

August 2020

Canada Market Structure Monthly



Canada Market Microstructure Observations

- TSX-listed average daily volume in August 2020 was 690M shares, a 3% uptick MoM and a 7% increase YoY.
- Average non-TSX listed volume decreased for the first time in nine months to 528M shares in August 2020. Materials companies continue to contribute to the majority of volume traded in non-TSX listed names, accounting for 55% of all volume traded, followed by Health Care at 16%.
- Sun Life Financial (SLF) experienced a surge in trading at the close, with a median market on close (MOC) market share that soared to 57% in August 2020. Meanwhile, MOC market share for the Canadian banks declined MoM, from the low 30% in July to sub-20% in some instances (BNS, CM).
- Block volume market share increased for the fourth consecutive month, gaining 4% MoM to 9.4% in August 2020. Although block volumes have been climbing steadily in recent months, they are still well below pre-pandemic levels when block volume market share was above 12%.
- Average spreads declined for the fifth consecutive month in August 2020. The first 30 minutes saw the largest decrease in spreads, down 10% MoM for both the S&P/TSX Composite and S&P/TSX 60, while all other time bins saw declines of 7%.

Market Structure News

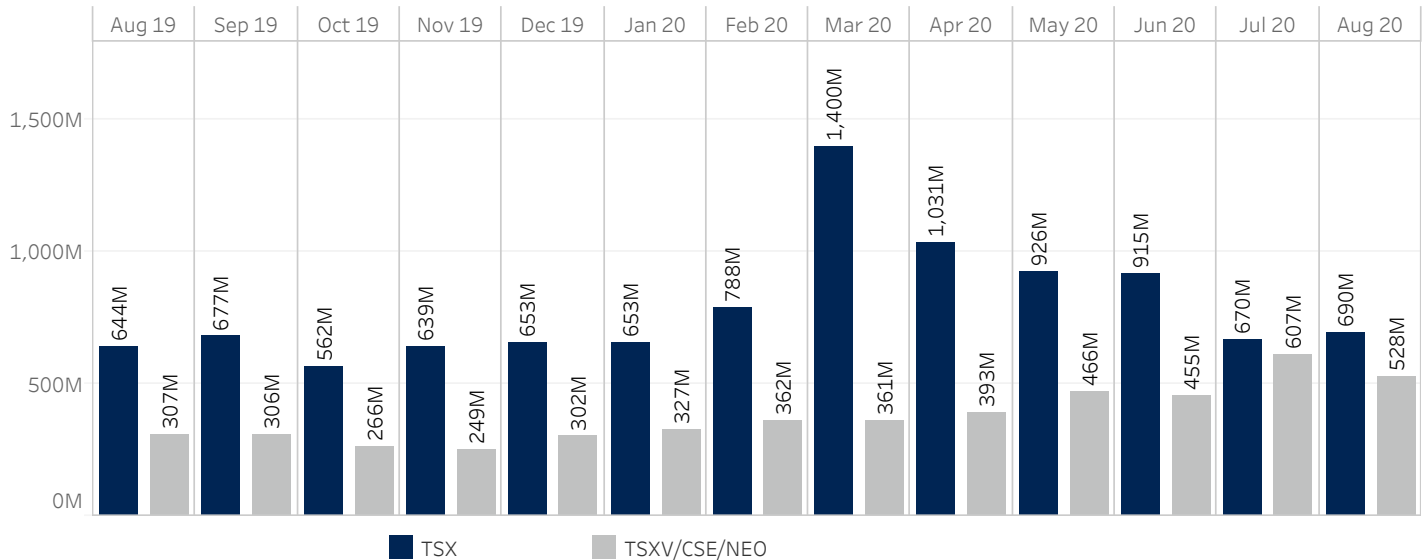
The Canadian Securities Administrators (CSA) and the Investment Industry Regulatory Organization of Canada (IIROC) Provide Update on Internalization

The CSA and IIROC published a joint update on their consultation paper *Internalization within the Canadian Equity Market*. The report largely consists of a summary of responses received during the 60-day public comment period in March 2019. Although the number and volume of unintentional crosses as a percentage of the market has risen from 12% in 2016 to 16% in 2019, the regulators have determined that these levels do not warrant immediate regulatory intervention but have indicated that they will continue to monitor the situation. Broker preferencing and segmentation continue to be very divisive topics among market participants, with many respondents arguing against the practices due to fairness concerns, while others argue that broker preferencing and segmentation of orders provide a benefit to clients, particularly retail. The regulators have reiterated that there are no plans to eliminate broker preferencing and that the current levels of segmentation are not high enough to justify regulatory intervention. With the process of internalization largely becoming automated, concerns were also raised that such systems may appear to exhibit the characteristics of a marketplace as defined under National Instrument 21-101 and its Companion Policy. Most respondents were of the view that systems which automate internalization should be considered and governed as a marketplace. The CSA has indicated that this is something that they will review and may clarify.

