European Fixed Income: Importance of Primary Dealerships

May 4, 2016

Executive Summary:

Heightened regulatory pressures coupled with years of perennially low interest rates continue to stress banks' trading businesses.

In response to the deteriorating economics of the rates business, several banks have recently scaled back their roles as primary dealers in various European government bond markets. If anything, this would further squeeze liquidity out of fixed income markets—but equally important is how will this impact these dealers in other fixed-income businesses?

Methodology:

From June to August 2015, Greenwich Associates conducted over 1,200 fixed-income interviews with institutional investors across Europe. Investors were asked to rank their top 10 dealers by asset class (government bonds, investment-grade credit, covered bonds, interest-rate derivatives, etc.), and provide volume allocations that each of their counterparties earns within each product. The above data is based on analyzing institutions active in multiple asset classes, and evaluates the correlation of the wallet share a dealer earns from an institution in government bonds vs. other asset classes (investment-grade credit, interest-rate derivatives, covered bonds, etc.).

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