

Achieving data democracy in APAC fixed income markets

By Rohan Ahlawat

In a rapidly changing and interconnected world, transparency in financial markets is more crucial than ever. We recently hosted a discussion titled “Transparency in APAC fixed income markets” in collaboration with the Asia Securities Industry & Financial Markets Association (ASIFMA) that focused on this very issue.

While the Americas and Europe have mandated data contribution from market participants, through regulatory bodies like FINRA, FCA, and ESMA, Asia-Pacific (APAC), in contrast, lacks the mechanisms needed to address the opaqueness of its fixed income markets. Given the vast size, diversity and fragmentation of APAC, there’s a growing consensus that a market-driven approach to transparency is the only way forward.

Our dialogue zeroed in on the APAC market's unique challenges and discussed how a collaborative new data ecosystem in APAC could meet the data needs of fixed income market participants. But before we navigate this journey to data democracy, let's discuss why accurate, timely, and easily digestible data is pivotal to both market makers and investors.

Why data matters?

The importance of data in today's financial markets cannot be overstated, serving as the lifeblood of trading activities, risk management, and long-term strategies. Here's how:

- **Compliance:** Regulatory norms such as MiFID II have made detailed reporting indispensable. Data ensures firms maintain best execution practices.
- **Risk management:** For financial institutions, data helps assess and set aside capital buffers to mitigate risks.
- **Trading:** Real-time and historical data fuels price discovery, the launch of systematic and algorithmic strategies which boosts liquidity and increased electronification & indexation of fixed income markets.
- **Research:** Asset managers and quantitative analysts rely on data for in-depth market analysis.
- **Liquidity:** Identifying liquidity pools and deciding when to trade is streamlined with accurate data.

To put it succinctly, data isn't just a 'nice-to-have'; it is essential for the proper functioning and regulation of markets – enriching decision-making processes across various verticals in financial services, from the trading floor to the compliance office.

The West: TRACE and MiFID II

The U.S. pioneered fixed income transparency through the launch of TRACE by the Financial Industry Regulatory Authority (FINRA) in 2002. By providing real-time price reporting and dissemination of fixed income transactions, TRACE brought transparency to the U.S. fixed income market by making accurate, reliable, and timely data available to the public. In Europe, MiFID II was launched also with intent to bolster transparency across the European fixed income markets.

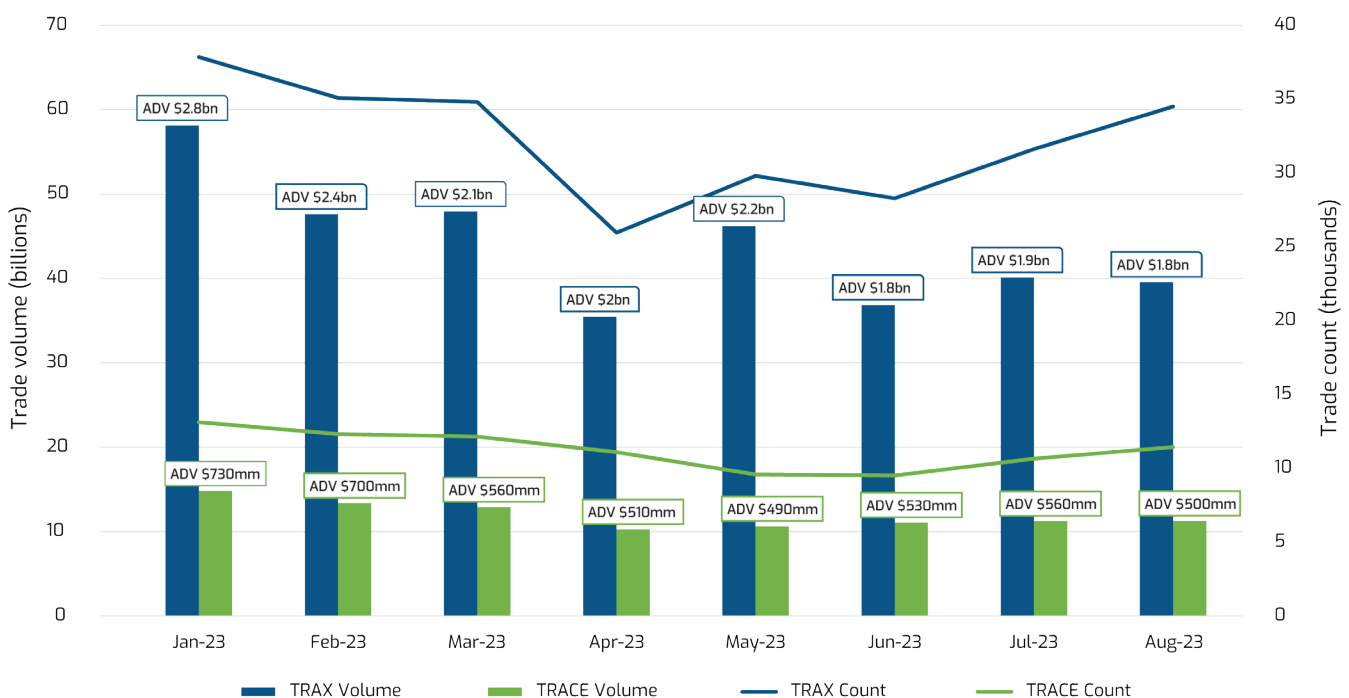
How much can the APAC markets leverage these systems?