https://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20200820_23-327_csa-iiroc-internalization-canadian-equity-market.htm

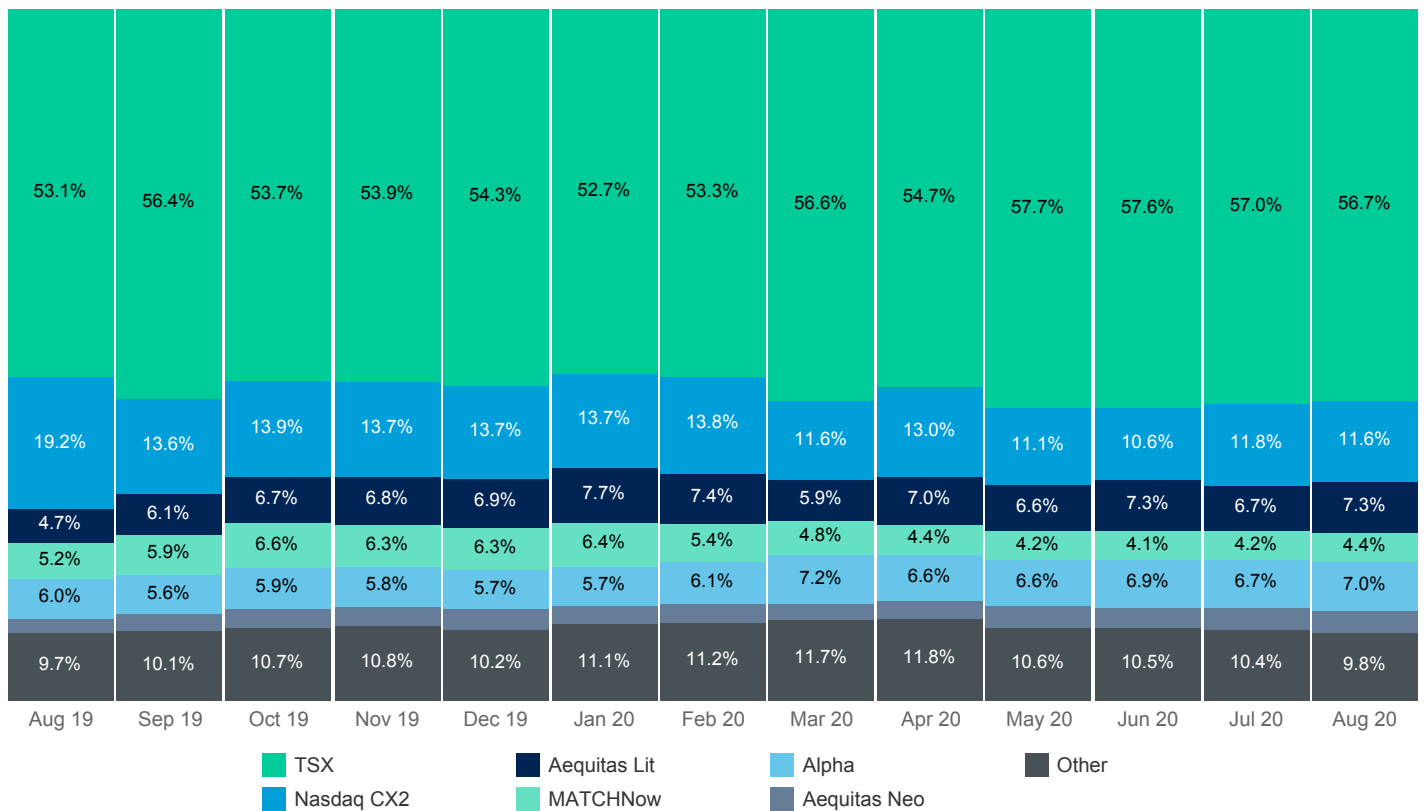


Average Daily Market Volume By Listing Exchange (Shares)



