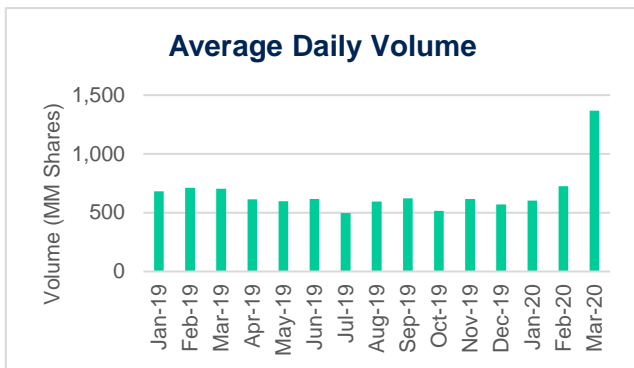
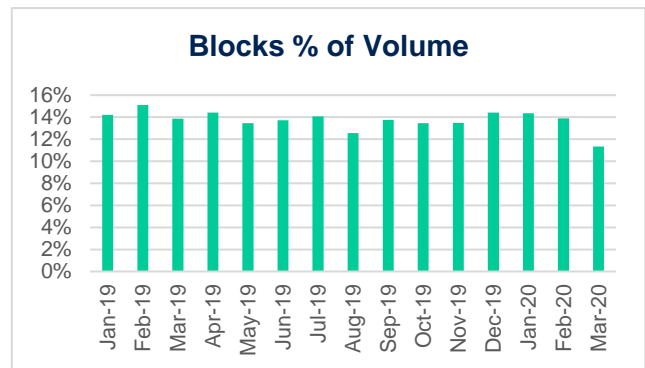


# Canada Market Structure Monthly

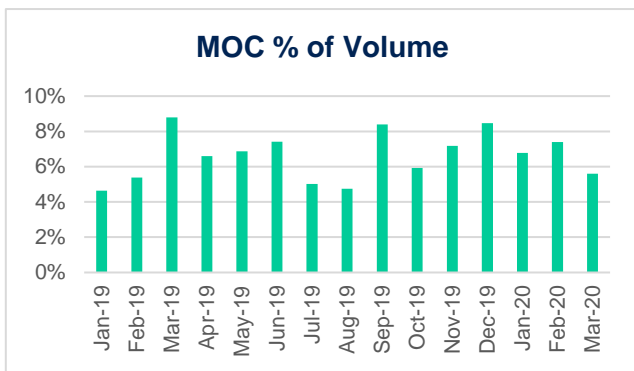
## March 2020



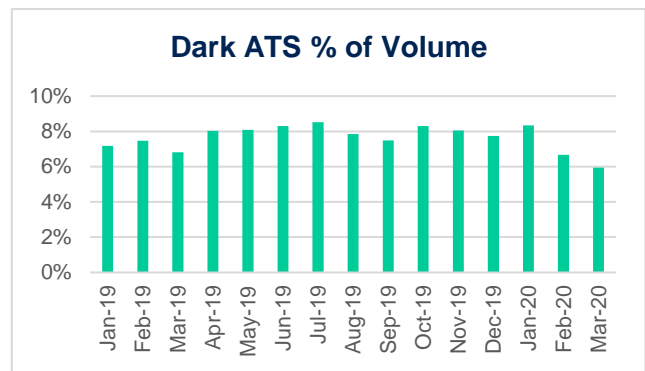
March 2020 was a record volume month in Canada, with over 30 billion shares traded. Average daily volume was just shy of 1.4 billion shares, which is more than double the 2019 monthly average.



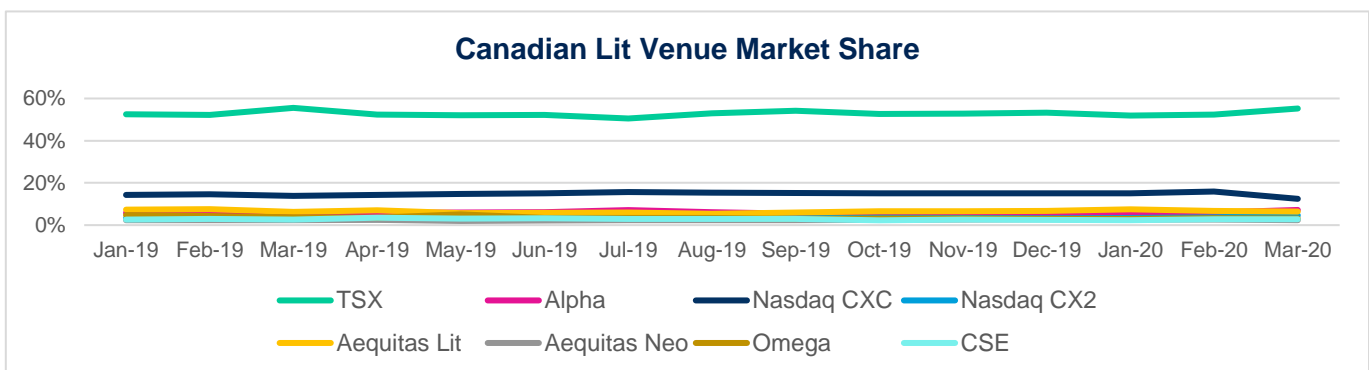
Blocks experienced a substantial decline in March to a multi-year low. This is unsurprising, given that in times of market distress, investors often prioritize speed of execution.