Well, not much.

TRACE limits its publication to U.S. denominated bonds that are issued or guaranteed by a U.S. government agency, with operational limitations outside of U.S. trading hours. MiFID II, on the other hand, covers a broader range of currencies but faces challenges due to the fragmentation of approved publication arrangements (APAs) across the UK and EU as well as the lag in data availability (e.g., 4–6-week deferrals).

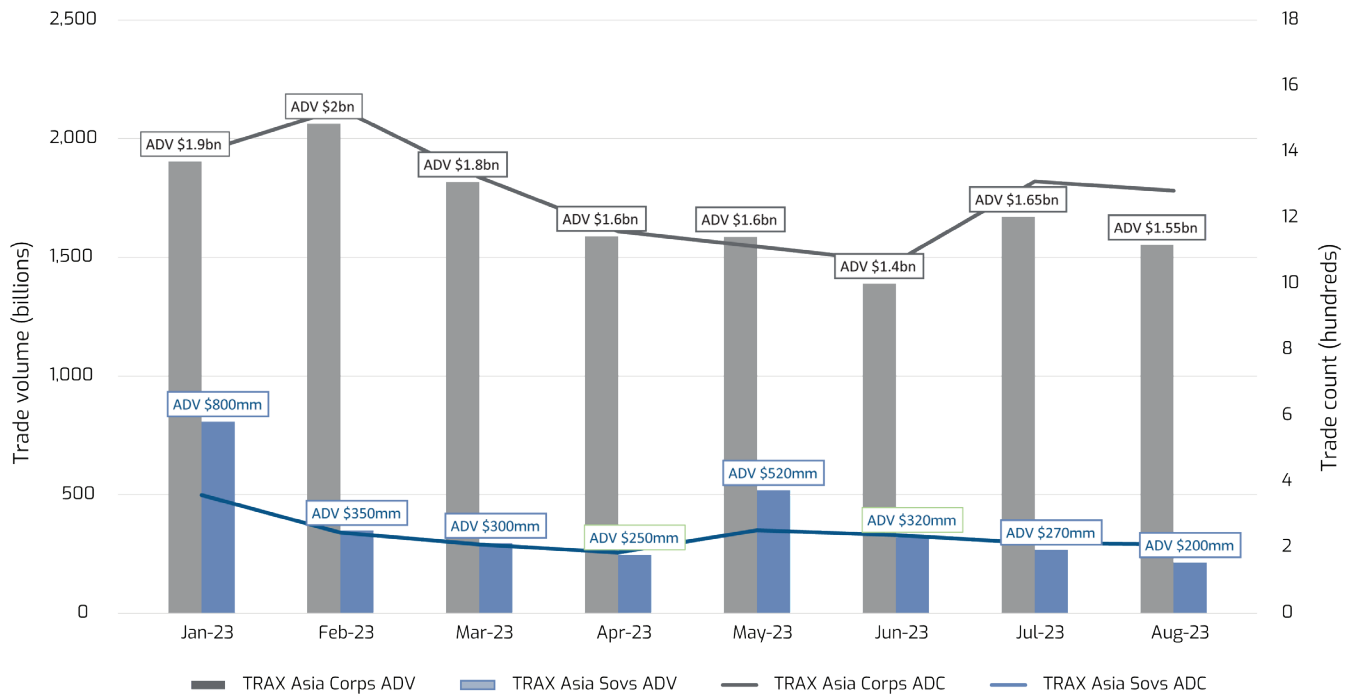
To address the need for transparency of U.S. denominated bonds outside of U.S. trading hours, MarketAxess TraX[®] has emerged as a comprehensive and timely source of transactional data across global trading hours and markets. Complementing regulatory datasets like TRACE & MiFID II (APA) whilst filling the transparency void in APAC.