Source data: Virtu Financial

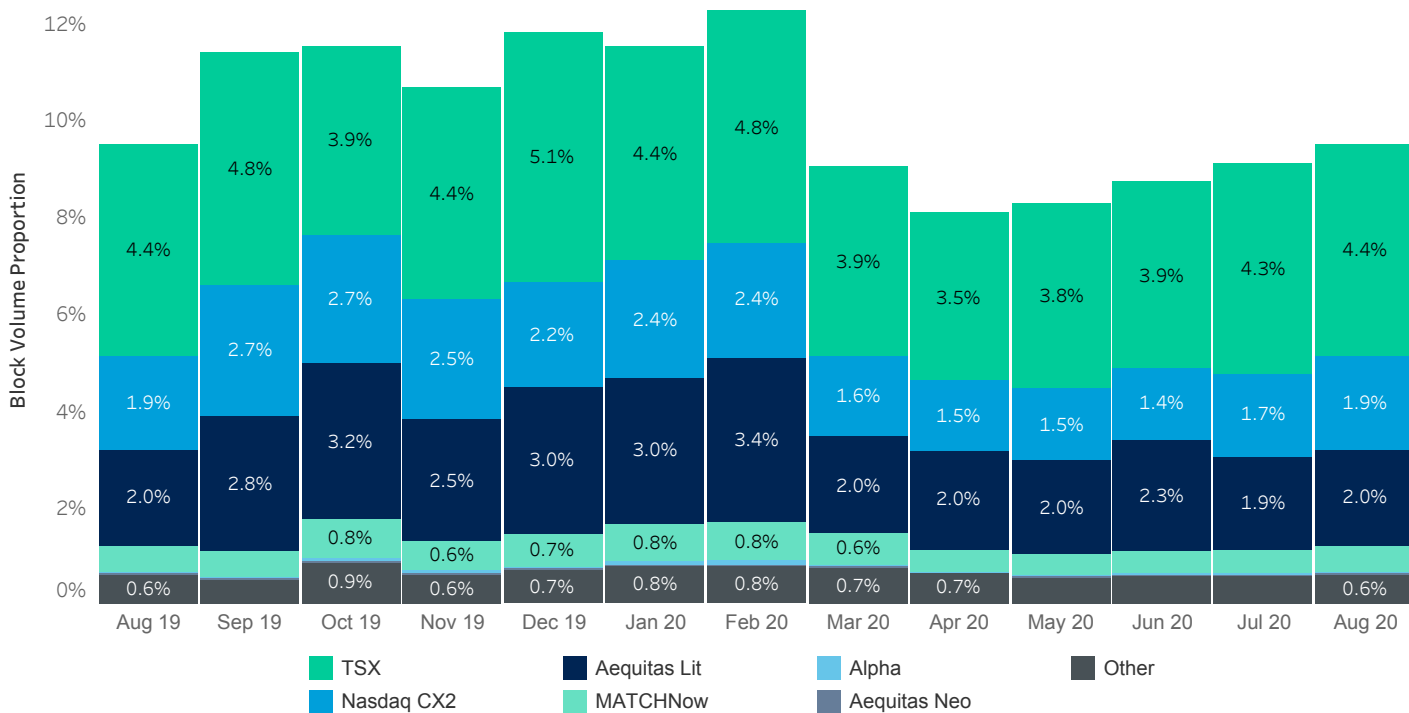
Venue Market Share



TSX listed securities only; Source data: Virtu Financial

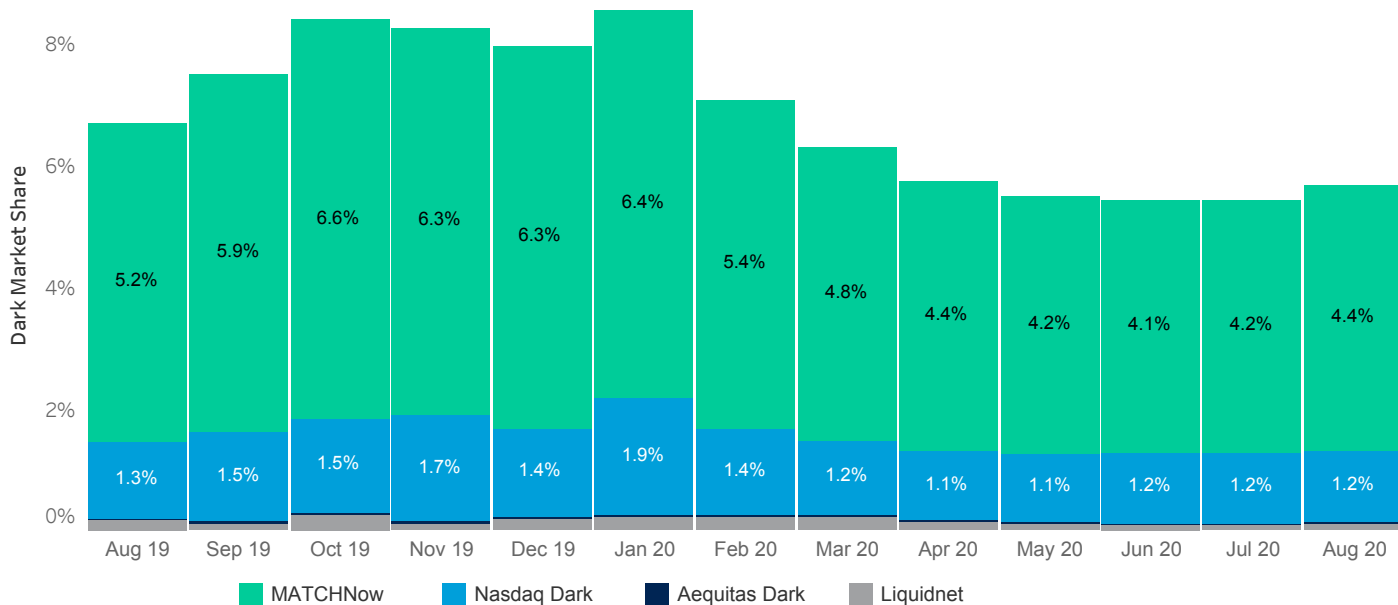


Block Volume Market Share



Blocks defined as >10K shares and > \$100,000; TSX listed securities only; Source data: Virtu Financial

Dark Venue Market Share (% of total volume)



TSX listed securities only; Source data: Virtu Financial



Quotesize in Shares

		3Q 19		4Q 19			1Q 20			2Q 20			3Q 20	
		Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20
First 30 Min	S&P/TSX 60	551	578	594	599	640	605	608	500	482	502	520	608	629
	S&P/TSX Composite	595	600	610	637	692	680	689	586	543	532	564	638	673
Mid Day	S&P/TSX 60	836	861	855	901	1,012	1,007	960	617	627	754	730	808	848
	S&P/TSX Composite	888	857	855	919	1,050	1,053	1,021	720	691	791	803	860	903
Last 30 Min	S&P/TSX 60	1,166	1,278	1,310	1,356	1,514	1,422	1,373	675	759	962	953	1,033	1,069
	S&P/TSX Composite	1,151	1,192	1,180	1,271	1,435	1,396	1,394	827	896	1,065	1,100	1,125	1,169

