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August Spotlight: Liquidity Levels Dropped as the Market Waited for the Fed

U.S. Treasury Trading

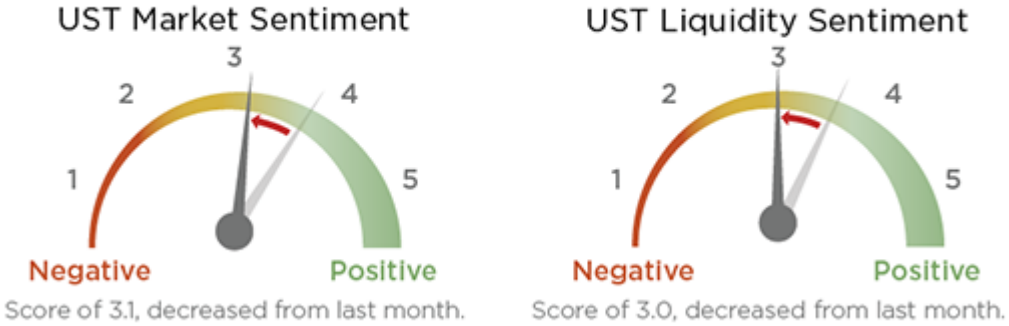
August 14, 2019

Executive Summary:

Key Takeaways from July Data

- **Volumes declined 17.5% in July**, as market participants waited for the Federal Reserve's rate cut announcement.
- **Trading venue volumes dropped largely in line with the total market**, keeping market share mostly unchanged. The "alternative" platforms, however, are continuing to make progress.
- **Dealer inventories are at their lowest level since November 2018.**
- **SOFR open interest continues its slow grind upward**, hitting a new record in July.
- **Sentiment among U.S. Treasury traders declined**, and the Greenwich UST Liquidity Score hit its lowest level since we created this metric in May.

UST MARKET-LIQUIDITY SENTIMENT



UNDERSTANDING THE GREENWICH UST SENTIMENT AND LIQUIDITY SCORES

Each month we poll a select group of top-tier U.S. Treasury market participants. The group includes primary dealers, broker-dealers, asset managers, hedge funds, and electronic market makers. The responses are aggregated and averaged to generate the monthly scores. Respondents are left to interpret "sentiment" and "liquidity" based on their unique vantage point.

Methodology:

Greenwich Associates continuously gathers data and insights from U.S. Treasury market participants including asset managers, hedge funds, primary dealers, market makers, and trading platforms. The data, once aggregated, normalized and enhanced, is analyzed by our market structure research team who identify key areas of change and the likely direction of volume, holdings, market share and other trends in the coming months.

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