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## **MarketAxess Releases Year-End Review of 2011 U.S. Corporate Bond Market**

NEW YORK & LONDON--(BUSINESS WIRE)--Feb. 2, 2012-- MarketAxess Holdings Inc. (Nasdaq: MKTX), the operator of a leading electronic trading platform for U.S. and European high-grade corporate bonds, emerging markets bonds and other types of fixed-income securities, today released its first year-end review of trading activity in the U.S. corporate bond market for 2011. The analysis was conducted by MarketAxess Research.

The analysis is based on FINRA TRACE and other publicly-disseminated data, as well as proprietary trading data from MarketAxess from January through December 2011. MarketAxess Research uses its own proprietary approach to analyze price movements and liquidity trends.

Rick McVey, Chairman and CEO of MarketAxess, said: "Following a period of generally favorable conditions in the credit markets in 2010 and early 2011, the second half of 2011 saw headwinds develop, with widening credit spreads and increased credit spread volatility. Among other factors the ongoing dislocation in the European markets has increased market risk, one indicator of which is the reduction in primary dealer balance sheets for corporate bond market-making. These declined, most notably in the second half of 2011, finishing the year below the credit crisis lows and over 80% below pre-crisis levels. Declining liquidity and challenging market conditions were also reflected in decreasing average trade size throughout the year, evidence that as the year progressed investors found greater success in executing smaller trades versus large blocks."

### **2011 Notable Trends:**

Overall High Grade TRACE volumes increased slightly to 2.92 trillion in 2011, up from 2.89 trillion in 2010.

However, TRACE volumes decreased 6.6% in the fourth quarter to 617.0bn, compared to 660.9bn in the fourth quarter of 2010.

Primary Dealer corporate bond inventories were down 45.9% for the year and currently stand at \$46.7 billion, according to the Federal Reserve Bank of New York. This is 21.9% below the credit-crisis low of \$59.8bn.

Various measures of market liquidity declined throughout the year. Turnover, defined as the total amount traded divided by the total amount outstanding for the bonds that traded, declined 2.8 percentage points to 16.8% in the fourth quarter, compared to 19.6% in the fourth quarter of 2010.

According to MarketAxess estimates, bid-ask spreads were flat at around 10 basis points (bp) for the first half of the year but widened out significantly beginning in August, ending the year at around 20bp.

Block size trades (greater than 5 million in size) decreased 4.0 percentage points to 36.7% of overall TRACE volumes in the fourth quarter of 2011, compared to 40.7% in the fourth quarter of 2010.

Consistent with a more challenging trading environment, as well as the trend in annual numbers released by FINRA, counterparty diversification on the MarketAxess electronic trading platform increased for institutional investor clients. The percentage of volume executed by 'new' dealers on the MarketAxess trading system (defined as dealers who have joined MarketAxess since 2008) accounted for almost 21.4% of volume on the system in Q4 2011, compared to 17.5% in Q4 2010.

The cost savings for MarketAxess clients trading electronically increased 22.0% to 6.7 bps in the fourth quarter, compared to 5.5 bps in the fourth quarter of 2010. We calculate transaction cost savings by comparing trade prices on MarketAxess with the weighted average spread of comparable trades in the same bond reported to TRACE.

Total global trading volume on MarketAxess in 2011 increased 31% to \$525bn, compared to \$402bn for 2010.

High-grade volumes on MarketAxess in 2011 increased 33% for the full year, compared to a year ago. MarketAxess' estimated high-grade market share increased to 11.1% in 2011, compared to an estimated 8.4% in 2010.

Volumes in MarketAxess' 'Other' product category (which includes high yield, emerging markets, agencies, structured

products and CDS) also increased 52% in 2011 compared to 2010.

Kevin McPherson, Head of U.S. Sales at MarketAxess, commented: "The market data confirms many of the trends we observed at MarketAxess throughout the year. The MarketAxess trading platform demonstrated its usefulness to investors seeking efficient and transparent access to alternative sources of liquidity from a greater number of counterparties during challenging market conditions."

### **Bid-Ask Spreads:**

MarketAxess has developed a proprietary corporate bond bid-ask index to demonstrate how spreads change over time and in relation to other macro factors. The index is composed of a broad sample of high grade bonds and includes trades in an average of 200 bonds on a daily basis. The index values are calculated by comparing client buy and sell trades in the index bonds (for institutional trades of \$100,000 and above) as reported to TRACE.

Alex Sedgwick, Head of Research at MarketAxess, added: "While overall corporate bond volumes remained flat in 2011 compared to the prior year, our data shows trading activity increasing within parts of the market where liquidity has become more concentrated, such as in recently issued benchmark bonds. Institutional clients took advantage of the liquidity opportunities and dealer presence available through electronic trading, and in return realized significant cost savings when trading electronically on MarketAxess."

For further information please visit [www.marketaxess.com/data/marketaxess-research](http://www.marketaxess.com/data/marketaxess-research). Analysis and the methodology can be made available by request.

### **About MarketAxess Research**

MarketAxess Research works with institutional buy-side clients to deliver custom research and analysis to better inform their electronic fixed-income trading and execution strategy. Leveraging its wealth of fixed-income experience, MarketAxess Research focuses on many aspects of credit trading, including trade cost analysis, fixed-income trading flows, portfolio pricing and fixed-income exchange traded fund (ETF) pricing. It has developed a proprietary approach called REXIQ to calculate execution costs by comparing electronically-executed trades to prevailing market prices, allowing clients to calculate the annual portfolio performance improvement due to e-trading. For more information about REXIQ, see <http://www.marketaxess.com/trading/reducing-execution-costs.php>.

### **About MarketAxess**

MarketAxess operates a leading electronic trading platform that enables investment industry professionals to efficiently trade corporate bonds and other types of fixed-income instruments. MarketAxess' patented trading technology allows institutional investor clients to request competitive, executable bids or offers from multiple broker-dealers simultaneously, and to execute trades with the broker-dealer of their choice. Over 850 institutional investors are active users of the MarketAxess trading platform, accessing the global liquidity provided by MarketAxess' 87 broker-dealer clients in U.S. high-grade corporate bonds, European bonds, high yield and emerging markets bonds, agency bonds, asset-backed and preferred securities and credit default swaps. MarketAxess also offers a number of trading-related products and services, including: market data to assist clients with trading decisions; connectivity solutions that facilitate straight-through processing; technology services to optimize trading environments; and execution services for exchange-traded fund managers and other clients.

MarketAxess maintains its headquarters in New York and has offices in London, Chicago, Salt Lake City, Hong Kong and Singapore. For more information, please visit [www.marketaxess.com](http://www.marketaxess.com).

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