

Fixed Income: Overview of the Bond Market

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Principal Trader Fixed Income, Currencies and Derivatives



Overview

- Setting the Scene
- Yield / Yield To Maturity?
- Bond market quote conventions
- Spreads – levels of liquidity
- New issuance
- MiFID II

World Capital Market in 2013

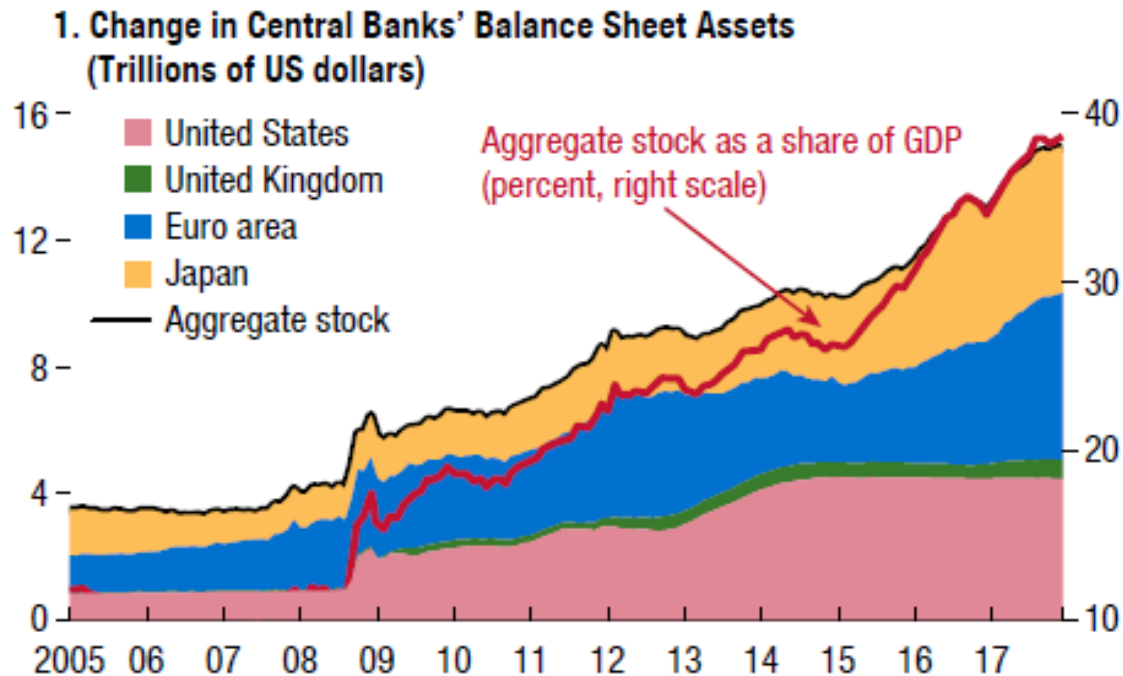
(Billions of U.S. dollars unless noted otherwise)

	GDP	Total Reserves Minus Gold ²	Stock Market Capitalization	Total Debt Securities ³	Bank Assets ⁴	Bonds, Equities, and Bank Assets ⁵	Bonds, Equities, and Bank Assets ⁵ (percent of GDP)
World	75,470.9	12,127.7	62,552.0	97,288.6	126,744.1	286,584.7	379.7
European Union¹	16,705.2	570.0	12,646.3	29,964.2	48,715.9	91,326.4	546.7
Euro area	13,109.7	331.0	7,539.2	22,461.4	36,100.2	66,100.7	504.2
North America	18,607.0	205.4	24,417.8	36,682.4	19,845.8	80,946.0	435.0
Canada	1,839.0	71.8	2,137.1	2,188.1	3,925.3	8,250.5	448.7
United States	16,768.1	133.5	22,280.7	34,494.3	15,920.5	72,695.5	433.5
Japan	4,919.6	1,237.2	4,599.3	12,260.7	11,499.7	28,359.7	576.5

https://www.imf.org/~media/Websites/IMF/imported-flagship-issues/external/pubs/ft/GFSR/2015/01/pdf/_statapppdf.ashx

What has happened since 2013

Easy global financial conditions are underpinned by advanced economy central banks' large asset holdings.



<https://www.imf.org/en/Publications/GFSR/Issues/2018/04/02/Global-Financial-Stability-Report-April-2018>

Yield and Yield to Maturity

- Yield

Your return for holding an investment over a length of time, calculated on an annualized basis and taking into account all cash flow associated with that investment

- Yield to maturity

$$\text{Bond Price} = \frac{CF1}{(1 + YTM)^1} + \frac{CF2}{(1 + YTM)^2} + \dots + \frac{CFn}{(1 + YTM)^n}$$

Example

Par value = 100

Bond price = 98.5

Coupon = 2.5% per year

Maturity = 5 years

- Yield to maturity

$$98.5 = \frac{2.5}{(1 + YTM)^1} + \frac{2.5}{(1 + YTM)^2} + \frac{2.5}{(1 + YTM)^3} + \frac{2.5}{(1 + YTM)^4} + \frac{102.5}{(1 + YTM)^5}$$

D9 =D2/(1+D8)^C2+D3/(1+D8)^C3+D4/(1+D8)^C4+D5/(1+D8)^C5+D6/(1+D8)^C6											
	A	B	C	D	E	F	G	H	I	J	
1	Par	100,00	Year	Cashflow							
2	Coupon	2,5%	1	2,5							
3	Price	98,5	2	2,5							
4			3	2,5							
5			4	2,5							
6			5	102,50							
7											
8			YTM	2,825%							
9			Bond value	98,50							

Problems with YTM

- Assumption all coupons are reinvested at the same rate (in the future)
- Investor may want to sell security early
- Issuer may default

Bond market quote conventions

- Rule of thumb:
Pricing methodology is determined by the biggest price driver for the asset
- Bills = Yield to Maturity (No coupon, issued at a discount)
- Government bonds = Cash price
- Covered bonds = Spread over Mid-Swap rate
- Investment grade Credit = Spread over closest government bond
IG Europe = Germany
IG US = On the run Treasury
- High yield = Cash price
- This can change over time!

Example DIA



DIASM 0 04/06/23 € 56.679 - .306 55.108 / 58.250 15.874 / 14.386
At 12:27 Source BGN

DIASM 0 04/06/23 Cor vs <Enter Security> (1) Actions (1) Settings (1) Quotes Manager

