

2013 Greenwich Leaders: Asian Fixed Income

Q4 2013

Asia's fixed-income market is consolidating, even as trading volumes across the region continue to grow. In this rapidly evolving market, HSBC has established itself firmly as the industry leader in across-the-board market share and quality.

Consolidation Amid Growth

Asian institutional fixed-income trading volume increased 15% last year. That growth was driven almost entirely by the continued expansion of local currency bond markets, in which trading volumes climbed 60% from 2012 to 2013. Amid this steady growth, the number of fixed-income

dealers used by Asian institutions has declined over the past five years. There are two reasons for this drop:

1. Dealer attrition: In the aftermath of the global financial crisis, several global banks pulled back from the Asian region while experiencing severe balance sheet pressures. Some of these banks abandoned Asian fixed income almost entirely; others pulled out of individual products such as rates, other flow business and credit products. The result: There are now fewer dealers servicing Asian fixed-income investors.

Greenwich Share Leaders — 2013



Overall Asian* Fixed-Income Market Share

Dealer	Market Share	Statistical Rank
HSBC	11.8%	1
Citi	8.2%	2T
Deutsche Bank	8.2%	2T
Standard Chartered Bank	6.9%	4
Barclays	5.8%	5

Asian* Fixed-Income Market Share — Interest Rate Derivatives

Dealer	Market Share	Statistical Rank
HSBC	10.6%	1T
Standard Chartered Bank	9.3%	1T
Barclays	8.4%	3T
Citi	8.2%	3T
Nomura Securities	8.0%	3T
Deutsche Bank	7.5%	3T
J.P.Morgan	7.1%	3T

Asian* Fixed-Income Market Share — G3 Asian Credit

Dealer	Market Share	Statistical Rank
HSBC	11.7%	1T
Citi	10.5%	1T
Bank of America Merrill Lynch	10.4%	3
Deutsche Bank	8.8%	4T
Barclays	8.0%	4T

Asian* Fixed-Income Market Share — G7 Secondary Investment-Grade Credit

Dealer	Market Share	Statistical Rank
HSBC	10.1%	1T
Bank of America Merrill Lynch	10.1%	1T
Barclays	9.9%	1T
Citi	9.4%	1T
Morgan Stanley	9.1%	1T
J.P.Morgan	8.9%	1T

Overall Australian/NewZealand Fixed-Income Market Share

Dealer	Market Share	Statistical Rank
Citi	13.5%	1T
Westpac Banking Corporation	12.0%	1T
Deutsche Bank	11.9%	1T
ANZ Bank	10.6%	4
J.P.Morgan	7.3%	5T
National Australia Bank	7.2%	5T
Commonwealth Bank of Australia	5.9%	5T

Asian* Fixed-Income Market Share — Domestic Currency Asian Bonds

Dealer	Market Share	Statistical Rank
HSBC	13.0%	1
Deutsche Bank	8.1%	2
Citi	7.0%	3T
Standard Chartered Bank	6.6%	3T

Asian* Fixed-Income Market Share — G7 Government Bonds

Dealer	Market Share	Statistical Rank
Barclays	14.0%	1T
Citi	12.0%	1T
Deutsche Bank	9.8%	3T
RBS	7.7%	3T
HSBC	7.2%	5T
Goldman Sachs	7.1%	5T
Morgan Stanley	7.0%	5T
Bank of America Merrill Lynch	6.0%	5T

*Ex-JANZ. Note: Includes derivatives, local currency. Based on responses from 832 overall Asian fixed-income investors, 67 overall Australian/New Zealand fixed-income investors, 334 G3-denominated Asian bond investors, 515 domestic currency Asian bond investors, 113 G7 government bond (including Australia) investors, 179 interest rate derivatives investors, and 165 G7 secondary investment-grade credit (including Australia) investors. Share leaders are based on top 5 dealers including ties. Source: Greenwich Associates 2013 Asian Fixed-Income Investors Study

2. Resource rationalization: Balance sheet restrictions and reduced resources have forced several banks to cut inventory and offer less in the way of liquidity, experienced sales coverage and research. Some Asian institutions perceiving themselves at risk of losing access to these valued services (and new-issue allocations in credit) have moved to consolidate trading volume in order to make themselves as important as possible to their most important dealers.

