

# U.S. Cash Equity Fight for Share of Wallet

## 2018 Greenwich Leaders: U.S. Equities

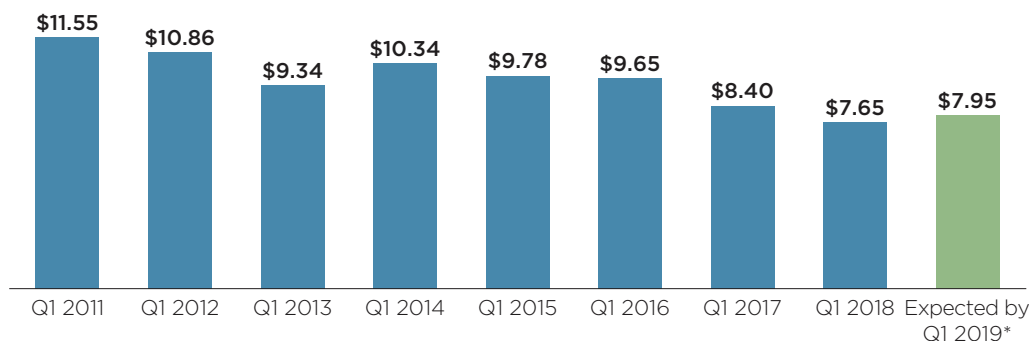
Q3 2018

The pool of commissions earned by brokers on trades of U.S. equities within the Greenwich Associates universe contracted another 9% last year to an estimated \$7.65 billion. That drop marked the fourth consecutive year of decline. The total commissions collected by brokers on trades of U.S. equities has dropped over one-third since 2011.

“Taking share is pivotal for brokers in the ‘zero-sum’ business of U.S. cash equities, as the continued passive investing, lower-cost electronic trading and modest volatility constrain volumes and commission generation,” says Greenwich Associates Managing Director Jay Bennett.

In this light, J.P. Morgan, Morgan Stanley, Goldman Sachs, and Bank of America Merrill Lynch rank as the 2018 Greenwich Share Leaders<sup>SM</sup>, besting all rivals across four U.S. equity categories.

### TOTAL ESTIMATED U.S. EQUITY COMMISSIONS (in billions)



Note: Based on reported buy-side spend as of 12 months ended early Q1. \*Based on reported average spend per account by buy-side traders and projected to trading universe of 547 accounts in 2018 study.  
Source: Greenwich Associates 2018 U.S. Equity Investors Study

## Greenwich Share Leaders

The 2018 Greenwich Share Leaders in U.S. Equity Trading are J.P. Morgan in the top spot, followed by Morgan Stanley, and then Goldman Sachs and Bank of America Merrill Lynch, which are statistically tied for third place.

In the increasingly important category of U.S. Equity Algo Trading, J.P. Morgan tops the list by a wide margin over Morgan Stanley and Bank of America Merrill Lynch.

Looking at the Portfolio Trading Share with more dedicated investors, a group of four are statistically tied for first: Bank of America Merrill Lynch, J.P. Morgan, Morgan Stanley, and Goldman Sachs.

## Greenwich Share Leaders — 2018



### U.S. Equity Trading Share<sup>1,2</sup>

Broker	Trading Share	Statistical Rank
J.P. Morgan	9.0%	1
Morgan Stanley	8.1%	2
Goldman Sachs	7.4%	3T
Bank of America Merrill Lynch	7.1%	3T

### U.S. Equity Algo Trading Share<sup>3</sup>

Broker	Trading Share	Statistical Rank
J.P. Morgan	11.7%	1
Morgan Stanley	8.8%	2
Bank of America Merrill Lynch	7.4%	3

### U.S. Equity Research/Advisory Vote Share<sup>1</sup>

Broker	Vote Share	Statistical Rank
J.P. Morgan	8.4%	1
Goldman Sachs	8.0%	2
Morgan Stanley	7.6%	3

### Portfolio Trading Share - North American Institutions<sup>4</sup>

Broker	Trading Share	Statistical Rank
Bank of America Merrill Lynch	9.5%	1T
J.P. Morgan	9.2%	1T
Morgan Stanley	9.2%	1T
Goldman Sachs	9.0%	1T

Note: Based on responses from 275 buy-side institutions for U.S. Equity Trading Share and 194 for U.S. Equity Research/Advisory Vote Share, both weighted by commission spend of accounts. <sup>1</sup>Greenwich Associates Research/Advisory Vote Share and Trading Share represent 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. <sup>2</sup>Equity Trading encompasses sales trading, execution, sector trading, and electronic trading. <sup>3</sup>Based on 241 respondents. Broker share is weighted by overall commission size of institutions and buy-side traders' allocation by rank. Algorithmic/SOR Trading share is weighted by overall Algorithmic/SOR commissions paid by institutions' and buy-side traders' allocation by rank. <sup>4</sup>For the 74 respondents for North American Portfolio Trading Share, the results are weighted by notional portfolio trading dollar volume. Top three leading brokers are cited including ties.

