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The Modernization of Municipal Bond Trading

May 6, 2019

Executive Summary:

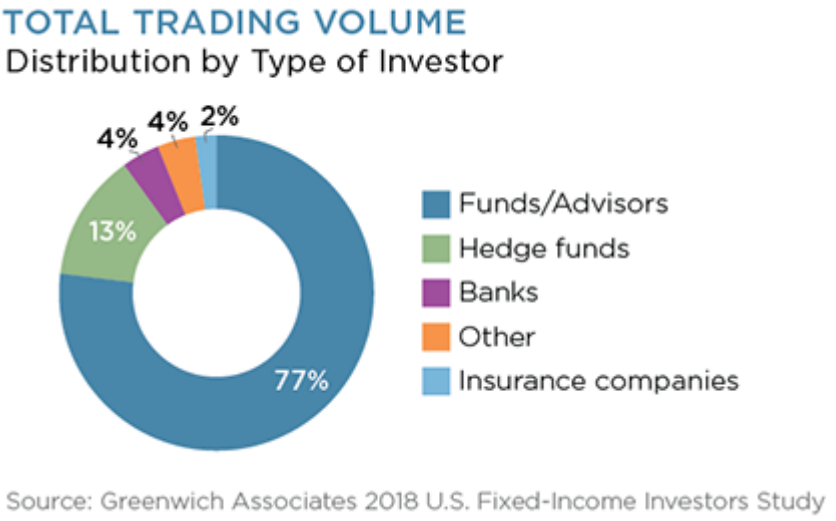


The municipal bond market is viewed by many as frozen in time. Bond issues are generally small and numerous, and local relationships around the country play a big part in finding investors for many of those bonds. Innovation has been focused primarily on corporate bond and U.S. Treasury trading, with the growth in electronic trading and data availability increasing the competition among the platforms often making news. It's time for the quiet but impressive evolution of municipal bond trading to enter the spotlight.

Greenwich Associates data shows that e-trading in the institutional municipal bond market in 2018 was higher than levels seen for investment-grade corporate bonds and more than double that of high-yield corporate bonds. Electronic market makers are increasingly a major force in municipal bond trading as well, boosting the market's turnover and overall liquidity. As electronic trading has grown, so too has the data available to market participants, with both executable and evaluated prices now available for a huge portion of the issues outstanding. Given the investments made in this market by electronic market makers along with those running the e-trading platforms, this evolution is only just getting started.

Methodology:

In 2018, Greenwich Associates interviewed 105 institutional municipal bond investors in the United States, including asset managers, hedge funds, regional banks, and insurance companies.



Source: Greenwich Associates 2018 U.S. Fixed-Income Investors Study

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