

2013 Greenwich Leaders: Brazilian Fixed Income, FX and Equities

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For the first time, Greenwich Associates is naming the leading dealers and brokers in Brazilian fixed income, foreign exchange and equities. Based on the results of its proprietary research with more than 120 financial institutions and large corporations in the country, Greenwich Associates has quantified the dominant position of Banco Itau in the Brazilian fixed-income market, identified Banco do Brasil as the clear leader in Brazilian FX trading and discovered that a trio of brokers controls 45% of Brazil's market for institutional equity research and advisory services.

Fixed Income: Banco Itau Dominates

Banco Itau dominates the Brazilian fixed-income market and is the 2013 Greenwich Share Leader in Overall Brazilian Fixed Income. Its 18.6% market share in fixed-income trading is over 10 percentage points higher than that of its nearest competitors. Behind Banco Itau comes a group of five closely matched dealers — Link Securities, HSBC, Banco do Brasil, Goldman Sachs and Bradesco — all with market shares ranging from 6.2% to 8.0%.

“Banco Itau's position is even more dominant when the analysis is limited to the trading of local Brazilian products,” says Greenwich Associates consultant David Stryker. “In on-shore trading of real-denominated fixed-income products, the bank has a market share of 20% — more than doubles that of its closest rivals.”

Of the foreign banks active in Brazil, only HSBC has a meaningful presence in local products. Other foreign banks that rank highly in fixed-income trading, such as Goldman Sachs, Barclays and Deutsche Bank, derive their positions largely from their performance in the off-shore trading business. In fact, Barclays' strength in off-shore trading garners the bank some of the market's best quality ratings from Brazilian clients. Barclays joins Banco Itau and BTG Pactual in claiming the title of 2013 Greenwich Quality Leader in Overall Brazilian Fixed-Income Service. Greenwich Quality Leaders are dealers that receive quality ratings from clients that top those awarded to competitors by a statistically significant margin.

“One thing that stands out in our research results is the importance to banks of winning a Top 3 trading relationship with Brazilian clients,” says Greenwich Associates consultant Brian Jones. “In other markets like the United States, the typical institution allocates 60-70% of its business to its Top 3 dealers. In Brazil, an institution's Top 3 dealers capture upwards of 80% of total trading volume.”

Foreign Exchange: Banco do Brasil Leads Rivals

Earning Top 3 dealer status with important clients is equally as important for banks competing for foreign exchange trading business. As in fixed income, Brazilian FX market participants allocate almost 80% of their trading business to their three leading dealers. “In FX, banks win these coveted positions largely on the strength of their execution capabilities and pricing,” says David Stryker.

Banco do Brasil has leveraged these capabilities to secure a 21.1% market share and the lead over its rivals in Brazilian FX trading. The bank leads its next closest rival by over 9% and is the 2013 Greenwich Share Leader in Brazilian Foreign Exchange. The 2013 Greenwich Quality Leaders in Brazilian Foreign Exchange are Banco do Brasil, Banco Itau, and Citi.

Banco do Brasil amasses the bulk of its market share in FX trading from its relationships with Brazilian corporates. In fact, Banco do Brasil claims an impressive 32.7% market share in FX trading among corporates.

Equities: Trio of Dealers Control 45% of Research/Advisory Business

In Brazil, banks' equity brokerage revenues are driven in large part by research. Institutional investors allocate approximately two-thirds of their equity trading business and subsequent commission payments to brokers as compensation for research and advisory services, with corporate access driving the bulk of that spending.

Three firms — Credit Suisse, BTG Pactual and Bank of America Merrill Lynch — dominate the equity research business among Brazilian institutional equity investors included in the Greenwich Associates study. These firms, which are essentially tied at the top of this market, control an aggregate vote share of approximately 45%. These three firms are the 2013 Greenwich Share Leaders in Brazilian Equity Research/Advisory. Behind these leaders is another trio of research providers — J.P. Morgan, Banco Itau and Morgan Stanley — that are also evenly matched and together control an aggregate vote share of approximately 30%. The 2013 Greenwich Quality Leaders in Brazilian Equity Analyst & Research Service are Banco Itau, BTG Pactual, Credit Suisse, and Deutsche Bank.

Greenwich Share and Quality Leaders

The accompanying table presents the complete list of 2013 Greenwich Share and Quality Leaders in Brazilian Fixed Income, Foreign Exchange and Equities.

Consultants Brian Jones and David Stryker advise on the securities & trading business in Latin America and around the globe.

Methodology

In 2012 Greenwich Associates conducted 64 interviews with institutional investors active in fixed income, 38 interviews with users of foreign exchange, and 24 interviews with equity fund managers and equity traders at buy-side institutions and companies in Brazil.

The findings reported in this document reflect solely the views reported to Greenwich Associates by the research participants. They do not represent opinions or endorsements by Greenwich Associates or its staff. Interviewees may be asked about their use

of and demand for financial products and services and about investment practices in relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results.

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Greenwich Share Leaders — 2013



Overall Brazilian Fixed-Income Market Share

Dealer	Market Share	Statistical Rank
Banco Itau	18.6%	1

Note: Based on 64 respondents.

Brazilian Foreign Exchange Market Share

Dealer	Market Share	Statistical Rank
Banco do Brasil	21.1%	1

Note: Based on 38 respondents.

Brazilian Equity Research/Advisory Vote Share

Broker	Vote Share	Statistical Rank
Credit Suisse	15.4%	1T
BTG Pactual	15.0%	1T
Bank of America Merrill Lynch	14.2%	1T

Note: Based on 24 respondents. Greenwich Associates Research/Advisory Vote Share represents a broker's relative importance to the buy-side institutions within the Greenwich Associates universe. Scores are based upon the amount of business conducted with each respondent and the size of each responding institution based on commission spend with the sell-side community.

Note: Top leading broker/dealer is cited including ties. Quality leaders cited in alphabetical order including ties. Source: Greenwich Associates 2012 Latin American Fixed-Income, Foreign Exchange and Equity Investors Studies



Overall Brazilian Fixed-Income Service Quality

Dealer
Banco Itau
Barclays
BTG Pactual

Note: Based on 64 respondents.

Brazilian Foreign Exchange Service Quality

Dealer
Banco do Brasil
Banco Itau
Citi

Note: Based on 38 respondents.

Brazilian Equity Analyst & Research Service Quality

Broker
Banco Itau
BTG Pactual
Credit Suisse
Deutsche Bank

Note: Based on 24 respondents.

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