

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

U.S. Treasury Trading

August 14, 2019

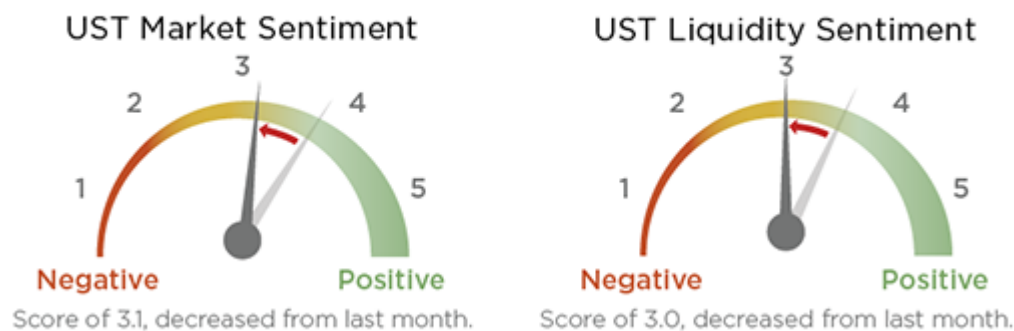
Executive Summary:

August 2019

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.



The data reported in this document reflect solely the views reported to Greenwich Associates 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. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results. Unless otherwise indicated, any opinions or market observations made are strictly our own.

©2019 Greenwich Associates, LLC. Javelin Strategy & Research is a division of Greenwich Associates. All rights reserved. No portion of these materials may be copied, reproduced, distributed or transmitted, electronically or otherwise, to external parties or publicly without the permission of Greenwich Associates, LLC. Greenwich Associates,® Competitive Challenges,® Greenwich Quality Index,® Greenwich ACCESS,™ Greenwich AIM™ and Greenwich Reports® are registered marks of Greenwich Associates, LLC. Greenwich Associates may also have rights in certain other marks used in these materials.

greenwich.com

ContactUs@greenwich.com

Ph +1203.625.5038