Spread Bps

First 30 Min	S&P/TSX 60	4.8	4.6	4.8	4.6	4.3	4.4	4.6	14.9	11.2	7.5	7.2	6.8	6.2
	S&P/TSX Composite	10.2	10.0	10.1	9.3	8.6	8.7	9.5	28.3	23.0	17.7	16.2	13.8	12.4
Mid Day	S&P/TSX 60	3.3	3.2	3.2	3.0	2.8	2.8	2.9	7.7	5.5	4.6	4.5	4.4	4.1
	S&P/TSX Composite	6.6	6.4	6.4	6.3	5.7	5.7	5.9	14.8	11.5	9.6	9.1	7.8	7.2
Last 30 Min	S&P/TSX 60	2.6	2.4	2.5	2.4	2.3	2.3	2.3	6.0	4.4	3.6	3.5	3.3	3.1
	S&P/TSX Composite	5.6	5.5	5.5	5.3	5.1	5.0	5.0	12.0	9.2	8.1	7.6	6.8	6.3

One Minute Volatility Bps

First 30 Min	S&P/TSX 60	13.7	12.0	11.2	11.0	10.6	10.0	12.4	51.8	30.1	22.1	21.3	16.7	15.3
	S&P/TSX Composite	16.7	14.6	13.6	13.3	12.4	12.0	14.8	56.2	36.1	27.2	26.4	20.6	19.2
Mid Day	S&P/TSX 60	4.5	4.1	3.9	3.4	3.3	3.2	3.9	22.9	11.8	7.7	7.6	5.5	5.1
	S&P/TSX Composite	4.7	4.2	4.0	3.5	3.0	3.1	3.8	22.8	13.0	8.2	8.1	6.1	5.6
Last 30 Min	S&P/TSX 60	4.2	3.7	3.6	3.0	3.0	3.2	3.6	26.5	12.8	8.5	7.4	5.4	4.7
	S&P/TSX Composite	4.0	3.5	3.3	2.9	2.6	2.7	3.1	25.1	13.3	8.6	7.7	5.7	5.0