Greenwich Share and Quality Leaders

HSBC leads all dealers with a market share of 11.8% in overall Asian fixed-income trading, excluding Japan, Australia and New Zealand (ex-JANZ). Citi and Deutsche Bank tie for second with market shares of 8.2%, followed by Standard Chartered Bank at 6.9% and Barclays at 5.8%. These firms are the 2013 Greenwich Share Leaders in Overall Asian Fixed Income.

The 2013 Greenwich Quality Leaders in Asian Fixed-Income Trading are Citi and HSBC. HSBC is the 2013 Greenwich Quality Leader in Asian Fixed-Income Sales, and the 2013 Greenwich Quality Leaders in Asian Fixed-Income Research are Barclays and HSBC.

The two banks that have perhaps the most momentum in Asian fixed-income trading are Bank of America Merrill Lynch and Citi. “Citi is now one of the few banks institutions know they can turn to for all products and regions. Alongside HSBC and Deutsche Bank, it is seen as stable and truly committed to the Asian business,” says Greenwich Associates consultant Abhi Shroff. “Bank of America is an up-and-coming dealer that has been winning market share for several years due to a demonstrated commitment to the market that has included some aggressive hiring.”

HSBC also claims a share of the top spot in interest rate derivatives trading in Asia — excluding Japan, Australia and New Zealand — along with Standard Chartered Bank. These leaders are followed by a group of five dealers that

are essentially tied in market share. Those dealers are Barclays, Citi, Deutsche Bank, J.P. Morgan, and Nomura Securities and they are the 2014 Greenwich Share Leaders in Asian Interest Rate Derivatives.

In G3-Denominated Asian Bonds, HSBC is joined at the top of the market by Citi, followed by Bank of America Merrill Lynch, and then a tie between Deutsche Bank and Barclays. These firms are the 2014 Greenwich Share Leaders in G3 Asian Credit. “Because margins remain attractive, dealers are very competitive in G3 products and the global banks have been winning market share at the expense of smaller competitors,” says Greenwich Associates consultant James Borger.

Local Currency Bonds

HSBC has built a commanding position in the critical area of domestic currency Asian bond trading, with a market share of 13.0%. Deutsche Bank is next at 8.1%, followed by Citi and Standard Chartered Bank, which are statistically tied with market shares of 6.6–7.0%. These firms are the 2013 Greenwich Share Leaders in Domestic Currency Asian Bonds. “Some global banks have decided to sit out the resource-intensive business of trading domestic currency bonds, and most second-tier banks can’t afford the multiple local platforms needed to compete,” says Abhi Shroff. “That has left this booming business to a handful of global banks and the leading local banks.”

Among the local banks, ICICI Securities and Axis Bank lead the market in India, ICBC and China Construction Bank in China, KDB Daewoo Securities, Samsung Securities and Woori Bank in South Korea, and CIMB and Maybank in Malaysia.

Australia and New Zealand

Three dealers are locked atop the fixed-income trading business in Australia and New Zealand: Citi, Westpac Banking and Deutsche Bank. These firms are statistically tied with market shares between approximately 12.0% and

Greenwich Quality Leaders — 2013



Asian* Fixed-Income Sales Quality

Dealer
HSBC

Asian* Fixed-Income Research Quality

Dealer
Barclays
HSBC

Asian* Fixed-Income Trading Quality

Dealer
Citi
HSBC

*Ex-JANZ. Note: Based on responses from 832 investors. Leaders are shown in alphabetical order. Source: Greenwich Associates 2013 Asian Fixed-Income Investors Study

13.5%. They are trailed closely by ANZ Bank at 10.6%, and then at a greater distance by a three-way tie between J.P. Morgan, National Australia Bank and Commonwealth Bank of Australia. These firms are the 2013 Greenwich Share Leaders in Overall Australian/New Zealand Fixed Income.

Consultants Abhi Shroff and James Borger advise on the institutional fixed-income markets in Asia.

Methodology

Between April and July 2013, Greenwich Associates conducted 899 interviews with fixed-income investment professionals at domestic and foreign banks, private banks, investment managers, insurance companies, hedge funds, corporations, central banks, and other institutions throughout Asia (ex-Japan). Countries and regions where interviews were conducted include Australia/New Zealand, China/Hong Kong/Macau, India, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan, and Thailand. Interview topics included service provider assessments, trading practices, market trend analysis, and investor compensation.

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