

# MARKET INDICATORS



		THREE-MONTH TREND	ONE-MONTH TREND	TWO-WEEK TREND	MARKET SHARE	COVERAGE (80%)*	AUCTION LIQUIDITY*	AVG DAILY NO. of TRADES	Average Trade Size (ATS)	Bid-ASK Spread (VWAS in bp)	% time at BEST BID & OFFER*	% time at BEST BID & OFFER with greatest size*
<b>AEX</b>	EURONEXT	↓	↓	→	69.9%	47%	7.7	5 230	11 472	4.3	57%	35%
	CHI-X	↑	↑	→	21.3%	42%		2 695	6 769	3.8	55%	16%
	TURQUOISE	→	↓	→	2.9%	48%		468	5 236	7.0	13%	0%
	BATS	↑	→	→	5.0%	35%		694	6 159	5.1	19%	0%
	NASDAQ OMX	→	→	→	1.0%	41%		151	5 460	8.5	4%	0%
<b>BEL20</b>	EURONEXT	↓	↓	↓	72.3%	35%	9.1	2 207	8 827	6.2	43%	30%
	CHI-X	↑	↑	↑	21.1%	25%		1 082	5 258	5.1	40%	16%
	TURQUOISE	→	→	→	2.5%	25%		146	4 644	10.8	40%	0%
	BATS	↑	→	→	3.4%	23%		202	4 494	11.7	6%	0%
	NASDAQ OMX	→	→	→	0.7%	28%		48	4 045	19.4	6%	1%
<b>CAC40</b>	EURONEXT	↓	→	↓	69.7%	59%	9.8	7 156	11 456	3.9	55%	32%
	CHI-X	↑	↑	→	21.9%	57%		3 979	6 460	3.5	57%	16%
	TURQUOISE	↓	→	→	2.8%	63%		631	5 291	6.0	11%	0%
	BATS	↑	→	→	4.7%	53%		1 022	5 420	4.9	21%	0%
	NASDAQ OMX	↓	→	→	0.9%	59%		195	5 129	12.8	5%	0%
<b>DAX</b>	XETRA	↓	↑	↓	72.2%	53%	5.9	3 868	26 816	5.1	40%	31%
	CHI-X	↑	↓	↑	19.9%	51%		3 396	8 408	3.8	50%	15%
	TURQUOISE	↓	→	→	2.3%	57%		498	6 624	8.3	8%	0%
	BATS	↑	→	→	4.7%	48%		984	6 847	6.6	20%	1%
	NASDAQ OMX	→	→	→	0.9%	57%		217	6 195	15.9	7%	0%
<b>FTSE 100</b>	LSE	↓	↓	↓	59.7%	39%	10.0	3 257	11 890	6.0	67%	31%
	CHI-X	↑	→	→	25.8%	37%		2 862	5 857	5.3	69%	17%
	TURQUOISE	↓	→	→	4.0%	42%		542	4 809	8.2	35%	0%
	BATS	↑	↑	→	9.1%	38%		1 239	4 762	6.3	49%	1%
	NASDAQ OMX	→	→	→	1.3%	38%		190	4 488	10.0	12%	0%
<b>SLI (30)</b>	SIX	↓	↓	↓	74.7%	35%	8.1	3 075	22 780	8.8	55%	30%
	CHI-X	↑	↑	↑	15.7%	29%		1 268	11 640	8.5	46%	10%
	TURQUOISE	→	→	→	2.8%	31%		285	9 552	10.8	26%	1%
	BATS	↑	↑	→	6.0%	26%		574	10 194	NaN	35%	2%
	NASDAQ OMX	→	→	→	0.7%	32%		77	8 441	13.3	20%	1%
<b>EUROSTOXX 50</b>	CHI-X	↓	↓	→	17.8%	62%		2 857	8 845	3.9	57%	15%
	TURQUOISE	↓	↓	→	2.5%	62%		530	7 544	5.8	26%	0%
	BATS	↓	↓	→	5.80%	60%		1 008	7 845	4.8	41%	1%
	NASDAQ OMX	↓	↓	→	0.8%	62%		210	6 580	10.8	9%	0%

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Reference period: 1 March to 31 March 2010

\* Exclusive CA Cheuvreux – TAG

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## COMMENTS:

We confirm the trend of the two first months: **fragmentation is most prevalent on Chi-X and BATS, except Xetra gaining back 2 points of share** (mainly from Chi-X). On a secondary level **we are starting to see NYSE Arca Europe close to 0.5% of the market**. As we expected, volume went back to primary markets on the 19th March (witching day), it nevertheless did not stop the fragmentation trend.