Percent MDV by Time of Day

Open	S&P/TSX 60	0.6%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%	0.6%	0.5%	0.6%
	S&P/TSX Composite	0.5%	0.5%	0.4%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%
First 30 Min	S&P/TSX 60	11.5%	10.7%	10.4%	10.6%	11.3%	10.9%	11.0%	10.8%	11.1%	12.2%	11.7%	11.7%	11.4%
	S&P/TSX Composite	11.4%	10.9%	10.4%	10.7%	10.9%	10.9%	11.2%	10.6%	11.5%	12.5%	11.7%	12.2%	12.7%
Last 30 Min	S&P/TSX 60	24.7%	28.2%	27.5%	27.2%	28.8%	28.9%	27.8%	28.2%	30.6%	29.7%	30.0%	32.5%	29.4%
	S&P/TSX Composite	20.6%	21.5%	21.8%	21.4%	22.3%	22.5%	22.0%	22.3%	24.6%	23.1%	23.1%	25.1%	23.3%
Close	S&P/TSX 60	7.6%	12.3%	8.6%	8.6%	11.1%	9.9%	10.1%	8.4%	8.9%	8.9%	12.3%	11.4%	9.9%
	S&P/TSX Composite	4.1%	4.3%	4.2%	4.3%	5.1%	4.8%	4.9%	3.7%	3.8%	4.0%	5.0%	5.6%	5.3%

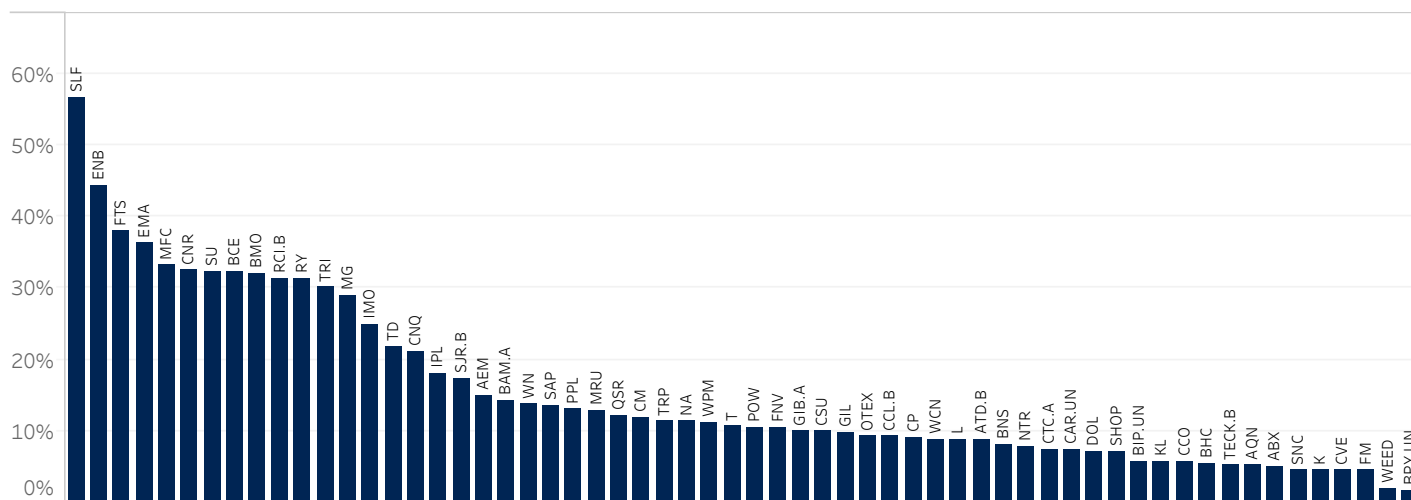
Median used for all metrics

One minute volatility is calculated using the difference between the high and low price within a one minute time bin, divided by that bin's VWAP

Source data: Virtu Financial



August 2020 Median MOC % of Daily Volume - S&P/TSX 60



Source data: Virtu Financial



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APAC+852.2846.3553 | **CAN**+1.416.874.0800 | **EMEA**+44.20.7670.4066 | **US**+1.212.444.6250
info@virtu.com | www.virtu.com

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