1 Criteria Applied View All Quotes Date Range 09/01 - 12:27 99 Buy 90 Sell 12:27:49

Date	Time	Src	Sender	Dir	B Px	A Px	B Sz	A Sz	B Sprd	A Sprd
09/03/18	08:30	RUN	M CORPS	MZUH	/	94.309		X 2MM	/	260.99
09/03/18	08:31	RUN	M CORPS	MZUH	94.111	94.308			265.99	260.99
09/03/18	08:46	RUN	R KALLOE	SG	92.070	96.310			308.00	206.00
09/03/18	08:49	RUN	F SALT	JPM	93.820	94.340			265.00	253.00
09/03/18	08:49	RUN	JPMORGAN EURO HY	JPM	93.820	94.340			265.00	253.00
09/03/18	09:04	RUN	F COEN	BNP	93.977	94.720		X 2MM	261.00	243.00
09/03/18	09:04	RUN	F COEN	BNP	93.977	94.720		X 2MM	261.00	243.00
09/03/18	09:07	RUN	MSG1/F SALT	JPM	93.820	94.364		X 1MM	265.00	253.00
09/03/18	09:07	RUN	JPMORGAN EURO HY	JPM	93.820	94.364		X 1MM	265.00	253.00
09/03/18	09:15	RUN	V DADLANI	DB	93.724	93.765			267.00	266.00
09/03/18	09:31	RUN	V DADLANI	DB	/	93.759		X 1MM	/	266.00
09/03/18	09:31	RUN	V DADLANI	DB	/	93.759		X 1MM	/	266.00
09/03/18	09:32	RUN	R KALLOE	SG	92.060	96.300			308.00	206.00
09/03/18	10:00	RUN	F SALT	JPM	93.820	94.340			265.00	253.00
09/03/18	10:00	RUN	JPMORGAN EURO HY	JPM	93.820	94.340			265.00	253.00
09/03/18	10:05	RUN	E BROWN	BARC	93.640	94.200		X 2,500M	270.00	256.00
09/03/18	10:16	RUN	R KALLOE	SG	92.030	96.270			309.00	207.00
09/03/18	10:30	RUN	V DADLANI	DB	/	93.786		X 1MM	/	266.00
09/03/18	10:30	RUN	V DADLANI	DB	/	93.786		X 1MM	/	266.00
09/03/18	10:30	RUN	M CORPS	MZUH	/	94.315		X 2MM	/	260.99
09/03/18	10:31	RUN	M CORPS	MZUH	94.120	94.317			265.00	260.99

Message Search Message and IB Search
 Legend

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 518 2000
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DIA Bond Plunges to Record Low After Profit Warning, Resignation

By Emma Haslett

(Bloomberg) -- Distribuidora Internacional de Alimentacion's EU300m April 2023 bonds fell ~5 cents on the euro to a record-low ~85 cents after the Spanish supermarket operator announced a profit warning, dividend halt and the resignation of its chairman (see story).

DIA SM Equity
 Graphic Dashboard»

Price 2D
 € 75

Liquidity

Many ideas and misconceptions about liquidity

For me:

- Liquidity is being able to trade, what you want, in the size you want, at the time you want, without paying too much for it.
- Rule of thumb:
Liquidity and price volatility are the inverse of each other
- Highly liquid -> tight bid/ask spread
- More illiquid -> wide(r) bid/ask spread
- Liquidity/spreads are not constant and will change over time and depending on the macro environment

Example DIA



DIASM 0 % 04/06/23 €156.691 - .294 55.108 / 58.274 15.874 / 14.374 At 12:29 Source BGN

DIASM 0 % 04/23 Cor vs <Enter Security> 10 Actions 10 Settings Quotes Manager

1 Criteria Applied View All Quotes Date Range 11/13 - 11/18 % Buy % Sell 11 12:29:07

Date	Time	Src	Sender	Dir	B Px	A Px	B Sz	A Sz	B Sprd	A Sprd
11/13/18	11:40	IB	B BISHAL	CS	40.000 / 40.000		X		2510.77 / 2173.92	
11/13/18	11:52	RUN	N SCOTT	SEAP	35.000 / 40.000					
11/13/18	12:00	RUN	M LEVY	SNC	38.500 / 40.500				2622.77 / 2475.25	
11/13/18	12:01	IB	G JOHN	MS	38.000 / 45.000		2MM X 2MM		2661.26 / 2173.16	
11/13/18	12:01	IB	MSG1/G JOHN	MS	38.000 / 45.000		2MM X 2MM		2661.26 / 2173.16	
11/13/18	12:05	MSG	F SCHMID	BARC	41.000 / 45.000					
11/13/18	12:06	RUN	R DHAT	CG	40.000 / 45.000					
11/13/18	12:06	RUN	N SCOTT	SEAP	40.000 / 45.000				2510.92 / 2173.16	
11/13/18	12:08	RUN	M LEVY	SNC	41.500 / 43.500		2MM X			
11/13/18	12:09	IB	S MARRIOTT	SNC	41.500 /		1MM X			
11/13/18	12:09	RUN	M LEVY	SNC	41.500 / 43.500		2MM X			
11/13/18	12:11	IB	MSG1/G JOHN	MS	40.000 /		5MM X		2510.88 /	
11/13/18	12:11	IB	G JOHN	MS	40.000 /		5MM X		2510.88 /	
11/13/18	12:13	RUN	B BISHAL	GS	40.000 / 45.000					
11/13/18	12:13	RUN	MSG1/B ROBERTSON	IMP	43.000 / 44.000				2301.93 / 2236.85	
11/13/18	12:13	RUN	F SCHMID	BARC	42.000 /		1MM X			
11/13/18	12:19	IB	N MEIJER	JEFF	40.000 /		2MM X			
11/13/18	12:21	IB	MSG1/A TOPOLANSKI	ABGC	42.000 /		1MM X			
11/13/18	12:21	IB	MSG1/A TOPOLANSKI	ABGC	42.000 /		1MM X			
11/13/18	12:21	IB	A TOPOLANSKI	ABGC	42.000 /		1MM X		2369.40 /	
11/13/18	12:23	MSG	C COLENSO	JEFF	40.000 /		2MM X		2510.46 /	

Message Search Message and IB Search

Legend

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P. SN 273580 CET GMT+1:00 H386-3907-1 19-Nov-2018 12:29:07

Fixed income new issuance

Summary					
Name	Volume (B) Curr	% Chg	Top Ranked	Share	% Chg
21) All Official Bond & Note Tables (128)					
201) US Investment Grade Corporat...	1,178.74 USD	-12.39	Bank of America ...	11.67%	+0.90
202) US High Yield Corporate Bonds	185.93 USD	-36.98	JP Morgan	9.46%	-1.03
203) European Bonds	1,588.15 EUR	-5.74	HSBC	6.58%	+0.42
204) Asia ex-Japan G3 Currency Bo...	235.13 USD	-15.63	HSBC	7.49%	-0.88
205) Emerging Market Bonds	1,689.22 USD	-2.02	Bank of China	4.16%	+1.53
31) All Official Loan Tables (67)					
301) Global Loans	3,969.68 USD	+5.01	JP Morgan	10.10%	+0.80
303) US Leveraged Loans	1,176.45 USD	-9.25	Bank of America ...	10.77%	+0.12
305) EMEA Leveraged Loans	128.68 EUR	-27.58	JP Morgan	8.66%	+0.39
306) APAC ex-Japan Loans	447.94 USD	+6.63	Bank of China	12.52%	-2.55
41) All Official Equity Tables (82)					
401) Global Equity Offerings	467.37 USD	-12.28	Morgan Stanley	9.53%	+0.73
402) US Equity Offerings	166.17 USD	-2.17	Morgan Stanley	12.38%	+2.11
403) EMEA Equity Offerings	108.25 USD	-32.27	JP Morgan	9.96%	+2.25
404) APAC Equity Offerings	165.54 USD	+2.57	Citi	8.30%	+3.53
405) Latin America Equity Offerings	16.06 USD	-32.00	Goldman Sachs	12.16%	+8.12
51) All Official Municipal Tables (13)					
501) US Municipal Long Term	282.59 USD	-13.95	Bank of America ...	16.10%	+0.04
502) US Municipal Long Term Negoti...	206.76 USD	-14.75	Bank of America ...	14.15%	+0.68
61) All Official Liability Management Tables (4)					
601) Global Liability Management B...	992 Deals	-7.46	Citi	19.83%	+1.80

