0.43	514	39%	44%	16%	29%	8%	3%	7%	16%	14%	4%	8%	
06/29/2023 04:00 PM	2,689	0.19	500	54%	46%	0%	26%	11%	8%	4%	14%	14%	2%	13%	
07/05/2023 04:00 PM	600	0.80	477	30%	52%	18%	30%	13%	4%	3%	21%	18%	1%	8%	
06/30/2023 04:54 PM	872	0.52	454	28%	22%	50%	43%	8%	2%	7%	10%	10%	7%	4%	
06/30/2023 04:44 PM	1,000	0.44	444	29%	21%	50%	37%	6%	6%	4%	13%	18%	3%	5%	
06/30/2023 04:58 AM	50	7.71	385	100%	0%	0%	33%	0%	22%	0%	0%	26%	0%	9%	
07/05/2023 02:04 PM	42	8.60	361	100%	0%	0%	45%	16%	0%	1%	6%	13%	2%	3%	
06/30/2023 05:49 PM	339	1.05	355	27%	26%	0%	31%	7%	9%	3%	11%	11%	1%	23%	
06/30/2023 04:01 PM	621	0.56	348	72%	3%	25%	28%	10%	5%	6%	10%	19%	3%	8%	
06/30/2023 05:14 PM	468	0.60	280	37%	13%	50%	40%	10%	6%	11%	6%	4%	10%	6%	
06/30/2023 04:15 PM	138	1.86	257	100%	0%	0%	51%	4%	1%	6%	8%	13%	2%	2%	
06/30/2023 02:21 PM	88	2.92	257	50%	0%	50%	41%	7%	1%	3%	5%	16%	6%	9%	
06/29/2023 09:58 AM	44	5.74	253	46%	54%	0%	15%	0%	9%	0%	12%	36%	0%	15%	
07/06/2023 03:30 PM	108	1.94	210	35%	15%	50%	69%	1%	0%	0%	2%	9%	4%	14%	

The table takes each of the top 20 portfolio trades from the previous 5 trading days and displays the following:

- Number of CUSIPs traded
- Average trade size per bond
- Total Portfolio Volume
- Customer Flow
 - % Customer Buys
 - % Customer Sells
 - % Dealer to Dealer
- Portfolio Make-up by Sector
- Portfolio Make-up by Maturity

Each column is sortable, so the table can be used to isolate activity based on sector and maturity. For example, sorting the table by TMT will organize the portfolios according to the % of TMT bonds contained in the portfolio.

If you or your team is interested in receiving the free BondCliQ Portfolio Trading Dashboard, [sign up here](#).

Next Generation FINRA Fields

With just one modifier, BondCliQ is able to illuminate a material amount of key information on portfolio trading. We are optimistic that corporate bond market participants will be able to leverage these new analytics to improve their ability to source liquidity (buy-side) and provide liquidity (sell-side) through the portfolio trading protocol. So, what's the next TRACE field that would accelerate a deeper understanding of the US corporate bond market? Perhaps an RFQ-trade modifier? This would allow all market participants to know the answers to these elusive questions:

- What is the true market share of RFQ trading?
- What types of trades work best in an RFQ protocol?
- What areas of the market are virtually untouched by the RFQ protocol?

When and if that modifier becomes available, BondCliQ will be there with a powerful solution that gives you the answers.

- Chris White, CEO - BondCliQ