

INTERVIEW RAMON BALJÉ & MATHEUS PEREIRA



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**Strong growth of
Fixed Income**
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The Fixed Income ETF market has grown strongly in recent years, with investors keen to take advantage of the tradability, liquidity and transparency the products offer. According to iShares (BlackRock) Fixed Income ETF assets might double in the coming 5 years from the current \$1 trillion.

For Flow Traders, which has developed strongly in the Fixed Income ETF market recently, there is still significant growth potential to be realized. Ramon Baljé,

Head of Fixed Income Europe and Matheus Pereira, Head of Trading US, discuss the market's importance and Flow Traders' role within it.

Let's start with the basics: What is a Fixed Income ETF?

Matheus: 'Fixed Income ETFs enable investors to buy a slice of securities, in this case bonds. These can be in any type of Fixed Income security available in the market, from government bonds to corporate bonds. Because they are ETFs

they can be traded in the market like an open ended share. But unlike mutual funds, which tend to be available for trading at the end of the day only, Fixed Incomes ETFs have the advantage of being tradeable throughout the day.'

So ease of trading is the main advantage Fixed Income ETFs have over bonds?

Ramon: 'Being easier to trade than the underlying bonds is just one of the advantages of ETFs. Another key benefit is greater insight into their liquidity. Because

most bonds are traded over the counter rather than on exchanges, it is very difficult to accurately measure their liquidity. Fixed Income ETFs provide investors with accurate data on volumes traded, meaning there is far greater price transparency.'

What else attracts investors to Fixed Income ETFs?

Matheus: 'Since Fixed Income ETFs pay the accumulated coupons throughout the month, if investors hold a basket of funds they can create income on a monthly basis. This is an attractive option for many. Another new trend is to create tax efficient solutions within the ETF, for example by building a portfolio that includes products that are either taxed attractively or are even exempt of tax in their own jurisdiction. This provides investors with a great deal of flexibility and transparency.'

What is Flow Traders' position in the Fixed Income ETF market?

Ramon: 'Our market position was significant in 2019, over 15% globally. Our ground-breaking technology and our heavy presence trading underlying bonds sets us apart from our market peers, and we see huge growth potential within the Fixed Income ETF space.'

According to iShares (BlackRock) the market is forecast to double in terms of assets under management (AuM) in the coming few years, and recent net inflows have been massive. New products, such as iShares High Yield Bond Series and the JP Morgan US Aggregate Bond ETF, are helping fuel this growth.

We are also seeing other market participants, such as hedge funds, moving into Fixed Income ETFs to reduce the cash drag on their funds. What does that mean? Well, because the ETF is especially liquid the hedge funds use the ETFs as a placeholder for cash, creating a win-win situation.'

Finally, any other changes that will help the market grow?

Matheus: 'Another recent development that is highly significant is the introduction of the ETF Rule in the United States. This brings greater consistency and transparency to the ETF market, making it easier for new participants to enter the market and issue funds, and should give a real boost to the Fixed Income ETF market.'



Name: Ramon Baljé

Position: Head of Fixed Income

Specialism: Fixed Income Sales, Trading and structuring. Main focus on quantitative side of rates and credit.

Background: Ramon is an experienced managing director at his former employers with a demonstrated international track record of over 20 years in building successful Fixed Income businesses mainly in London. Worked in various Fixed Income management jobs (Sales & trading and structuring) at JPM, Lehman / Nomura, Citi and UBS. He studied Econometrics at Erasmus University, Rotterdam and is also a CFA Charter holder.

Name: Matheus Pereira

Position: Managing Director Flow Traders US LLC & Head of Trading US

Specialism: US Fixed Income

Background: Matheus holds a BS in Economics with dual concentration in Finance and Operations Management from The Wharton School of the University of Pennsylvania. Matheus joined Flow Traders US in 2015 and was appointed Head of Trading and Managing Director for the Americas in 2019.