Fixed-Income TCA Adoption: What We Can Expect Going Forward

February 28, 2023

Executive Summary:



Data continues to be the driver and inhibiter of transaction cost analysis (TCA) adoption. While the majority of market participants we spoke with in a recent study are, in fact, incorporating cost analysis into their fixed-income investment workflows, many professionals are still on the sidelines. In some cases, the data and tools are lacking. In other cases, it's the confidence in data and results that are the issue.

As more electronification of the market takes hold, more data is realized, and the ingredients for meaningful TCA analysis become available. Future drivers like best-execution regulations and the rise of advanced tech will continue to fuel further adoption as TCA shifts from a nice-tohave feature to must-have status, albeit with continued challenges.

Methodology:

During the second half of 2022, Coalition Greenwich reached out to 111 buy-side firms in North America, Europe and Asia-Pacific to better understand trends linked to TCA of fixed-income securities trading. Study participants utilized a variety of fixedincome tools and liquidity via different providers to accommodate their investment strategies and trading needs. Firms in the study most commonly invested in U.S. corporate bonds, interest-rate derivatives and U.S. Treasuries with their counterparties.

Profiled capital markets professionals hail from firms spanning the spectrum of assets under management (AUM). While half worked for the largest investment companies having AUM greater than $50 billion, the remainder were distributed fairly evenly across the smaller size buckets to provide a varied and relevant snapshot of buy-side perceptions.

Over three-quarters (77%) of respondents work for firms that employ a mix of quantitative and qualitative strategies to generate alpha.[4] The opinions captured in this study are from an important group—the portfolio

managers, traders and analysts on the front lines of portfolio development, trading and execution roles residing in the front office. Their combined opinions underpin the analytics and technology trends unearthed in this study and shape trends in the industry.

[4]See Coalition Greenwich Transforming Today's Fixed-Income Markets, October 25, 2022



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