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Fixed income league table

<Back> to Return

Actions Alerts Summary Settings League Tables: Ranking

Table B European Bonds Exclude Self-led Party HSBC

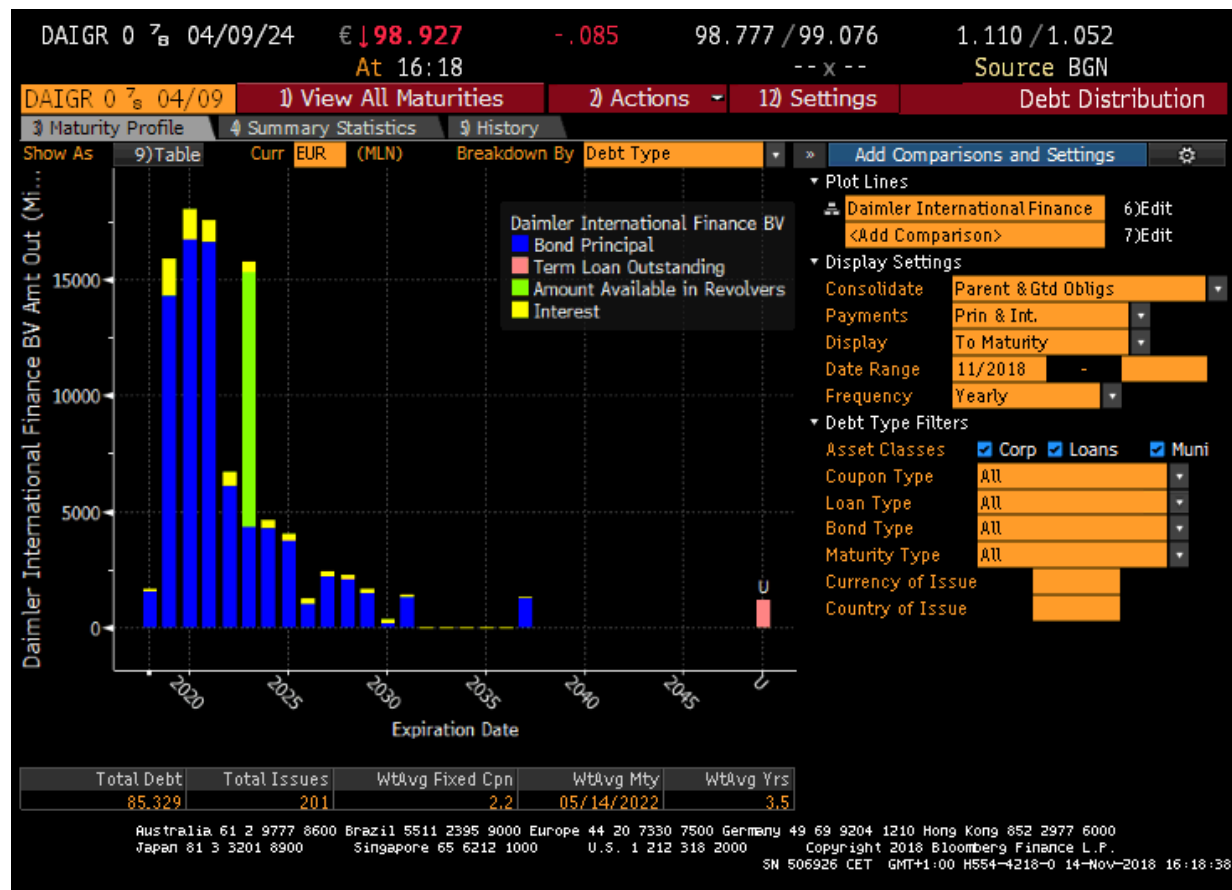
Period Year of 2018 Role Manager

Manager	Rank	Vol (MM EUR)	Issues	Fees	Table Share (%)	Mkt Share Diff
101) HSBC	1 0	98,365.94	561	0.449	6.58	0.42
102) Barclays	2 0	85,456.56	446	0.327	5.72	-0.17
103) Deutsche Bank	3 11	76,091.08	476	0.268	5.09	0.13
104) JP Morgan	4 11	73,693.35	465	0.260	4.93	0.30
105) BNP Paribas	5 12	73,479.52	449	0.242	4.92	-0.29
106) Citi	6 0	61,429.89	437	0.280	4.11	-0.43
107) Societe Generale	7 11	55,358.17	363	0.178	3.71	-0.07
108) Goldman Sachs	8 11	53,395.82	313	0.223	3.57	-0.32
109) Credit Agricole CIB	9 11	51,412.89	379	0.220	3.44	-0.05
110) Bank of America Merrill Ly...	10 11	50,168.63	331	0.249	3.36	-0.20
111) NatWest Markets	11 12	44,442.44	240	0.161	2.98	0.39
112) UniCredit	12 11	43,285.56	346	0.191	2.90	-0.47
113) Credit Suisse	13 11	37,750.46	319	0.388	2.53	-0.08
114) Morgan Stanley	14 11	35,439.62	251	0.265	2.37	0.01
115) UBS	15 11	34,136.03	254	0.358	2.29	-0.24
116) Natixis	16 12	30,980.67	249	0.229	2.07	0.30
117) Banco Santander	17 11	29,210.36	201	0.260	1.96	-0.13
118) Commerzbank	18 11	29,047.87	231	0.205	1.94	0.16
119) RBC Capital Markets	19 18	26,141.05	212	0.214	1.75	0.68
120) ING Groep	20 13	24,626.78	196	0.248	1.65	0.25
21) Credited - 342 Managers		1,493,822.44	6,127	0.284		
22) Total		1,588,151.30	6,812	0.284		Total issuance decreased by 5.7%

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SN 506926 CET GMT+1:00 H554-4218-1 14-Nov-2018 16:47:56

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Daimler Debt Distribution



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Daimler New Issue step 1: Announcement



*** NEW ISSUE 0MM DAIMLER AG EUR 3 TRANCHE ***

Credit Agricole CIB UK - 31 Jul 18 09:47 CEST

*** NEW ISSUE 0MM DAIMLER AG EUR 3 TRANCHE ***

Issuer: Daimler AG
Issuer Rating: A2 Moody's (stb) / A S&P (stb) / A- Fitch (stb)
Deal Size: EUR 0mm
Target Market: Manufacturer target market (MIFID II product governance) is eligible counterparties, professional clients and retail clients (all distribution channels)
Format: Senior, Unsecured / Reg S TEFRA D / Bearer
Docs: EMTN / EUR 1k+1k / Luxembourg Stock Exchange / German Law

Tranche Name:	Daimler 3yr EUR	Daimler Long 5yr	Daimler Long 8yr
	EUR	EUR	EUR
Tranche Size:	EUR 0mm	EUR 0mm	EUR 0mm
Coupon:	Fixed (FXD), Annually, Actual/Actual	Fixed (FXD), Annually, Actual/Actual, short first	Fixed (FXD), Annually, Actual/Actual, short first
IPT:	MS+45a	MS+70a	MS+85-90
Maturity:	09-Aug-2021 (3 Years)	09-Apr-2024 (5.8 Years)	09-Feb-2027 (8.7 Years)
Settle Date:	09-Aug-2018 (T+7)		
JBR:	BLB, CACIB, ING		
JLM:	DB		

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Daimler Step 2: Updated guidance



