

# Institutions Turn to ETFs for Bond Market Liquidity

September 18, 2018

Executive Summary:



Diminished liquidity in global bond markets is fueling demand for fixed-income ETFs among institutional investors in Europe and the United States. A large majority of the institutions in the Greenwich Associates 2017 Fixed-Income ETF Study say they increasingly face challenges in trading, liquidity and security sourcing, prompting about 60% to consider bond ETFs as an alternative vehicle for fixed-income exposure.

Due in large part to market liquidity and trading cost issues, 60% of institutions have increased their use of bond ETFs in the past three years, with allocations now averaging roughly 18% of total fixed-income assets. Institutions that have stepped up their use of the funds value the versatility of bond ETFs as a portfolio tool, employing them to obtain narrow and broad fixed-income exposures in both high-level strategic functions and targeted, tactical applications.

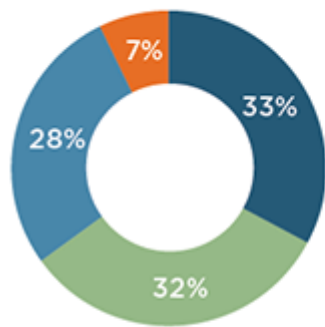
One-third of current ETF investors plan to increase bond ETF allocations over the next 12 months, with European institutions planning to boost ETF allocations an average of 19%, and U.S. institutions targeting increases of almost 30%. Based on those results and investors' continued concerns about bond market liquidity, Greenwich Associates projects steady and, perhaps, even accelerating growth in bond ETF usage and investment among U.S. and European institutions for the next three to five years.

## Methodology:

Greenwich Associates conducted interviews with 87 institutions in the United States and Europe that currently utilize bond ETFs in their portfolios. The goal of this research is to understand trends impacting the fixed-income investment landscape and the evolution of fixed-income ETFs. Respondents include investment managers, insurers, institutional funds, and (in the United States) registered investment advisors (RIAs).

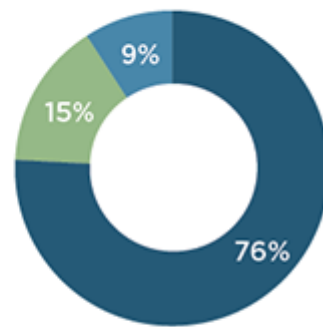
## RESPONDENT TYPE

United States<sup>1</sup>



■ RIA  
■ Investment Managers  
■ Insurance  
■ Institutional Funds

Europe<sup>2</sup>



■ Investment Managers  
■ Institutional Funds  
■ Insurance

Note: <sup>1</sup>Based on 40 responses. <sup>2</sup>Based on 47 responses.

**Coalition Greenwich**  
A division of **CRISIL**

[www.greenwich.com](http://www.greenwich.com) | [ContactUs@greenwich.com](mailto:ContactUs@greenwich.com)

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

### About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit [www.crisil.com](http://www.crisil.com)

## Disclaimer and Copyright

This Document is prepared by Coalition Greenwich, which is a part of CRISIL Ltd, an S&P Global company. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Coalition Greenwich as on the date of the Document and Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data in this Document may reflect the views reported to Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES COALITION GREENWICH BELIEVES TO BE RELIABLE. COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Coalition Greenwich is a part of CRISIL Ltd, an S&P Global company. ©2024 CRISIL Ltd. All rights reserved.

[greenwich.com](https://www.greenwich.com)

[ContactUs@greenwich.com](mailto:ContactUs@greenwich.com)

Ph +1203.625.5038