TraX vs. TRACE coverage: Asia credit (USD)



With its roots in the European fixed income markets, TraX delivers timely, clean, OTC (voice) and electronic (platform-agnostic) trade data. TraX combines post-trade regulatory data with a rich and diverse set of trading data from its community of buy-side (investor) and sell-side (market-maker) contributors across the European and APAC fixed income markets. The resulting synergy generates an average daily trading volume (ADV) of \$270 billion reported by both European institutions and a growing (and diverse) pool of contributors throughout APAC.

TraX coverage: Asia corporate and sovereign bonds (USD)



How does TraX accomplish this?

The key to the success of TraX lies in its 'Give to Get' principle, which encourages contribution from firms who in turn gain access to valuable market data. Not only that; contributors also become part of a community of consultants that work in close collaboration with us to enhance and develop new data offerings. The success of the 'Give to Get' principle in European markets can and is serving as a viable blueprint for data sharing in APAC.

Data solutions [Axess All](#)® and [Axess All Prints](#) have also added to these transparency efforts. Axess All provides an intra-day trade tape of aggregated volume and traded prices on a T+15-min delay for the most actively traded fixed income instruments across the European and APAC markets. Axess All Prints goes a step further by offering real-time transacted prices on over 45,000 executed trades across approximately 9,000 unique instruments, covering global markets across European, U.S. and APAC trading hours (23 hours a day).

This level of granularity addresses the need for greater market color around pockets of liquidity to manage portfolio/balance sheet risk; and the accessibility of real-time executed prices ensures that portfolio managers and execution desks can make more informed decisions when executing data-driven trading strategies.

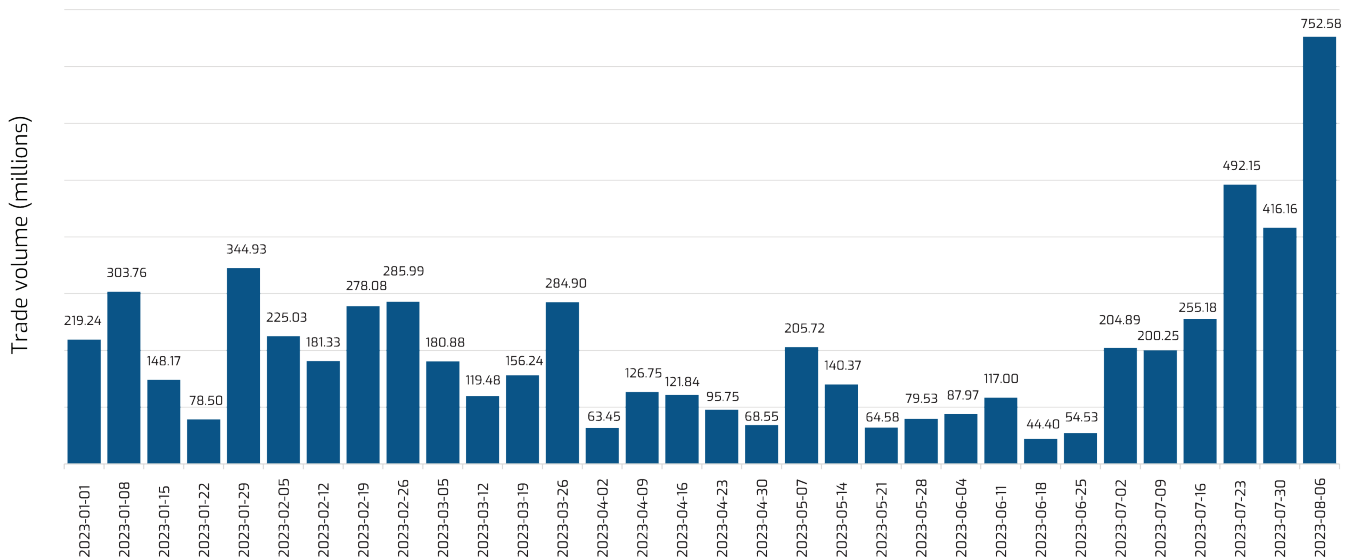
Just as TraX serves as a template for what could be achievable in APAC, the combined functionalities of Axess All and Axess All Prints demonstrate how technological solutions can fill the gaps left by regulatory efforts and contribute to a more transparent – and ultimately more liquid – bond market.

