BondCliQ

The Inside Market January 2020

Buy Side New Year's Resolution – Changing Your Corporate Bond Data Diet



Every January begins with resolutions of new routines designed to create a better version of yourself. Read more books, learn something new each day, meditate each morning, etc.

This ritual is a rare occasion when your future self is in full control and sets the agenda that your present-self must follow. Typically, it is the other way around. We favor our present self to the detriment of our future self. A late-night pint of ice cream may feel good at the time, but you're paying for it later.

Week's after New Year's resolutions have been established, the bad habits gradually return. You may get through a dry January, but come mid-February, the present self is back in control, and immediate satisfaction is all that matters (it's Wine O'Clock baby!).

As the US corporate bond market enters 2020, there is one resolution that buy-side institutions must not break: Improving their institutional corporate bond data diet.

Because the data you consume now will have an impact on your future performance.

I did it! So can you!

Celebrities are often the face of campaigns about weight loss and fitness, but their approach is costly to replicate. Personal chefs, personal trainers, and a steady supply of organic food are at their disposal. With such an edge, it is no wonder that they can rapidly and dramatically lose weight and get fit.

The buy-side landscape for institutional pre-trade corporate bond data is very similar. Over the past few years, some of the largest asset managers have been focusing on enhancing the value of pre-trade institutional, corporate bond data. These organizations have committed sizable technology resources to produce their own, proprietary pre-trade data. Their pricing information is superior in



quality to what other asset managers use (IMGR, model-based prices, etc) because they capture as much information as possible, and then test and analyze the data to remove inaccurate markets and poor performing dealers. Once complete, these **advanced asset-managers have a steady diet** of higher-quality pre-trade data to improve their trading process, where it matters most, block execution:

"The key to best execution is having better information before you trade, and that's what Alfa is delivering to us," says James Switzer, global head of credit trading at AB. "We see more transparency than almost anybody."

Risk.net - December 2016

Killer Carbs!



Access to pre-trade institutional data is not the issue for the buy-side community. There is a great deal of information available, but a material amount of institutional pricing is like junk food. It may look good and taste good, but there is no nutritional value for actual trading:

Believing what's on the screens; and that goes for PMs and traders. Sometimes there is misinformation there and it can paint a false picture of what's truly available, or what the true price would be.

The Desk – January 2020

Putting bad information into your front office applications (OMS), risk systems and analytical tools will bloat and distort your view of the institutional market. Bonds will appear to be more liquid than they are and assumptions about the cost of trading will be much smaller than reality.

Avoid GMO Data

Knowing where the data comes from is very important question for buy-side institutions. Beware of products in the market that may look like a quick fix solution for high-quality institutional pricing. Several vendors capture and present dealer prices without the knowledge of the dealers. In the long run, this presents a fuzzy, but serious dilemma for any buy-side client that builds their systems and tools around ill begotten data sources. Like Napster, at some point, the music will stop because those vendors do not have the right to productize information that was not intended for their consumption. When



that happens, the buy-side institutions that relied on these sources will have to scramble to find a replacement provider and may have to forfeit their invaluable catalogue of historical data.

Keto Friendly Bond Data



For buy-side institutions to get the results of a leaner and more effective block trading process, it starts with ingesting the proper pre-trade data. BondCliQ has developed an institutional pricing source that produces high-quality data without buy-side institutions bearing the burden of high costs and substantial IT resources. Our platform is a "Farm to Table" solution that delivers pricing information directly from participating corporate bond dealers to your firm. We improve the health of

your front office applications, risk systems, and analytics by creating an environment where institutional data will get better over time. What more do you need to keep this New Year's resolution intact?

-Chris White (CEO, BondCliQ)

