

Asia Markets IT

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ITG Savours “Perfect Cocktail” of Factors Driving Asian Demand

The “perfect cocktail” of factors in play within Asia’s financial markets is driving demand for a “dashboard” solution to provide buy side traders with the equivalent of a satellite navigation system as they negotiate the region’s complexities. So believes Alasdair Haynes, managing director and CEO of agency broker and technology provider ITG’s international operations.

“Transaction costs are high,” he says. “The region is clearly growing but there is great disparity between the different markets and there are liquidity problems. The Asian region is highly complex, with different jurisdictions, different regulators, different languages and different currencies, operating across huge expanses of time and distance. Technology can unite that.”

In the spirit of empowering Asian traders – too many of which today are driving go-carts, says Haynes – with such a dashboard, ITG is rolling out its suite of services developed for the US and Europe into Asia, where ITG Asia-Pacific comprises three units, centred on Hong Kong, Japan and Australia. “Our specialist subject is analysing trades and executions, providing real-time analytics and post-trade analytics, which means we can really help funds get better performance by improving the quality of

executions,” Haynes continues.

ITG has been active in Asia for some 10 years, and in 2002 acquired Hoenig, a soft broker with a trading history in the region of nearly 20 years. Now the focus is on developing the electronic trading and algorithms side of its business in Asia, while capitalising on its existing expertise and relationships, he says.

The ITG transaction cost analysis solution has been available in the region for a few years, and it is about to launch a Japanese language version for use by both domestic and inter-national players in Japan, enabling firms “to measure transaction costs in a comparable way across the region in the same way as they can elsewhere in the world”.

A planned launch out of Hong Kong is a suite of algorithms for use in five or six Asian markets, based on the algorithms ITG offers in the US and Europe.

“At this stage in Asia a lot of firms are using algorithms but they are very basic. The more sophisticated the market becomes, the more it will move into second generation algorithms,” Haynes says, adding that the ITG offerings “will be more sophisticated than just basic VWAP trading for example, and they will be designed and styled to perform

optimally in the local markets”.

On the “dark pools” side, ITG has recently launched in Australia its BLOCKalert continuous indications product as well as Posit Now, the continuous intraday crossing system. It will also launch Triton in the region, and indeed has a number of beta clients using it already, says Haynes.

While ITG’s initial target clients are the global players – the easiest sell “because they already understand the issues and benefits and use the systems elsewhere” – its ambitions extend to domestic firms also, he continues. “If you have dark pools, you need domestic players as well. A matching system needs different styles and ideas or the order flow will be all one way.”

A boon when approaching domestic players will be ITG’s existing transaction cost analysis data, he believes. “That data today is generated by global players trading all over the world. We can enable an understanding of tick data and how much orders really cost, and the use of real data to design algorithms and strategies.”

Haynes believes the impact of technology such as it provides will mirror in Asia what has happened in Europe and the US. “We will give technology to the trading desks of the buy side, and this technology

may take over a lot of what sales traders do today,” he says. “The balance of power between buy side and sell side will go the same way in Asia as it has in Europe and the US, with the buy side traders controlling the order flow.”

ITG has applied the distributed technology approach taken in Europe and the US in Asia also,

with the core technology in Melbourne and developers in Tokyo and Hong Kong for customisation and plug-ins. “I believe in achieving the chameleon effect,” Haynes says. “People should feel ITG in Asia is Asian. Our aim is to be able to take a global product and make it regional. For example, an algorithm that will work perfectly in the US

and Europe will be a disaster in Asia, though the core basic product may be the same.

“The Hong Kong and Japanese markets close at lunchtime, so what is VWAP, and what are closing auctions/opening auctions? That’s why the data and analytics and technology are so important,” he concludes.