

Case Study

VanEck

Opening trading opportunities in China and emerging markets

VanEck's big picture approach melds with the MarketAxess vision—creating new opportunity around the globe by bringing innovative technology to emerging markets. Learn how we helped VanEck develop their footprint across all our emerging local markets, now including China.



A road traveled together

Since its inception in 1955, New York-based investment firm VanEck has consistently favored a broad international outlook with an eye to nascent industries, asset classes and markets. The firm's big picture approach melds with MarketAxess' own vision of creating new opportunity around the globe by bringing innovative technology to emerging markets (EM).



I feel as if we've really grown with the MarketAxess platform, and it gradually helped us develop our footprint across all our EM local markets.



Fran Rodilosso

Head of Fixed Income
ETF Portfolio
Management

A strong partnership

After using MarketAxess over many years in emerging markets around the globe, VanEck sees a number of clear benefits.

Efficiency

When trading a list across the curve, by receiving multiple quotes, even if it's just for one or two-line items that are close to what is desired, it's possible to make comparisons and ensure pricing is correct.

Reliability

VanEck feels confident that the system isn't going to generate post-trade problems. But if anything occurs, that's easy to resolve.

Transparency

From pricing to market depth and data, VanEck believes trading on MarketAxess creates a level of transparency that is essential for growth.

This symbiotic relationship recently led to VanEck taking a leading role in the successful launch of MarketAxess into the Chinese onshore bond market.

A passport to the world of emerging markets

Emerging markets present many unique trading challenges, from breadth of maturity and product range to restriction levels, local currency risk and the ease of FX conversion. VanEck also faces additional challenges trading bond portfolios across the curve that comprise their ETFs. Often this entails trading multiple bonds in small quantities. This workflow can be tedious and confusing by voice and chat, plus it's challenging to find liquidity when time differences shorten trading windows.

Settlement adds another layer of complexity. "There are countries where, technically, the FX has to get traded separately from the bonds, it's not embedded in the prices," explains Jared Model, Senior Trader and Portfolio Analyst for Fixed Income ETFs. "So, it may not flow to the FX desk, and the FX side doesn't get booked on their end."

However, VanEck has found that, as dealers have become accustomed to MarketAxess, these difficulties have receded. Not only has VanEck been able to steer dealers onto the platform, resulting

in more prices, faster, that ensure best execution, but other aspects of the workflow have improved significantly too. "We have been able to comfortably trade bonds with FX, including in several restricted markets to get the best all-in level," adds Model. "The functionality and execution efficiency has been intelligently built up and improved with dealers over time."



For VanEck, using the MarketAxess RFQ protocol instead of relying on chat has been beneficial - especially when trading China. "The response rate is very high and was even in periods where there were a lot of local COVID lockdowns," enthuses Model. "I haven't found a period yet where I wasn't able to get several quotes, and there's less delay. Onshore dealers understand how the product works and the best ways to go about quoting on the platform. It's as clear as day. And, if there are any issues, we are able to easily take care of them."

Shrinking geography and time through e-trading

Of all the tools MarketAxess provides, the List Trading functionality provides the single greatest value for an indexer like VanEck.

Often VanEck is trading at least ten-line items at a given moment. Using the List Trading functionality enables a workflow where a trader can easily get through seven or eight countries, going across the curve, in five minutes.

This speed and ease bring flexibility, "It allows me to pinpoint times in the day where I want to trade knowing that I could go out quickly and efficiently for multiple countries across the curve at the same time," Model elaborates, "and get done before markets close."

This same flexibility applies to the dealers, according to Model: "Sure, you're putting them in competition, but they don't have to respond to every line. They don't feel they're wasting time, they can be selective with the line items. And that to me is a huge advantage of List. Plus, I typically get better pricing on the whole portfolio by trading line by line - versus trying to enter into negotiated levels on other platforms where I might not be getting quotes from everyone that I need to, immediately." In China, List Trading also stands out for Model.

//

I primarily use the List Trading function specifically for EM local rates, because most of these countries that we're active in are fairly liquid, especially Eastern Europe. As a trading tool, especially for an indexer going across the curve, it keeps everything all in one place between the CGBs and policy banks. It's always just been the cleanest for me and it best fits our needs."

— **Jared Model**

Senior Trader and Portfolio Analyst
for Fixed Income ETFs



Opening up to China

The size and breadth of China's onshore bond market makes it the second largest in the world. Bond Connect and CIBM Direct are trading schemes that allow international investors to access the Chinese onshore bond market and MarketAxess offers both schemes through a single, integrated trading interface.

From an index perspective, the liquidity and relative stability of the market in China lowers the overall volatility. "As a stand-alone investment," Rodilosso asserts, "we think it's a great fit for portfolios with a lot of other developed markets exposure as it has a low correlation."



It's the one country on the debt side where we have a dedicated product for just investing in the debt of that country." Another advantage of China, relative to other emerging markets, has been its relatively greater currency stability bringing less risk.



Know where you go

Even though China presents enticing reasons to invest, it needs to be navigated with due diligence, extensive knowledge and great care. "From a foreign investor's point of view," says Rodilosso, "it's still lacking some of the openness and absence of friction that you would expect investing in developed markets. There are still hurdles regarding liquidity, custody and transparency, although that's improving."

There remain some very practical considerations when trading in China. As Model advises, "Out of all the restricted markets and 'no fail' markets, China is definitely the strictest we've dealt with." Bond Connect has clear rules on knowing counterparties, limitations on the number dealer solicitations and the need to preselect dealers. Plus, its rigid settlement requirements leave little margin for error. "Even if it's a just amending an allocation," Model adds, "there's no going back and changing it."