Source: Greenwich Associates 2018 U.S. Equity Investors Study

In the list of Greenwich Leaders in U.S. Equity Research/Advisory Vote Share, J.P. Morgan, Goldman Sachs and Morgan Stanley are tightly grouped, as each impacts the largest investors through a combination of strong corporate access and macro/industry research.

Baird maintains its position as the top broker used for U.S. Small/Mid-Cap Research/Advisory Penetration, closely followed by Jefferies. In a statistical tie for third place are Raymond James and J.P. Morgan, while Stifel Nicolaus and KeyBanc Capital Markets round out the top five.

## Greenwich Quality Leaders

As part of its 2018 U.S. Equity Investors Study, Greenwich Associates interviewed 194 institutional portfolio managers and 275 institutional traders about the brokers they use for U.S. equities. Study participants were asked to name the brokers, estimate the amount of business done with each firm, and to rate the brokers in a series of product and service categories. Firms that received client ratings that top those of competitors by a statistically significant margin were named Greenwich Quality Leaders<sup>SM</sup>.

## Greenwich Share and Quality Leaders — 2018



### U.S. Small/Mid-Cap Research/Advisory Penetration

Broker	Market Penetration	Statistical Rank
Baird	85%	1
Jefferies	80%	2
Raymond James	75%	3T
J.P. Morgan	73%	3T
Stifel Nicolaus	69%	5T
KeyBanc Capital Markets	64%	5T

### U.S. Small/Mid-Cap Equity Research Product & Analyst Service Quality

#### Broker

Baird  
KeyBanc Capital Markets  
Raymond James  
William Blair

Note: Based on interviews with 110 institutions. U.S. Small- and Mid-Cap Research/Advisory Penetration represents proportion of investors citing each broker as one of their 15 most important research/advisory firms. Share leaders are based on top five brokers including ties. Quality leaders are cited in alphabetical order including ties. Source: Greenwich Associates 2018 U.S. Equity Investors Study

The 2018 Greenwich Quality Leaders in U.S. Equity Research Product & Analyst Service are J.P. Morgan and Sanford Bernstein. In U.S. Equity Sales Trading & Execution Service, Goldman Sachs, J.P. Morgan and Morgan Stanley rate as standouts. In U.S. Equity Electronic Trading, the 2017 Greenwich Quality Leaders for the second year in a row are J.P. Morgan, Jefferies and Sanford Bernstein.

## Greenwich Quality Leaders — 2018



### U.S. Equity Research Product & Analyst Service Quality

#### Broker

J.P. Morgan  
Sanford C. Bernstein

### U.S. Equity Electronic Trading Quality<sup>2</sup>

#### Broker

J.P. Morgan  
Jefferies  
Sanford C. Bernstein

### U.S. Equity Sales Trading & Execution Service Quality<sup>1</sup>

#### Broker

Goldman Sachs  
J.P. Morgan  
Morgan Stanley

### U.S. Equity Commission Management Service & Execution Quality

#### Broker

ITG  
Nomura/Instinet  
Westminster Research

Note: Based on 194 respondents for U.S. Equity Research Product & Analyst Service Quality (portfolio managers), 275 for U.S. Equity Sales Trading & Execution Service Quality, 241 for U.S. Equity Electronic Trading Quality, and 175 for Equity Commission Management Service & Execution Quality. Leading brokers are displayed in alphabetical order including ties. <sup>1</sup>Equity Trading encompasses sales trading, execution, sector trading, and electronic trading. <sup>2</sup>Electronic Trading encompasses electronic trading, client service, sales and algorithmic product quality. Source: Greenwich Associates 2018 U.S. Equity Investors Study

In a newer category, U.S. Equity Commission Management Service & Execution, ITG, Nomura/Instinet and Westminster Research are the 2018 Greenwich Quality Leaders. The 2018 Greenwich Quality Leaders in U.S. Small/Mid-Cap Research Product & Analyst Service are Baird, KeyBanc Capital Markets, Raymond James, and William Blair.

*Consultants Jay Bennett, John Feng, Richard Johnson, and Lauren Anderson advise on institutional equity markets globally.*

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## METHODOLOGY

Between December 2017 and February 2018, Greenwich Associates interviewed 194 U.S. generalist equity portfolio managers, 110 small/mid-cap fund managers, 275 U.S. equity traders, and 74 portfolio traders at buy-side institutions. The study participants were asked to evaluate the sales, research and trading services they receive from their equity brokers and to report on important market practices and trends.

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