It is important to underline that **the spreads reached their minimum of the last 12 months in almost all segments**. This could be a consequence of several factors, among them, new high frequency trading, and a more competitive world with more venues improving their numbers in our two EBBO benchmarks.

**BATS has achieved excellent market shares, close to 10% of FTS100, and a 5.3% of the whole European market**. This needs to be confirmed in other segments and also on the coverage benchmark where they definitely can improve. We have started monitoring NYSE Arca Europe and will include it in our next issue in April.

More generally, we observe that **the Chi-X's market share on a daily basis is declining month-on-month**. The higher the turnover, the less stable the market share. This confirms an assumption made in the third issue (Sept. 2009) of *Navigating Liquidity*. The conclusion was that it is more difficult to guarantee a stable market share when your turnover increases, the erosion of primary markets is mechanical provided that any rational trader penalizes market share by its instability (in any classical efficient frontier framework) in his heatmaps. **In such a model, the final state is a low number (2 or 3) of players sharing 70% of the market share complemented by less than 5 smaller players**. The future will tell us if the European market microstructure will follow this road.

**Fact of the month:** March 19th: Total turnover + 80 % compared to the average of 5 preceding days. Most of this additional volume went to the main markets. This daily fragmentation reached a low of 17% (end of month: 28%). Some venues like LSE, and Euronext outperformed on the day. **If we had to name the venue of the month we will say it was Bats**, as it reached new record turnover on several segments.

**Future Trends:** We have seen plenty of announcements. In a **fight for auction volumes**, BATS will expand after hours trading to Dax30 and Cac40 for their current MOC and TAL order types and will offer a new Recycle strategy. Neuro has announced a push on ETF and in some eastern country exchanges-Budapest, Prague. We haven't heard about a new MTF this month, but we expect that **some announcements will be made at TradeTech**.

## DEFINITIONS:

### Market share

For local main indices, this is the ratio of the venue's turnover over the sum of the turnover of all the four considered venues. For the Eurostoxx 50, it is the ratio of the venue's turnover over the sum of the turnover of all venues trading Eurostoxx 50 components.

### Coverage

This indicator is inspired by the "inequality measure", also called the Pareto principle or the 80:20 rule: when 80% of an activity is concentrated on 20% or less of its players, this activity is clearly not well balanced. The coverage indicator assesses the "20%" part of this rule of thumb for exchanges. The closest to 80% it is, the more the venue offers balanced liquidity from one stock to another.

### Auction liquidity

This is the ratio of the proportion of the turnover traded during auctions by the typical time ratio between the continuous auction phase (generally 8½ hours) and the fixing auctions (usually two 5-minute phases), which is less than 2%. It is only available for primary exchanges. The higher it is, the more turnover one will find during auctions.

### Average daily number of trades

The higher it is, the more chance an investor has to be present when a trade happens. *Contrary to block venues, the granularity of a venue is a must to attract different order flows.*

### Average trade size (ATS)

Mean trading size in euros. This can be considered as the "natural size" of orders on the venue.

### Bid-Ask Spread (Volume Weighted Average Spread)

The average spread when a trade occurs, weighted by the turnover of the trade. It is the bid-ask spread from the liquidity provider's point of view.

### % Time at EBBO at Best Bid and Offer

This is the proportion of the day during which the venue offers a spread equal to the EBBO.

### % Time at EBBO at Best Bid and Offer with Greatest Size

This is the proportion of the day during which the venue offers the greatest sizes at a spread equal to the EBBO.

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