Yet despite the rigidity, opportunities are expanding, "We are looking toward the future," Model continues.



China unlocked

Access \$17 trillion onshore market

MarketAxess now gives you access to the world's second largest bond market via Bond Connect and CIBM Direct. You can now trade China as efficiently as any other EM local currency bond market on our platform.

Trade

- China government bonds
- Local government bonds
- Policy bank bonds
- Credit bonds
- Negotiable Certificate of Deposit

Features

- RFQ single
- List trading
- Indicative price streams
- STP

A singular global view

As the world's leading EM platform, offering 28 local currency bond markets (8 being Asian), MarketAxess has been steadily expanding throughout Asia, experiencing significant year-on-year growth across the region. By enabling and streamlining market access and providing critical pre-trade price discovery data and analytics, the platform provides an efficient and seamless electronic trading workflow. There's no need to use different providers and screens, the entire EM local markets can be easily traded in one place.

In Model's opinion, a strong presence in Asia makes the truly global approach of MarketAxess stand out from its competitors who are primarily concentrated on Latin America. Its impressive variety of trading protocols gives traders greater flexibility, too. Additionally, MarketAxess has a wider selection of bonds.



A lot of the other platforms are very focused on the most liquid names and countries. I'd rather go out on a large list on MarketAxess and be able to execute or go RFQ on each line item rather than a larger portfolio trade or negotiating every single trade. It's a really efficient way of getting competitive quotes on multiple line items at once.

Jared Model

Senior Trader and Portfolio Analyst
for Fixed Income ETFs

Building investor confidence, market after market

"With some LATAM and Asian countries, especially Indonesia, it took some pushing to get dealers to quote on the platform," recalls Model. "Early on dealers often did not want more competition on some

Case Study: VanEck

trades which may have led them to be hesitant. It always starts with just a few and that grows over time.”

Electronification’s profound effects on emerging markets become evident quickly. Model observes that, “initially, we see wider bid/ask and more spread out RFQ levels. After trading electronically for some time, we see cover levels that are

much closer.” This transparency is crucial for foreign investors.

MarketAxess has recently brought the same powerful market transformation to Egypt, Serbia and Uruguay and VanEck’s ongoing partnership is positioning the firm to take full advantage of new opportunities on the platform as they unfold.



Sometimes you feel as if you’re in the market but you’re at a slight disadvantage. I think transparency with regard to pricing information, with regard to depth of markets on a variety of levels, and, of course, with regard to prints and information coming back through the system is critical for building global investor confidence.”

Fran Rodilosso

Head of Fixed Income ETF
Portfolio Management

One global Emerging Markets electronic platform

With **28 local currencies**, including 8 in Asia, a wider selection of bonds and an array of trading protocols, global reach has never been easier.

- 1,600+ market participants
- 120+ countries
- 100+ dedicated global and regional dealers
- 45 cents cost savings per bond via **Open Trading**, the MarketAxess all-to-all marketplace.



NYC Headquarters

55 Hudson Yards Floor 15
New York NY 10001
T + 1 212 813 6000
F + 1 212 813 6390

Hong Kong

Unit 1201, 12F
LHT Tower
No. 31 Queen's Road Central
Central Hong Kong
T + 65 6916 1300

Singapore

1 Raffles Quay
#10-04 North Tower
Singapore 048583
T + 65 6916 1300

Miami

Brickell Arch
1395 Brickell Ave, 15th Floor
Suite 1520
Miami, Florida 33131

London

5 Aldermanbury Square
London EC2V 7HR
T + 44 (0)20 7709 3100
F + 44 (0)20 7709 3101

Amsterdam

Herengracht 280
1016BX
Amsterdam
T + 31 2088 88010

São Paulo

Av. Pres. Juscelino Kubitschek
1455-4 andar - sala429 - Vila Olímpia
São Paulo - SP 03178-200 Brazil
T + 55 11 3080 84000

©2023 MarketAxess Holding Inc. (the "Company"). MarketAxess Corporation is a member of FINRA and SIPC. MarketAxess Canada Company is a member of the New SRO. MarketAxess Europe Limited (04017160), MarketAxess Capital Limited (09777893), and MarketAxess Post-Trade Limited (01917944) are incorporated in England and Wales, and are each authorised and regulated by the Financial Conduct Authority. MarketAxess NL B.V. (69592888) and MarketAxess Post-Trade B.V. (69597774) are incorporated in the Netherlands, and are each licensed by the Netherlands Authority for the Financial Markets. MarketAxess Singapore Pte. Limited (201702319R) is incorporated in Singapore and recognised by the Monetary Authority of Singapore. MarketAxess is a trading name of the aforementioned entities. To the fullest extent permitted by applicable law, all warranties and representations are disclaimed. All information presented herein is considered to be accurate at the time of writing, provided "as is" with no express or implied representations or warranties—including without limitation in relation to fitness for purpose, accuracy, or completeness of contents. Whilst sources of information are believed to be reliable, MarketAxess does not independently verify information obtained from third party sources. Any information presented is not intended to represent an offer or solicitation of any financial instrument. For the purposes of clients accessing MarketAxess services from EU27 countries, this information is provided by MarketAxess NL B.V. and /or MarketAxess Post-Trade B.V., as appropriate. Proprietary and confidential information of the Company—all forms of copying prohibited. Further information can be found on our website at marketaxess.com.

01/19/2023