

2013 Greenwich Leaders: U.S. Fixed Income

Q3 2013

New bank capital rules, financial regulations and other fallout from the global financial crisis continues to reshape the U.S. fixed-income market, with some of the largest dealers refocusing their efforts and smaller firms once again aiming to capitalize on resulting new opportunities just as they did with varying degrees of success in the aftermath of the 2008 credit crunch.

A number of the big global fixed-income dealers have responded to new capital reserve requirements and other changes to market structure by scaling back their commitments to products in which they are not a market leader and by concentrating the capital they do deploy among a smaller and more narrowly focused group of large institutional clients.

For many institutional investors, these strategic shifts have resulted in disruptions in sell-side coverage and a reduction in market liquidity as dealers pull back capital, consolidate desks, reduce headcount and replace senior fixed-income professionals with younger, less experienced and cheaper talent. Greenwich Associates research shows

that investors are responding in part by expanding the number of dealers with whom they trade. "It can be costly and inconvenient to maintain a long list of dealer relationships, but institutions need the liquidity," says Greenwich Associates consultant Frank Feenstra.

Institutions' willingness to add trading relationships with firms from outside the Bulge Bracket has created opportunities for ambitious domestic banks like Wells Fargo and for foreign banks like Nomura. "There are definitively countervailing forces at work in this market, as some firms reduce their exposure to fixed-income trading in the face of new rules and other firms move to carve out a new or expanded presence," says Greenwich Associates consultant Woody Canada. "The result is a market in transition."

Pull backs on the part of some of the world's largest fixed-income dealers have also caused a flattening of the competitive landscape at the very top of the U.S. market, with market share being distributed a bit more broadly among this leading group. Four firms are now tied at the top of the market: J.P. Morgan, Credit Suisse, Citi and Deutsche

Greenwich Share Leaders — 2013



Overall U.S. Fixed-Income Market Share

Dealer	Market Share	Rank
J.P. Morgan	11.4%	1T
Credit Suisse	11.3%	1T
Citi	11.0%	1T
Deutsche Bank	10.9%	1T
Goldman Sachs	10.4%	5

U.S. Fixed-Income Market Share — Securitized*

Dealer	Market Share	Rank
Barclays	13.1%	1T
Credit Suisse	12.8%	1T
Bank of America Merrill Lynch	12.4%	1T

U.S. Fixed-Income Market Share — Credit*

Dealer	Market Share	Rank
J.P.Morgan	13.8%	1T
Bank of America Merrill Lynch	13.8%	1T

U.S. Fixed-Income Market Share — Rates

Dealer	Market Share	Rank
Credit Suisse	11.8%	1T
Deutsche Bank	11.7%	1T
J.P. Morgan	10.9%	1T
Citi	10.8%	1T

U.S. Fixed-Income Market Share — Emerging Markets

Dealer	Market Share	Rank
J.P.Morgan	15.3%	1T
Citi	14.6%	1T
HSBC	12.1%	3

U.S. Fixed-Income Market Share — Municipal Bonds and Derivatives*

Dealer	Market Share	Rank
Citi	20.3%	1
Bank of America Merrill Lynch	16.3%	2

Note: Based on interviews with 1,027 institutions active in U.S. fixed income. Leaders are based on top 5 dealers including ties on an overall basis and on top 3 dealers including ties on a product basis. *Results did not yield enough statistical differentiation to determine a top 3 dealer, only a top dealer including ties is shown. Product categories are defined as follows: Rates: government bonds, interest rate derivatives, agency securities and MBS pass-throughs. Credit: investment-grade credit, high-yield credit, distressed debt, leveraged loans, and structured credit. Securitized: consumer asset-backed securities, CMO and mortgage derivatives and commercial mortgage-backed securities. Emerging Markets: emerging markets fixed income. Source: Greenwich Associates 2013 North American Fixed-Income Investors Study



Overall U.S. Fixed-Income Sales Quality

Dealer

Bank of America Merrill Lynch
Citi

Overall U.S. Fixed-Income Research Quality

Dealer

J.P. Morgan

Note: Based on 1,027 institutions active in U.S. fixed income. Leading dealers are displayed in alphabetical order.
Source: Greenwich Associates 2013 North American Fixed-Income Investors Study

Bank—all of which have markets shares between 10.9% and 11.4% of overall U.S. institutional trading volume. Goldman Sachs ranks fifth with a market share of 10.4%. These firms are the 2013 Greenwich Share Leaders in Overall U.S. Fixed Income.

A Crowded Market Top

In credit products, the 2013 Greenwich Share Leaders are J.P. Morgan and Bank of America Merrill Lynch, which are locked in a dead heat, each with 13.8% market shares. The 2013 Greenwich Share Leaders in U.S. fixed-income rates products are Credit Suisse, Deutsche Bank, J.P. Morgan and Citi, which are tied with markets shares between 10.8% and 11.8%. In the trading of securitized products, the 2013 Greenwich Share Leaders are Barclays, Credit Suisse and Bank of America Merrill Lynch, all three of which have markets shares between 12.4% and 13.1%. Sharing the top spot, Citi and J.P. Morgan are 2013 Greenwich Share Leaders in emerging markets fixed income, and Citi leads as a 2013 Greenwich Share Leader in U.S. municipal bonds and derivatives.

Greenwich Quality Leaders

Greenwich Quality Leaders are firms whose institutional clients award them with quality ratings statistically higher than those received by competitors. The 2013 Greenwich Quality Leaders in U.S. Fixed-Income Sales are Bank of America Merrill Lynch and Citi, the 2013 Greenwich Quality Leader in U.S. Fixed-Income Research is J.P. Morgan and the 2013 Greenwich Quality Leader in U.S. Fixed-Income Trading is Bank of America Merrill Lynch.

Consultants Frank Feenstra, Woody Canaday, Andy Awad, James Borger, Brian Jones, and David Stryker advise on fixed-income markets in the United States.

Overall U.S. Fixed-Income Trading Quality

Dealer

Bank of America Merrill Lynch

Methodology

Between February and April 2013, Greenwich Associates conducted 1,027 interviews with institutional investors active in fixed income in the United States. 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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