*** GUIDANCE 0MM DAIMLER AG EUR 3 TRANCHE ***

ING Bank N.V. - 31 Jul 18 12:01 CEST

*** GUIDANCE 0MM DAIMLER AG EUR 3 TRANCHE ***

Books to go subject at 11.15 UKT / 12.15 CET

Daimler 3yr EUR MS+30bp area +/-2bp WPIR

Daimler Long 5yr EUR MS+55bp area +/-2bp WPI

R

Daimler Long 8yr EUR MS+75bp area +/-2bp WPI

R

Issuer: Daimler AG

Issuer Rating: A2 Moody's (stb) / A S&P (stb) / A- Fitch (stb)

Deal Size: EUR 0mm

Target Market: Manufacturer target market (MIFID II product governance) is eligible counterparties, professional clients and retail clients (all distribution channels)

Format: Senior, Unsecured / Reg S TEFRA D / Bearer

Docs: EMTN / EUR 1k+1k / Luxembourg Stock Exchange / German Law

Tranche Name:	Daimler 3yr EUR	Daimler Long 5yr EUR	Daimler Long 8yr EUR
Tranche Size:	EUR 1-1.25bn (exp)	EUR 750-1bn (exp)	EUR 500mm (exp)
Coupon:	Fixed (FXD), Annually, Actual/Actual	Fixed (FXD), Annually, Actual/Actual, short first	Fixed (FXD), Annually, Actual/Actual, short first
Maturity:	09-Aug-2021 (3 Years)	09-Apr-2024 (5.8 Years)	09-Feb-2027 (8.7 Years)

Settle Date: 09-Aug-2018 (T+7)

JBR: BLB, CACIB, ING

JLM: DB

IPREO



**NN investment
partners**

Daimler Step 3: Final guidance/books close



*** LAUNCHED 0MM DAIMLER AG EUR 3 TRANCHE ***

ING Bank N.V. - 31 Jul 18 13:00 CEST

*** LAUNCHED 0MM DAIMLER AG EUR 3 TRANCHE ***

Orderbooks (pre rec at tight end of guidance):

- 3yr ~2.6bln
 long 5yr ~ 3.1bln
 long 8yr ~ 1.9bln

Daimler 3yr EUR EUR 1.5mm MS + 28 bps

Daimler Long 5yr EUR EUR 1mm MS + 53 bp

s

Daimler Long 8yr EUR EUR 500mm MS + 73 bp

s

Issuer: Daimler AG

Issuer Rating: A2 Moody's (stb) / A S&P (stb) / A- Fitch (stb)

Deal Size: EUR 0mm

Target Market: Manufacturer target market (MIFID II product governance) is eligible counterparties, professional clients and retail clients (all distribution channels)

Format: Senior, Unsecured / Reg S TEFRA D / Bearer

Docs: EMTN / EUR 1k+1k / Luxembourg Stock Exchange / German Law

Tranche Name:	Daimler 3yr EUR	Daimler Long 5yr	Daimler Long 8yr
	EUR	EUR	EUR
Coupon:	Fixed (FXD), Annually, Actual/Actual	Fixed (FXD), Annually, Actual/Actual,	Fixed (FXD), Annually, Actual/Actual,
	short first	short first	short first
Maturity:	09-Aug-2021 (3 Years)	09-Apr-2024 (5.8 Years)	09-Feb-2027 (8.7 Years)
ISIN:	DE000A194DC1	DE000A194DD9	DE000A194DE7

Settle Date: 09-Aug-2018 (T+7)

JBR: BLB, CACIB, ING

JLM: DB

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Daimler Step 4: Priced



*** PRICED 0MM DAIMLER AG EUR 3 TRANCHE ***

Credit Agricole CIB UK - 01 Aug 18 09:55 CEST

*** PRICED 0MM DAIMLER AG EUR 3 TRANCHE ***

Issuer: Daimler AG
 Issuer Ticker: DAIGR
 Issuer Rating: A2 Moody's (stb) / A S&P (stb) / A- Fitch (stb)
 Deal Size: EUR 0mm
 Target Market: Manufacturer target market (MIFID II product governance) is eligible counterparties, professional clients and retail clients (all distribution channels)
 No PRIIPS KID has been prepared
 Format: Senior, Unsecured / Reg S TEFRA D / Bearer
 Docs: EMTN / EUR 1k+1k / Luxembourg Stock Exchange / German Law
 Free To Trade: 01-Aug-2018 16:15 UKT

Tranche Name:	Daimler 3yr EUR	Daimler Long 5yr	Daimler Long 8yr
Tranche Size:	EUR 1.5mm	EUR 1mm	EUR 500mm
Issue Rating:	A2 Moody's (stb) / A S&P (stb) / A- Fitch (stb)	A2 Moody's (stb) / A S&P (stb) / A- Fitch (stb)	
Coupon:	Fixed (FXD), 0.25%, Annually, Actual/Actual	Fixed (FXD), 0.875%, Annually, Actual/Actual, short first	Fixed (FXD), 1.5%, Annually, Actual/Actual, short first
Reoffer:	99.875 / MS + 28 bps	99.518 / MS + 53 bps	99.829 / MS + 73 bps
Ref Benchmark:	OBL 0% 09-Apr-2021 / 101.38 (Spot)	DBR 1.75% 15-Feb-2024 / 110.31 (Spot)	DBR 0.25% 15-Feb-2027 / 99.9 (Spot)
Maturity:	09-Aug-2021 (3 Years)	09-Apr-2024 (5.8 Years)	09-Feb-2027 (8.7 Years)
ISIN:	DE000A194DC1	DE000A194DD9	DE000A194DE7
Hedge Ratio:	109%	93%	94%

Restrictions: As per Daimler's EMTN Programme. Sales to Qualified investors (as defined in the Prospectus Directive) only. No action has been or will be taken to permit a public offering.

Trade Date: 31-Jul-2018
 Time Of Exec: 01-Aug-2018 15:49:00 UKT
 Settle Date: 09-Aug-2018 (T+7)
 UoP: General Corporate Purposes
 JBR: BLB, CACIB, ING
 JLM: DB (HM)

IPREO

Daimler Secondary performance



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Daimler Secondary trading

DAIGR 1 1/2 02/09/27 € 98.606 - .099 98.371 / 98.841 1.714 / 1.652
At 16:34 -- x -- Source BGN

