# Capital Advisors Group

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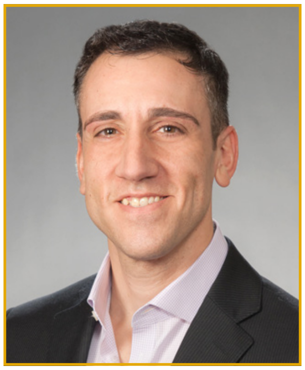
**"It depends on what sectors you trade, but the liquidity crunch since the financial crisis has affected everyone in some way," observes Anthony Cucinotta, head trader at Capital Advisors Group, managing over $8 billion in fixed income portfolios in Newton, Massachusetts.**

Capital Advisors has been spared much of the liquidity squeeze, owing to the nature of its strategies. The firm manages corporations' short-term operating cash, and limits its positions to investment grade securities of shorter durations. Most securities purchased are held to maturity, so that few wind up being sold. Moreover, "Given our focus on higher quality sectors, finding liquidity when we do have to sell is rarely an issue," explains Cucinotta: "For the most part, we're a liquidity provider."



ANTHONY CUCINOTTA
Head Trader

## MANAGING THE NEW MARKET STRUCTURE

"With limited dealer balance sheets after the financial crisis, and a smaller pool for sourcing securities, we reevaluated our coverage and added more dealers, for a total of about three dozen," says Cucinotta. Capital Advisors also looked to source securities through electronic platforms, and joined MarketAxess in 2011. Although a relatively late arrival to automated markets, the firm quickly grasped the benefits of providing liquidity through Open Trading.™ "The platform is an extension of our list of broker-dealers, and functions as another counterparty," he says.

The firm currently executes between 30 and 40 trades a month through various MarketAxess protocols, including Open Trading. "We've found that our trading network has grown exponentially, especially through the all-to-all model," Cucinotta says: "The number of pop-ups alerting me about bonds I'm looking for is up dramatically, and we're reaching counterparties that we wouldn't have seen through traditional RFQs."

## DISCRETION BEGETS OPPORTUNITY

The firm's investment process is well suited to the emphasis on price making in the new liquidity regime. "Our traders, analysts, portfolio managers, and compliance head have all had an integral role," Cucinotta notes: "That synergy has given traders a lot of responsibility – it's our job to know our markets well, do our own pricing, and find best execution. Our traders have a certain degree of discretion—the ability to buy bonds opportunistically—and that gave us a leg up in moving to the new automated environment."

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"In trading through electronic platforms, discretion in the investment process and the ability to act fast are crucial," Cucinotta says: "If you have to stop and look for a particular security, or go to a portfolio manager for approval once you've found a bond you want, a trade can move away from you before you're able to execute. Having a streamlined investment process has proven beneficial in navigating through the changing market structure."

## BETTER PRICE LEVELS

Better pricing is another clear benefit, Cucinotta notes: "Taking advantage of the all-to-all network, in many cases we're able to execute at more favorable levels – closer to the bid side than if they had been purchased and then re-offered. This translates into better execution  which ultimately benefits our clients."

## ADAPTIVE MARKETS

Cucinotta expects broker-dealers will always have an important role in bond trading: "While the technology is evolving, it's still very much a relationship-driven business. We still benefit from our traditional dealer relationships, and still rely on them for sourcing securities and warehousing risk, as well as pricing, trade ideas and research."

"But the market has been moving to the new liquidity environment, and automated trading is playing a more significant role," he says: "More traders are participating, so the number of bonds being traded through the all-to-all networks has increased. If there is one positive coming out of the financial crisis, it's that the owners of corporate bonds have shown a willingness and ability to adapt to this more open, liquid and low-cost structure."