China property case study: a data perspective

It's widely believed that increased transparency is a benefit for the most liquid markets and securities. The challenges in China's property market offer a compelling case study for the role of data in an increasingly distressed market. On August 7, 2023, Country Garden, a major player in the Chinese real estate sector, missed its bond payments and warned of multi-billion-dollar losses. TraX captured this fallout – seeing a 4.5x increase in trade flows in the second week of August; compared to the first two weeks of July. TraX also captured \$752 million across 539 trades between August 7–11, across 16 Country Garden bonds.

Date Range	Trade Count	Trade Volume (in USD)	Bonds
Jan 3, 2023 – Aug 11, 2023	6,843	6B	18

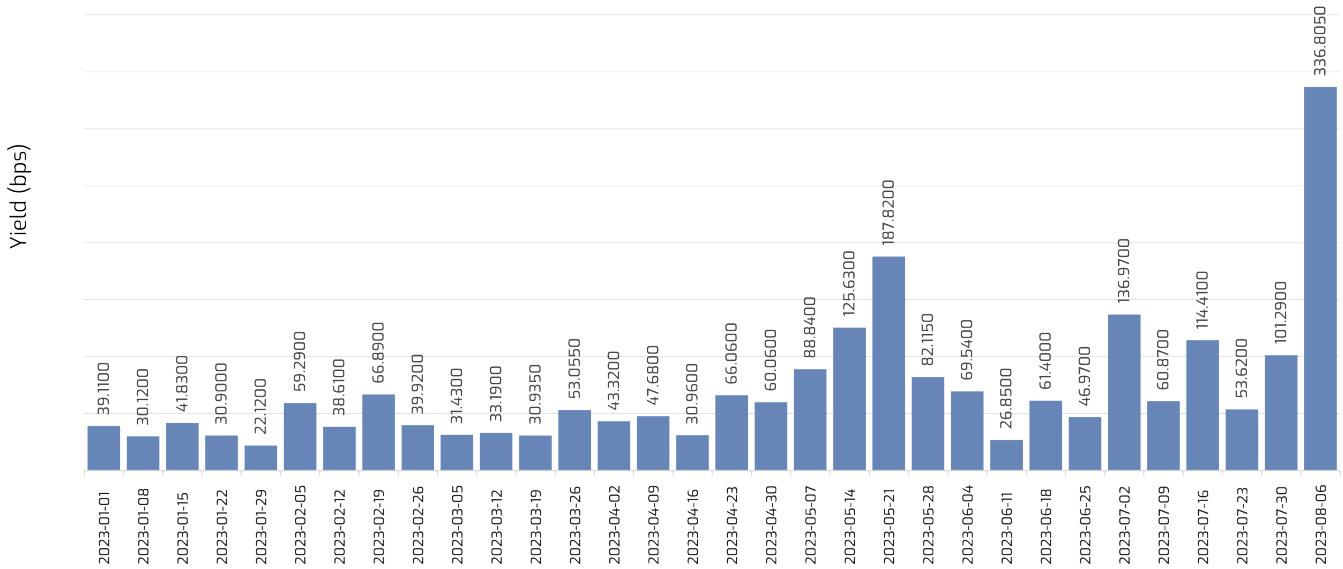
TraX Coverage of 18 Country Garden bonds from Jan 3, 2023 – Aug 13, 2023



This data also noted a dramatic widening in Country Garden's bid and offer spreads, indicative of increased risk and volatility in the sector. Such detailed data analytics underscore the importance of robust data solutions for price discovery, risk assessment, and investment decisions, especially in fast-moving and less transparent markets like those in the APAC region.

Date Range	Product	Median	Bonds
Jan 3, 2023 – Aug 11, 2023	Emerging Markets (in USD)	55.3500 bps	15

TraX Coverage of 18 Country Garden bonds from Jan 3, 2023 – Aug 13, 2023



A market-led solution for Asia-Pacific

To achieve transparency in the current market environment with its complex and fragmented landscape, the APAC region requires a market-led approach to ensure that transparency is nurtured in a measured and controlled manner. While regulation has its place, the unique characteristics of this region call for innovative and collaborative solutions.

Just as TraX, Axess All and Axess All Prints have revolutionized transparency in the European fixed income markets ahead of any regulatory tape, a similar market-led initiative could hold the key to democratizing data and boosting liquidity across the APAC fixed income markets.

Learn more about our data solutions for the APAC fixed income markets.

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