DAIGR 1 1/2 02/09/27 Corp Stop Monitoring Settings All Quotes

16:34:16 ALLX Mode Overlay Axes Split Bid/Offer 94 Switch 95 Buy 96 Sell

Spreads vs DBR 0 1/4 02/15/27 @ CBBT 100.201 / 100.225 .225 / .222 16:34

Edit Filters Venue BMTF Legend

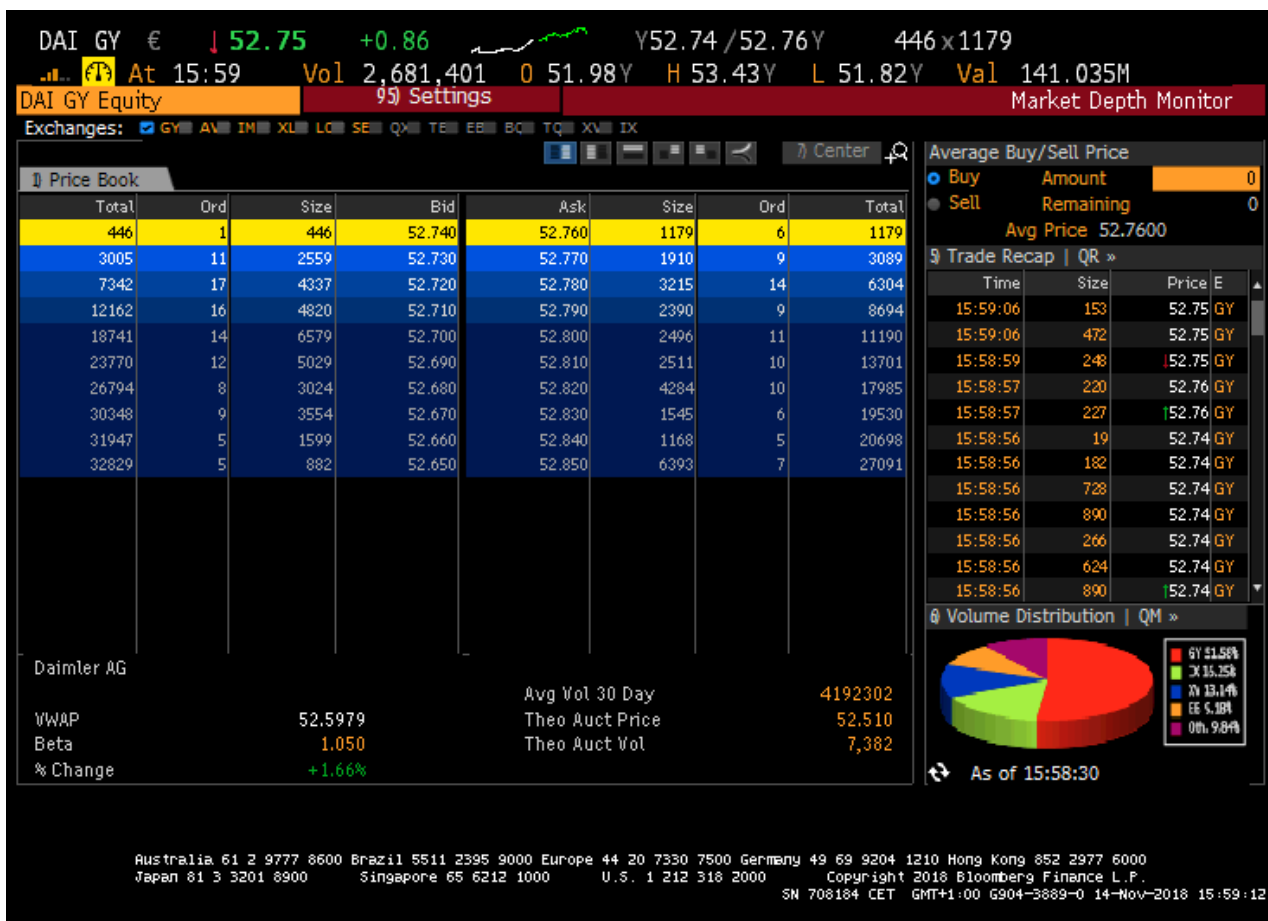
Performance Criteria

	Broker	Firm Name	Bid Px / Ask Px	Bid Sp / Ask Sp	BSz(M) x ASz(M)	HR Ex	HR Vo	D
20)	CBBT	FIT COMPOSITE	98.406 / 98.855	148.5 / 142.6	x	N.A.	N.A.	N
21)	MSG1	MSG Quotes	98.300 / 98.779	150.0 / 144.0	x 724	N.A.	N.A.	N
22)	BVAL	BVAL (Score: 10)	98.563 / 98.786	146.4 / 143.7	x	N.A.	N.A.	N
23)	EXCH	EXCHANGE TRADED	98.254 / 98.840	150.5 / 143.0	200 x 200	N.A.	N.A.	N
24)	BMRK	BBG REALTIME EVAL	98.439 / 98.866	148.1 / 142.5	2000 Indic Sz	N.A.	N.A.	N
25)		Last Trade	99.704		2097.31			
27) s	DABC	Deutsche Bank-Credit	98.811 / 99.344	143.0 / 136.3	1000 x 1000	40.00	39.19	0.
28)	NOLB	NORD LB	98.782 / 99.238	143.5 / 137.7	1000 x 1000	AXE	N.A.	N.A.
29) s	DZCT	DZ Bank Credit	98.619 / 98.919	145.6 / 141.9	1000 x 1000	AXE	23.08	32.54
30) rs	BBCB	BBVA	98.460 / 98.760	147.7 / 144.1	1000 x 1000	AXE	33.33	26.77
31)	BSAB	BANCO SABADELL	98.456 / 98.735	147.8 / 144.4	1000 x 1000	AXE	N.A.	N.A.
32)	MON	MPS Capital Services	98.453 / 98.813	147.8 / 143.4	1000 x 1000	AXE	N.A.	N.A.
33) s	SGCR	Societe Generale	98.447 / 98.901	147.8 / 142.1	1000 x 2700	AXE	57.14	54.95
34) s	GSEB	Goldman Sachs Credit	98.447 / 98.825	147.9 / 143.1	1000 x 1000	AXE	30.00	30.45
35) s	MHIC	MIZUHO INTERNATIONAL	98.446 / 98.823	147.8 / 143.1	1000 x 1000	AXE	11.76	5.33
36) s	BXEC	BARCLAYS BANK PLC	98.445 / 98.905	147.9 / 142.0	1000 x 1000	AXE	70.00	67.01
37) rs	EBNP	BNP PARIBAS eTRADING	98.436 / 98.837	148.0 / 143.0	1000 x 1000	AXE	42.11	55.01
38) s	HSCT	HSBC	98.435 / 98.837	148.0 / 143.0	1000 x 3000	AXE	37.50	40.68
39) rs	RBSM	NatWest Markets	98.431 / 98.686	148.0 / 145.0	1000 x 5000	AXE	23.53	32.71
40) rs	HVB	UniCredit Bank AG	98.419 / 98.842	148.2 / 142.9	1000 x 1000	AXE	55.56	77.93
41) s	LBBW	LBBW STUTTGART	98.418 / 98.863	148.2 / 142.6	1000 x 1000	AXE	0.00	0.00
42) s	MEUD	MILLENNIUM EUROPE	98.405 / 98.777	148.2 / 142.7	1000 x 1000	AXE	N.A.	N.A.

