

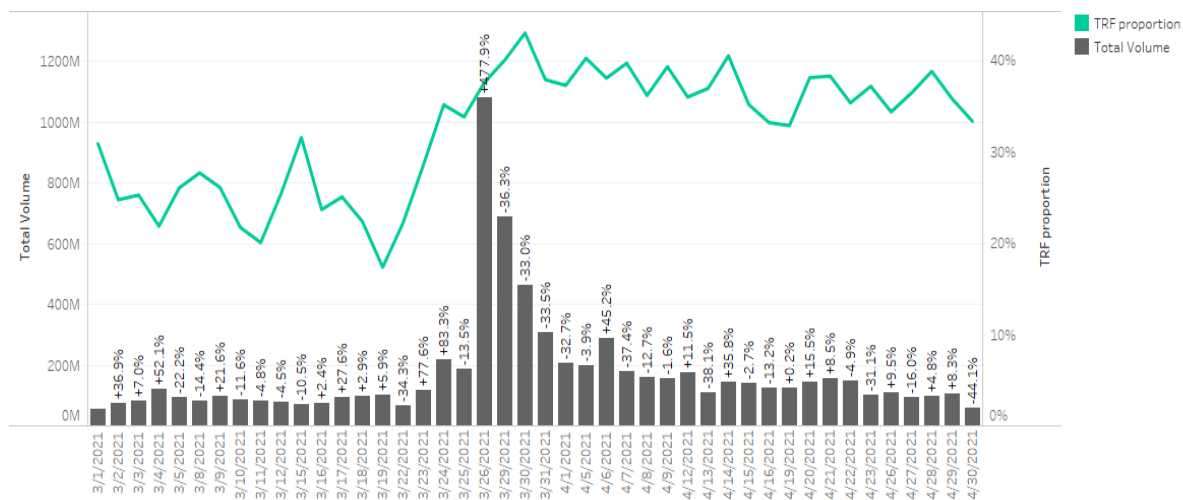
Unpredictable Liquidity

The pitfalls of relying on historical averages to make routing decisions

In the US equity market, liquidity can be unpredictable across venues. Though venues’ market share over time, in aggregate, appear to be stable, on an individual stock basis, there may be episodic events that result in volume distributions across venues that differ greatly from historical averages. As illustrated below, the March 2021 liquidation of positions tied to a handful of market participants possibly altered the historical proportion of executions among venues. This event also illustrates the need for more dynamic routers which can reallocate in response to intraday activity. Relying on dated, static, routing tables may impede participation in the price discovery process.

The disruption cited, centered on eight securities: BIDU, TME, VIPS, FTCH, IQ, VIAC, DISCA, GSX¹. As observed in Figure 1, aggregate market volumes for these companies increased 478% on 26 March versus the previous day. Furthermore, the proportion of volume reported to the TRF (which includes ATS volume) for these symbols jumped to 38% on 3/26, from an average of 27% from 1–25 March, and has remained elevated even as total volume in these eight securities has declined back to more normal levels in April.

Figure 1: Market Volume and TRF Proportion (Eight Affected Securities)



