

Fixed Income: Solving the Liquidity Drought

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According to Liquidnet CEO Seth Merrin the corporate bond market is “a disaster waiting to happen”. A disaster? Maybe. But certainly it is a market waiting for better ways to match buyers and sellers. That is exactly [what Liquidnet was thinking when they bought Vega-Chi](#) (not to mention what the founders of several other fixed income startups and incumbents have been thinking over the last few years as well). To that end, Liquidnet hosted a panel last week that I was lucky enough to be a part of discussing the corporate bond market, its present state and its possible future.

For anyone paying attention, [my views on the corporate bond market are pretty clear](#). It is different this time, but the move towards more electronic trading of US corporate bonds is going to be a slow one. Not because solutions don't exist, but because the structure of the bond market is not terribly suited to executing round-lot trades over traditional e-trading platforms. And for odd-lots, the incumbents have e-trading pretty locked up leaving investors with little incentive to look elsewhere for a new platform. So any new solution hoping to succeed needs to solve the old problem of corporate bond liquidity with a solution built for the new world. The rest of my thoughts from the panel are summarized in this short interview:

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