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Daimler Equity

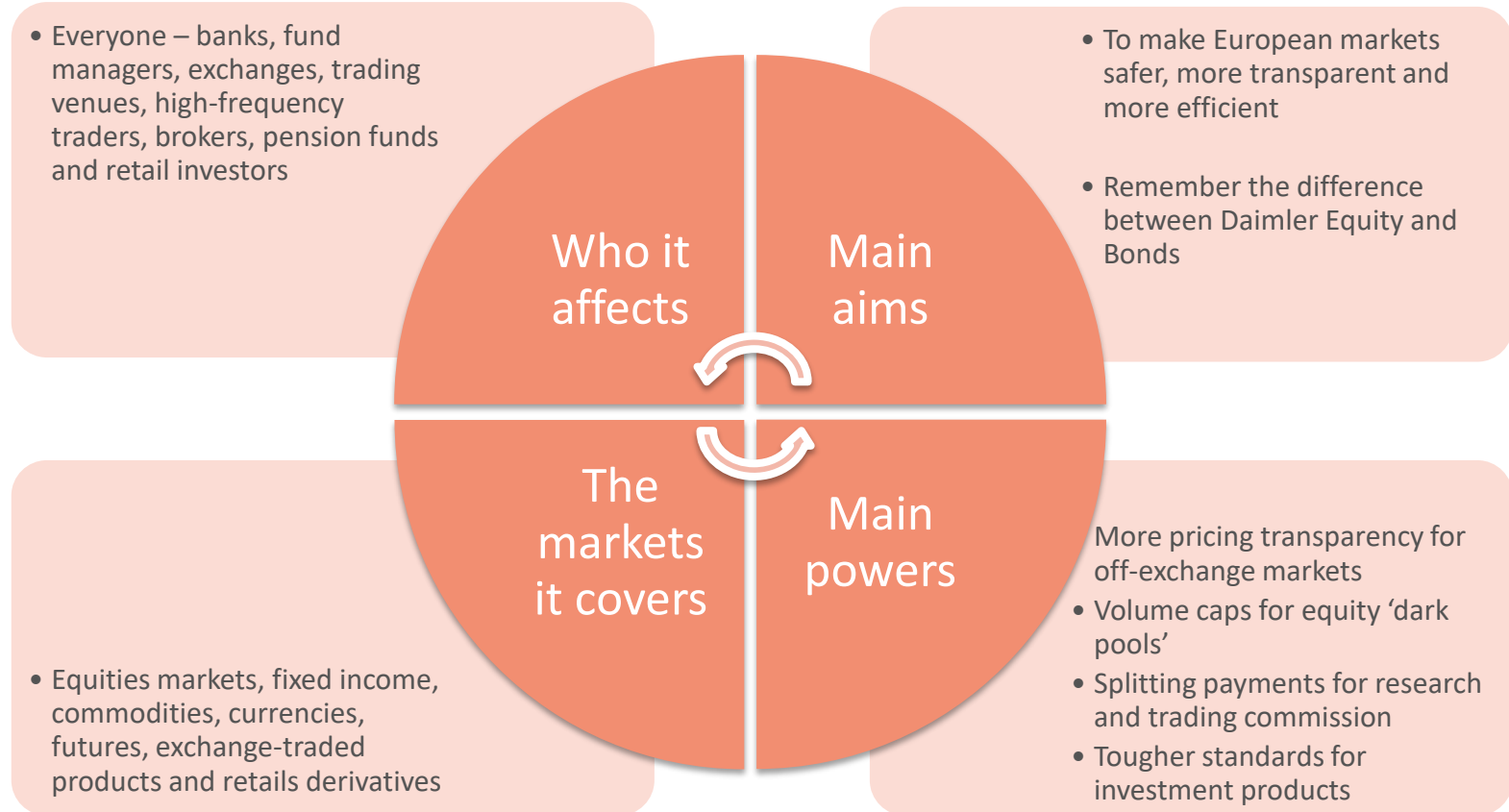


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Background Mifid II

- MiFID I was implemented on 1st Nov 2007 and was mainly focussed on the Equity markets. MiFID II has come into effect 3rd Jan 2018 and the biggest impact focus was on Fixed Income.
- The MiFID regulation has 1.4mio!! paragraphs of text. This is a very brief summary.

What you need to know



Trading Venues – *Under MiFID II*

Regulated Market

Multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract

- CME Group
- Eurex
- Intercontinental Europe

Multilateral Trading Facility

Multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract

- Bloomberg Trading Facility
- Tradeweb
- MarketAxess

Organised Trading Facility

OTFs are applicable to non-equities only, and are defined as a multilateral system which is not a Regulated Market or MTF and in **which multiple third-party buying and selling interests** in bonds, structured finance products, emission allowances or derivatives are able to **interact in the system** in a way that results in a contract

Current expectation is that interdealer brokers will operate as OTFs

Systematic Internaliser

“Execution Venue” under MiFID Not a “Trading Venue”
*An investment firm which, on an organised, **frequent, systematic and substantial basis, deals on own account** by executing client orders outside a regulated market*

All the main banks

Greater Transparency

Under MiFID II, certain instruments that are traded will fall under a new regulatory standard which aims to provide greater transparency. The standard highlights two terms called **Pre-Trade Transparency** and **Post-Trade Transparency**.

The aim of the two terms are as follows:

Pre-Trade Transparency:

1. Public price dissemination: Make prices pre-trade transparent to the public if providing a firm quote to a client
2. Firm prices to clients: Prices must be made available to other clients based on a Commercial Policy

Post-Trade Transparency:

1. Requirement to make public key economic attributes such as price, size, instrument, date/time, as real time (within 15mins) as technically possible

New terminology

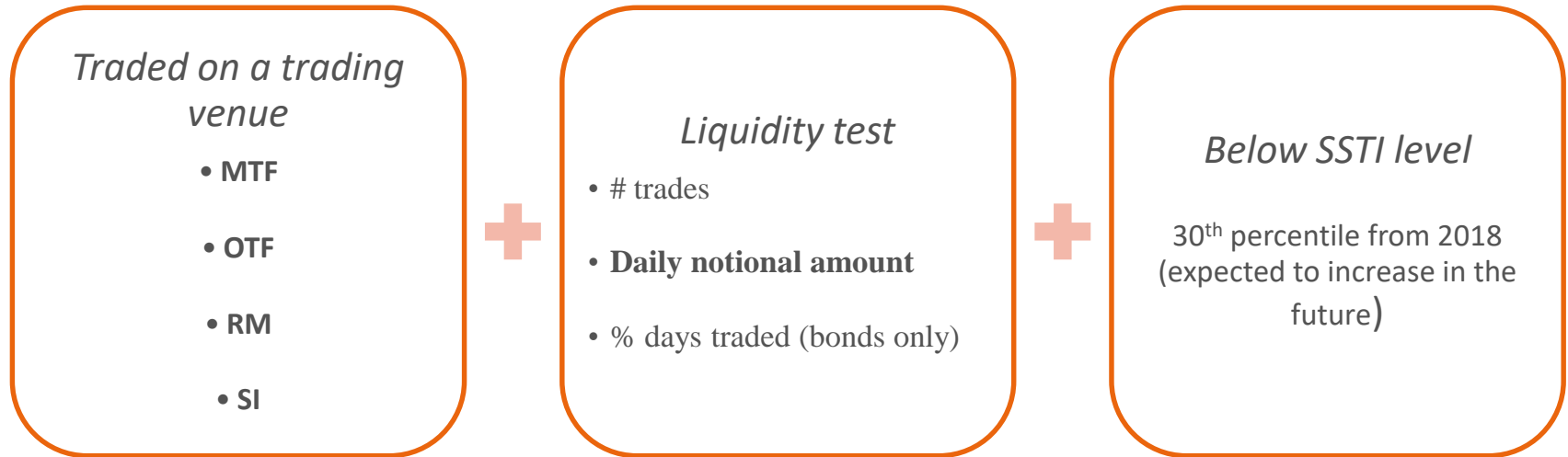
There are a few new acronyms that are important to clarify:

1. SSTI – Size Specific to Instrument & LIS – Large In Size

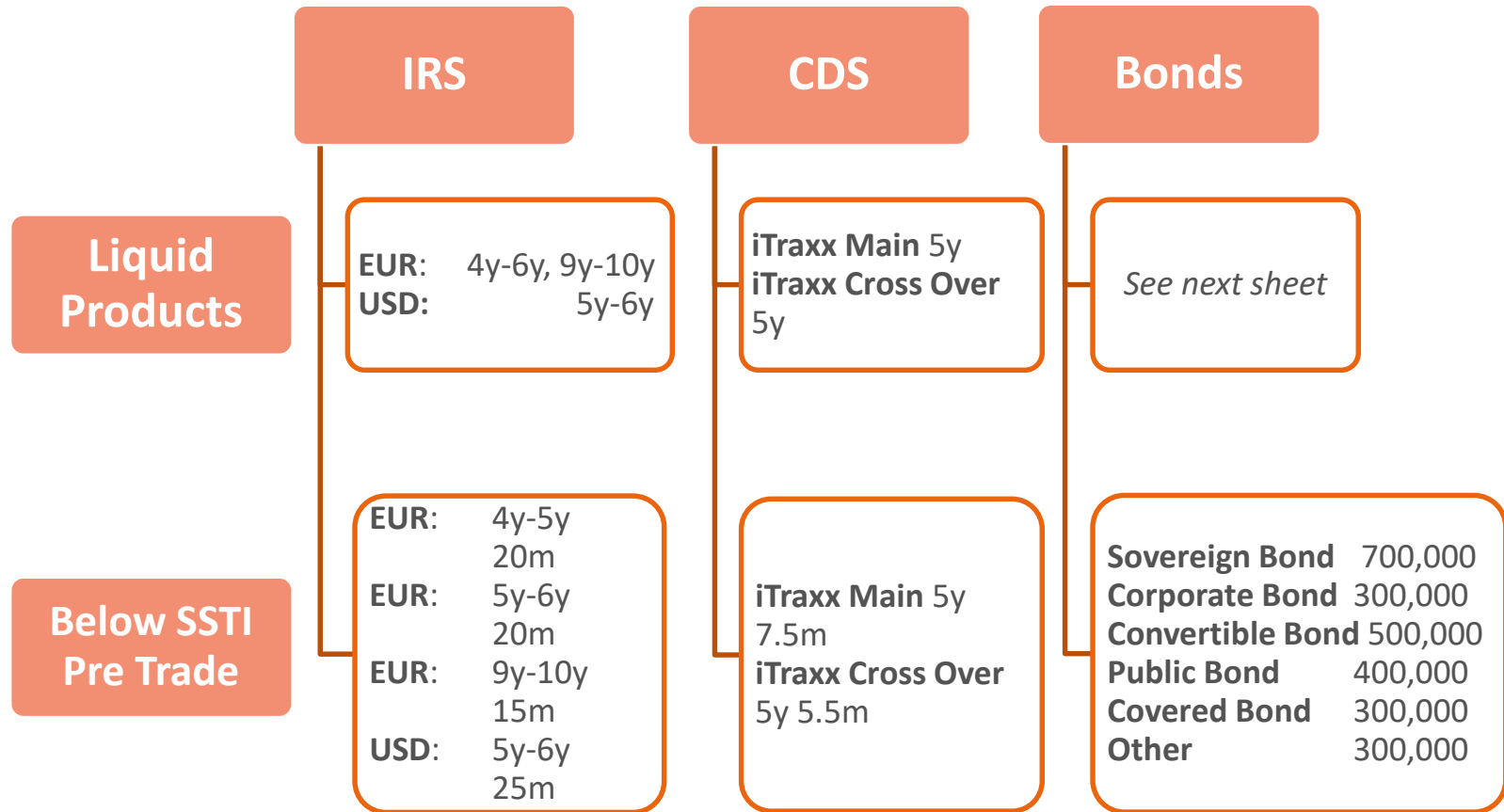
Under MiFID the **SSTI** and **LIS** are stipulated for transaction sizes for which pre-trade transparency may be waived and post-trade transparency may be deferred and further specifies the deferred publication at the discretion of the competent authorities

2. NCA – National Competent Authority
3. TOTV – Traded on a Trading Venue
4. APA – Approved Publication Arrangements

Pre-trade Transparency criteria



Pre Trade Transparency



Liquid bond list Q2/3 2018

	# Bonds	Notional
Government	330	6.300 bln
SNAT	50	148 bln
Corporate	86	41 bln

SENIVITA SOCIAL ESTATE	Corporate	6,50	12/05/2020	EUR	DE	50.000.000	12/05/2015
PUBLITY AG	Corporate	3,50	17/11/2020	EUR	DE	50.000.000	17/11/2015
DAIMLER INTL FINANCE BV	Corporate	1,00	11/11/2025	EUR	NL	1.250.000.00	11/05/2018
METALCORP GROUP BV	Corporate	7,00	02/10/2022	EUR	NL	80.000.000	02/10/2017

Post Trade Transparency

Once a trade is executed under post-trade transparency requirements, there are two possible scenarios:

1. Real time publication (<15 minutes):

If instrument is **liquid** and **below SSTI notional 80th percentile** there is a requirement to publish. For example the following:

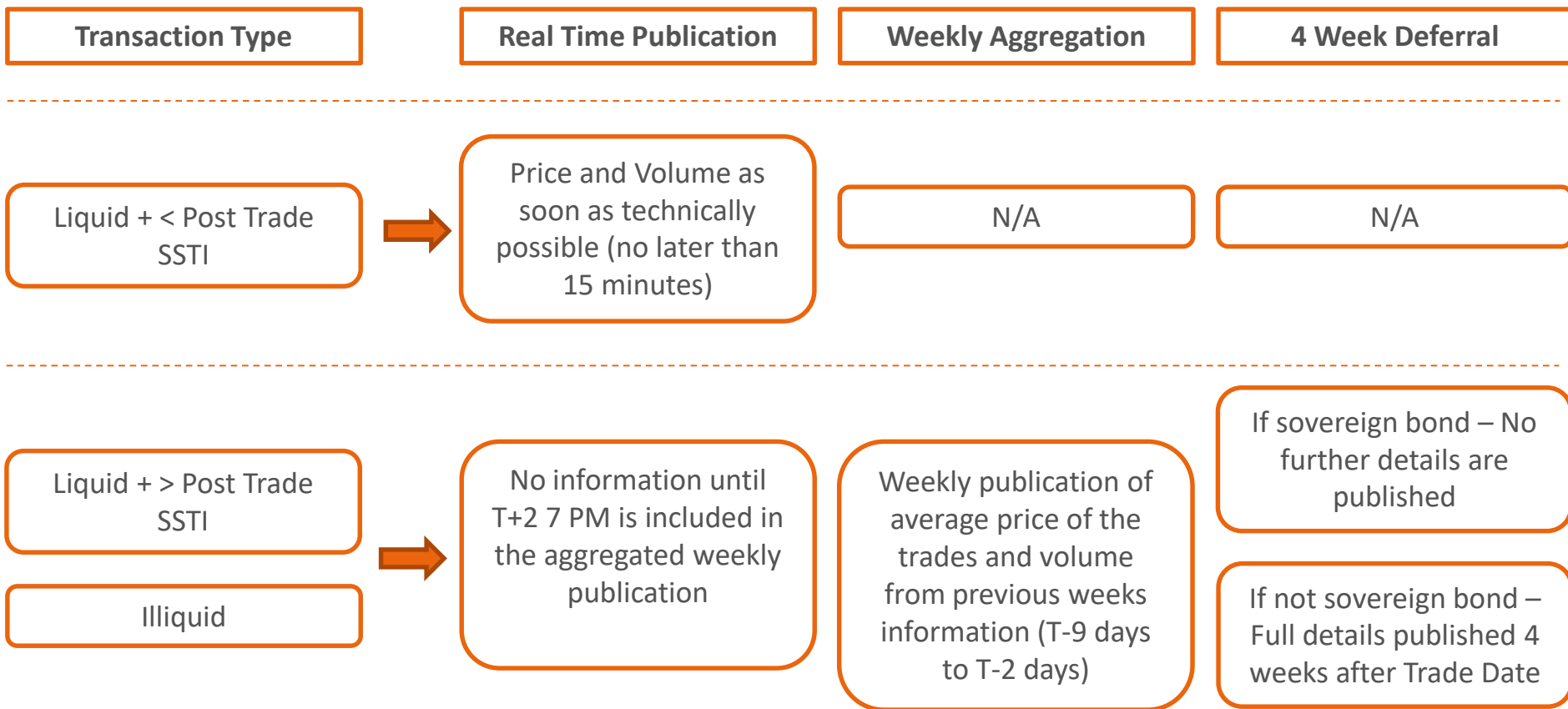
10:16:00	€ 105.32
Time	Price
IT0005240830	500k
ISIN	Volume