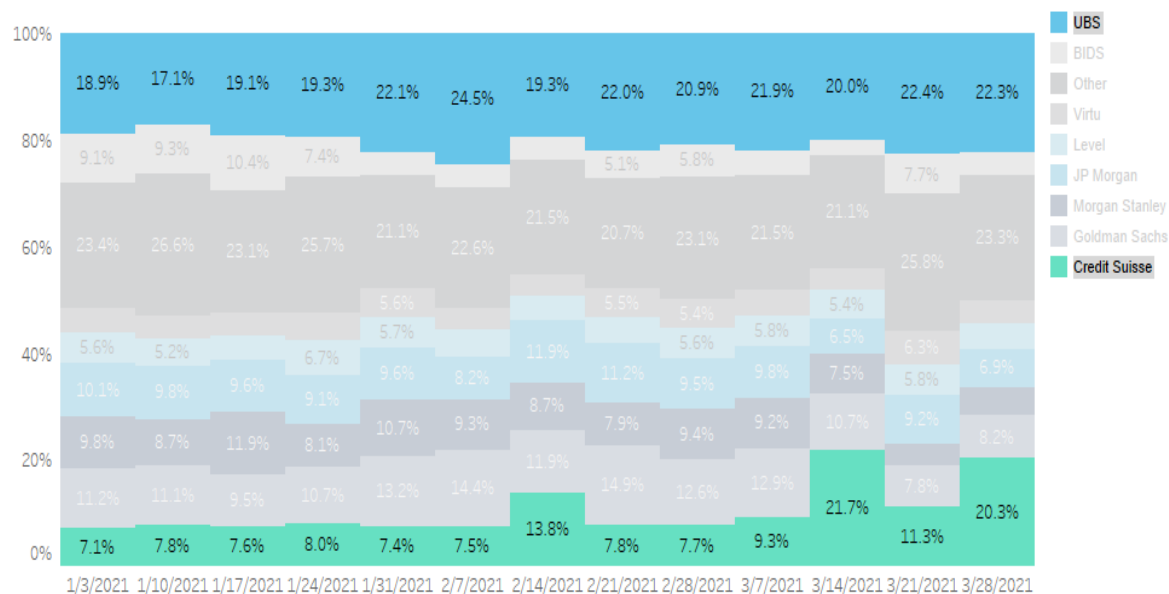
Source: Virtu Financial

When looking at ATS market share for these eight symbols, Credit Suisse’s CrossFinder ATS had a distinct increase in market share, moving from an average market share of 7-8% through the first two months of 2021, to levels exceeding 20% in March.

¹ <https://markets.businessinsider.com/news/stocks/archegos-capital-margin-call-20-billion-liquidation-8-stocks-plummeted-2021-3-1030254795>



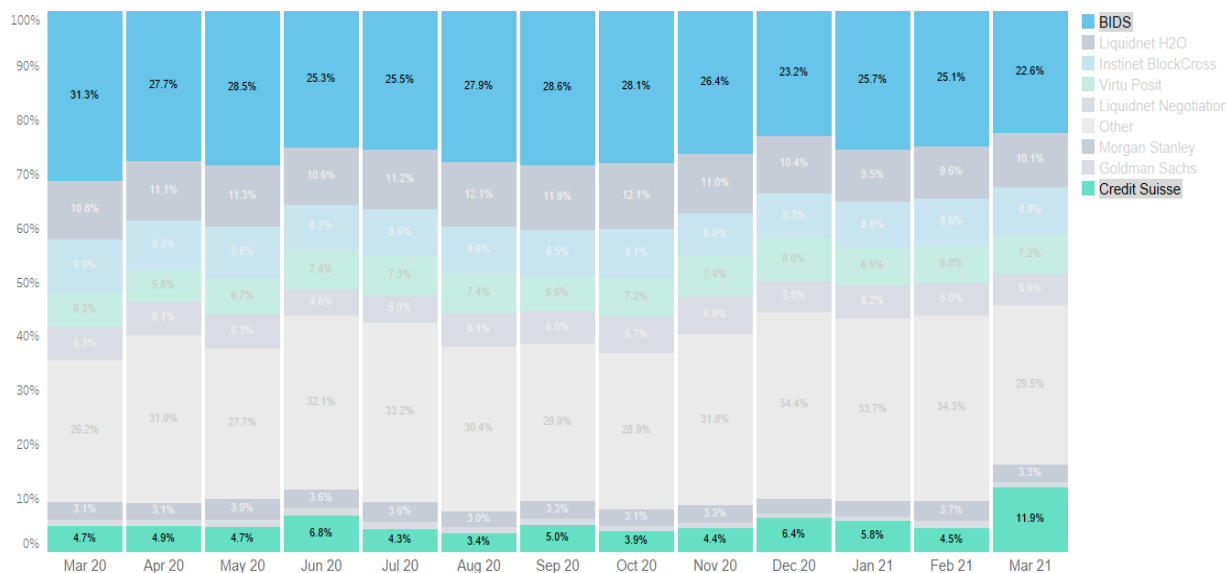
Figure 2: Weekly ATS Market Share (Affected Securities)



Source: FINRA

The liquidation event was potentially a contributing factor to the doubling of Credit Suisse's ATS block market share, which saw a jump from 4.5% in February to 11.9% in March. During the same period, BIDS market share dropped 2.7% from 25.1% to 22.4%.

Figure 3: Monthly ATS Block Volume Market Share



Source: FINRA, excluding Dealerweb



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