

2014 Greenwich Leaders: Canadian Fixed Income

Q3 2014

The Big Six Becomes The Big Seven

It's official: The Canadian Big Six are now the Big Seven. Desjardins Capital Markets has joined RBC Capital Markets, TD Securities, BMO Capital Markets, Scotiabank, CIBC, and National Bank Financial to gain entry into the country's exclusive top tier of dealers.

For the past three years, the results of Greenwich Associates annual Canadian Fixed-Income Study have shown Desjardins Capital Markets increasing its footprint in rates beyond its Quebec base and maintaining a hard-fought market share battle while leading competitors lost ground. In 2014, Desjardins has consolidated those gains and claimed the number-five spot in market share in Overall Canadian Fixed Income.

"Desjardins has been pushing aggressively and the firm has now established itself as one of the leading dealers of fixed-income rates products to institutions in Canada," says Greenwich Associates consultant Peter Kane.

As Desjardins builds market share, a number of foreign banks are moving in the opposite direction. Driven largely by the impact of new regulations, capital requirements and low volatility, several global firms are scaling back their Toronto-based fixed-income sales force and servicing clients back in New York. In June, Morgan Stanley shuttered its Toronto rates trading desk.

"It's a continuous cycle: If someone catches a cold in New York or London, they pull out of Canada," says Peter Kane. "Capital requirements, personnel costs and low volatility have exacerbated the situation. Deployment of capital, overhead costs and fierce local competition are a continual management balancing act, and for the global banks, the best returns are often found outside Canada."

Trading Volumes Flat, E-Trading Gains

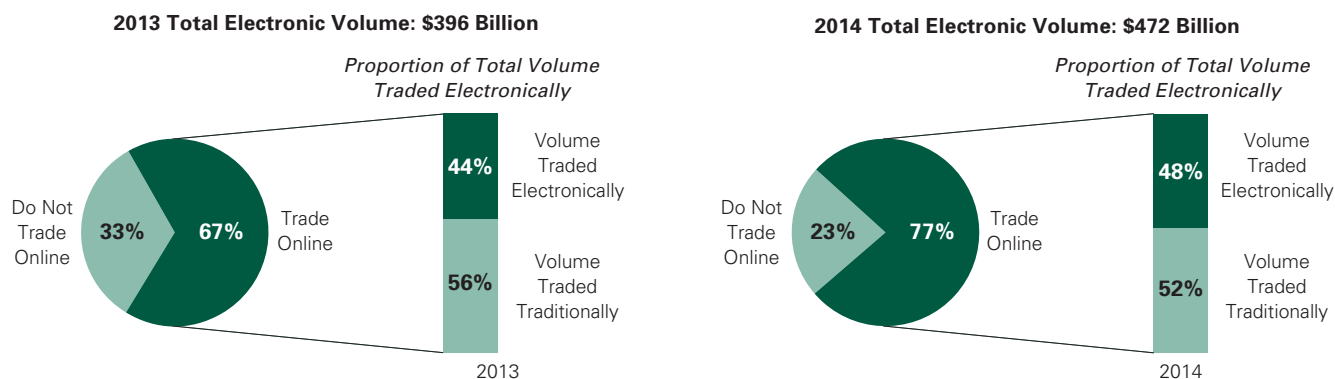
The results of the 2014 Canadian Fixed-Income Investors Study show total fixed-income trading volume, including interest rate derivatives, structured credit derivatives and excluding money markets, decreased by approximately 7% in the past year. Meanwhile, electronic trading continued to build momentum in the Canadian market. Total volume executed over electronic systems — mainly through the CanDeal platform — increased 20% from 2013 to 2014, and electronically executed transactions now account for 48% of all Canadian fixed-income trading volume, up from 44% in 2013.

Greenwich Share and Quality Leaders

RBC Capital Markets maintained its commanding lead in Canadian fixed-income trading this year with a market share of 16.7%. TD Securities (13.2%) and Scotiabank (12.3%) are statistically tied for second place, followed by

Electronic Trading Activity — Overall Fixed-Income

Fixed-Income Investors — Canada



Note: Based on responses from 69 fixed-income investors in Canada in 2014 and 79 in 2013. Excludes money markets.
Source: Greenwich Associates 2014 North American Fixed-Income Investors Study

BMO Capital Markets at 11.4% and Desjardins at 9.0%. These firms are the 2014 Greenwich Share Leaders in Overall Canadian Fixed-Income Market Share.

RBC Capital Markets also claims the title of the 2014 Greenwich Quality Leader in Canadian Fixed-Income Sales and Trading while sharing this title with BMO Capital Markets in Canadian Fixed-Income Research.

Greenwich Share Leaders — 2014



Overall Canadian Fixed-Income Market Share

Dealer	Market Share	Rank
RBC Capital Markets	16.7%	1
TD Securities	13.2%	2T
Scotiabank	12.3%	2T
BMO Capital Markets	11.4%	4
Desjardins Capital Markets	9.0%	5

Note: Based on responses from 125 fixed-income investors in 2014. Leaders are based on top 5 dealers including ties.

Source: Greenwich Associates 2014 North American Fixed-Income Investors Study

Greenwich Quality Leaders — 2014



Canadian Fixed-Income Sales Quality

Dealer
RBC Capital Markets

Canadian Fixed-Income Research Quality

Dealer
BMO Capital Markets
RBC Capital Markets

Canadian Fixed-Income Trading Quality

Dealer
RBC Capital Markets

Note: Based on responses from 125 fixed-income investors in 2014. Leaders are cited in alphabetical order including ties.

Source: Greenwich Associates 2014 North American Fixed-Income Investors Study

In 2014, Greenwich Associates interviewed 125 Canadian institutional investors and asked them to name the dealers they use in fixed income, to report the amount of trading business conducted with each firm, and to rate the dealers they use in a series of product and service categories. Dealers that receive quality ratings that top those of competitors by a statistically significant margin are named Greenwich Quality Leaders.

Consultants Peter Kane and Woody Canaday advise on fixed-income markets in Canada.

Methodology

Between February and March 2014, Greenwich Associates conducted 125 interviews with institutional investors active in fixed income in Canada. Interview topics included trading and research activities and preferences, product and dealer use, service provider evaluations, market trend analysis, and investor compensation.

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