2. Deferrals (T+2 maybe 4 weeks depending on NCA):

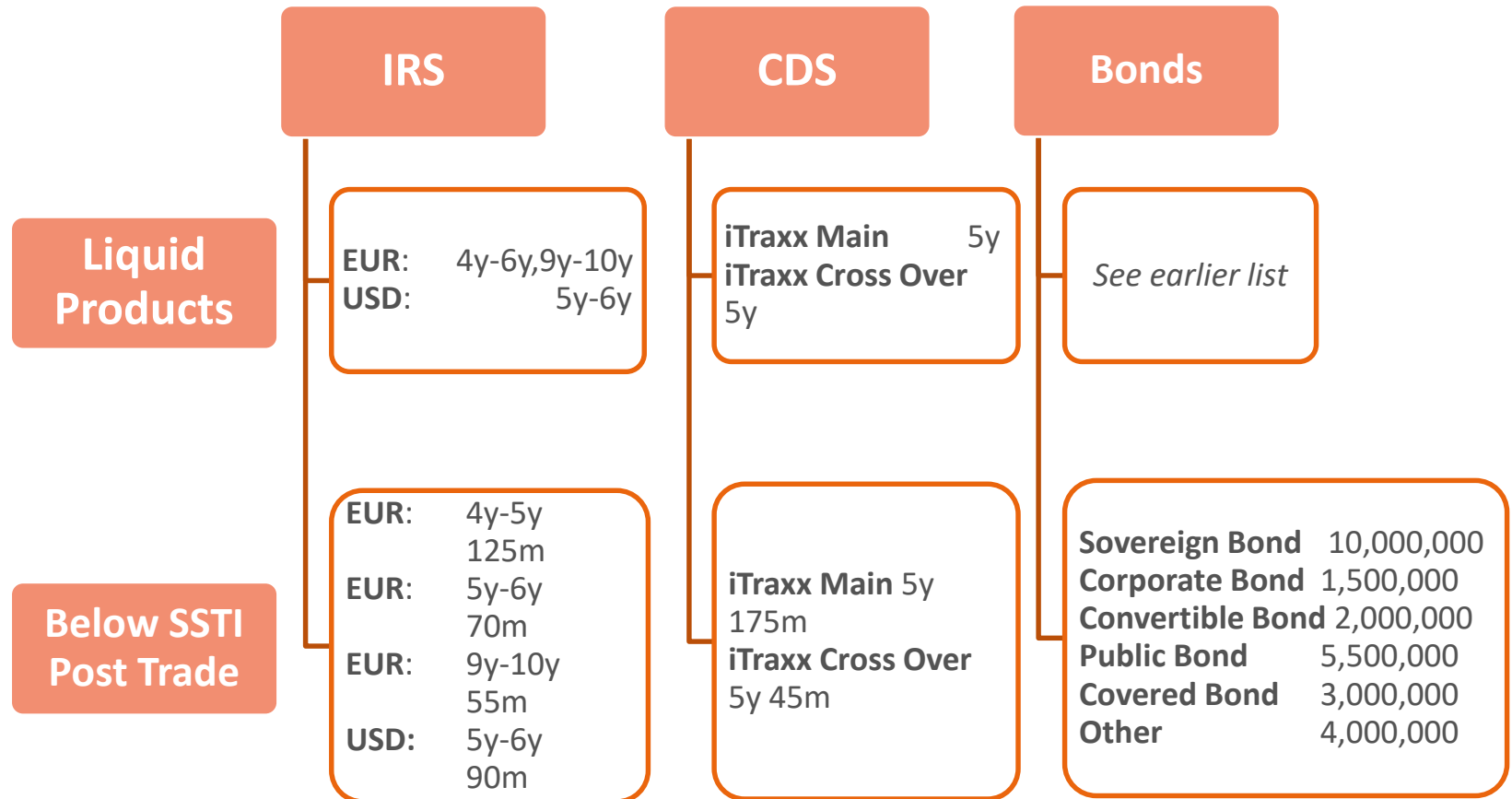
This means that during the deferral period if the instrument is **Illiquid** and **above SSTI notional 80th percentile** there is no need to publish until the period expires (most likely four weeks after trade date). For sovereign debt it has been confirmed to have indefinite deferrals. This will change depending on the NCA.

Deferral regime

The UK NCA (FCA) has published its deferral regime which is likely to be followed by the other main NCAs - AFM has yet to publish.



Post Trade Transparency



1. Derivatives Trading Obligation	2. Pre Trade Transparency	3. Post Trade Transparency	4. Quality of Execution Reporting
Product scope: <ul style="list-style-type: none"> Listed on EU Venue Derivatives Clearing Mandated Liquid Benchmark Swaps 	Product scope: <ul style="list-style-type: none"> Liquid (15 trades a day going down to 2 trades in 2021) Trade size below 700k gov and 300k for corp MiFID venue or SI 	Product scope: <ul style="list-style-type: none"> FCA regime delays; 10 mio Gov, 1.5 mio corp 	Product scope: <ul style="list-style-type: none"> All instruments
Obligation: <ul style="list-style-type: none"> All trades in scope must be traded on EU Venue (MTF/OTF) RFQ to 1 possible 	Obligation: <ul style="list-style-type: none"> When instrument is in scope, quote needs to be made public by SI or MTF 	Obligation: <ul style="list-style-type: none"> Trades are made public within 15mins unless deferrals are in place Above post trade SSTI deferrals is weekly aggregation and up to 4 weeks later 	Obligation: <ul style="list-style-type: none"> Mainly a bank requirement Quarterly reports on quality of execution e.g. hit rates for voice, time to quote etc. etc.
Expected products: <ul style="list-style-type: none"> Virtually all benchmark tenors in EUR, USD On the run iTraxx Main 5y and Xover 5yr and previous on the run 	Expected products: <ul style="list-style-type: none"> All products 	Expected products: <ul style="list-style-type: none"> Government bonds, corporate, IRS, Swaps, FX derivatives, CDS Index and CDS Single name 	Expected products: <ul style="list-style-type: none"> All products
Possible market reaction: <ul style="list-style-type: none"> Further bifurcation on bilateral market 	Possible market reaction: <ul style="list-style-type: none"> More small trades routed to venues. Uncertainty on who needs to report 	Possible market reaction: <ul style="list-style-type: none"> More difficult to slice trades to below deferral trade size Uncertainty on aggregation leading to more defensive pricing 	Possible market reaction: <ul style="list-style-type: none"> A lot of quoting requirements with sell side. Leads to big impact on the sales trader workflow. Leading to longer time to quote Smarter routing of trades to banks who quote competitive

MIFID 2 in practice

- MIFID 2 versus US Trace (pros/cons)
- Way and timing of implementation
- Difficult to use the extra data
 - Shear amount of data
 - Quality of data false prints ?!
 - Delay makes it not really relevant
- Data aggregation works better
- Industry didn't really have time to digest