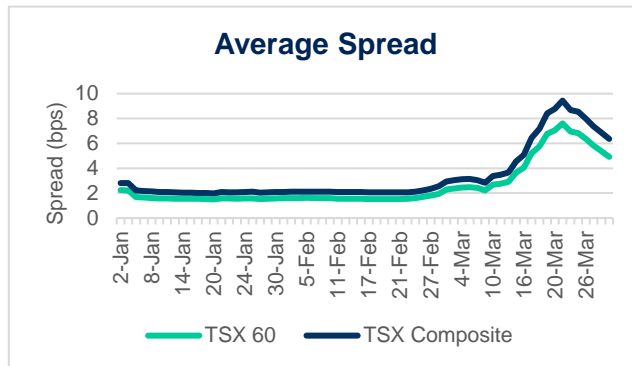
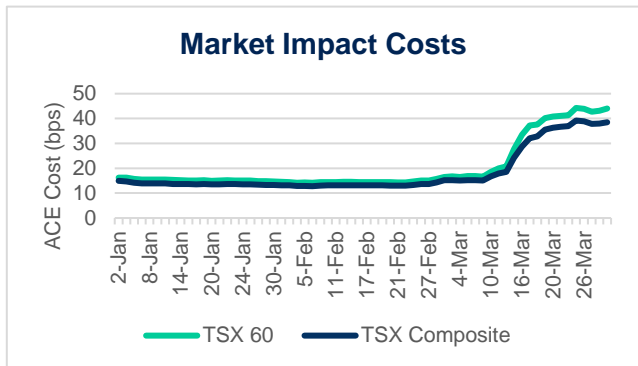
March's market on close (MOC) volume declined substantially from recent monthly averages despite the quadruple witching on March 20. This is likely in large part due to the postponement/cancellation of several index rebalances, including S&P and NYSE ICE.



The amendments to the Canadian rules regarding dark orders, which added a minimum value provision for an order to be exempt from price improvement, came into effect on February 4. The change has resulted in a substantial decline in dark volume since it came into effect.

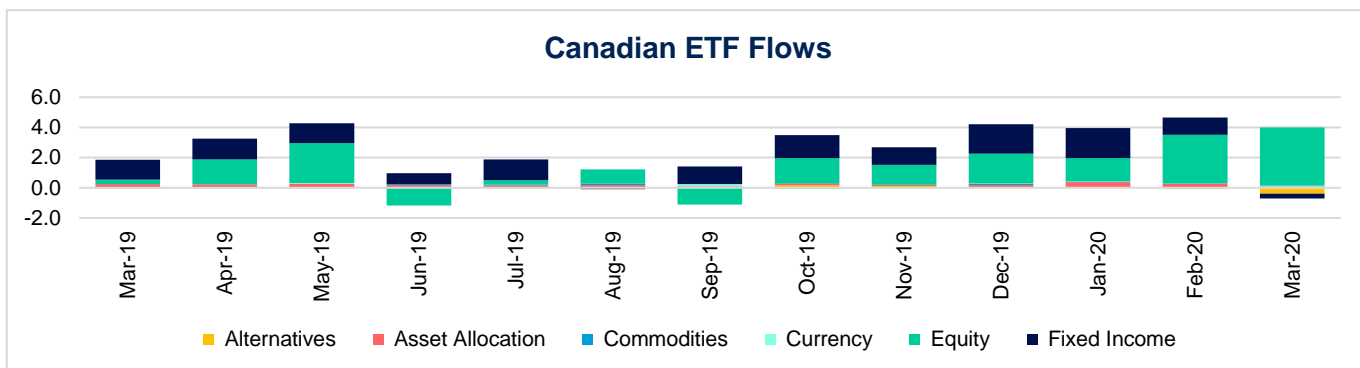


Last month we saw a significant uptick in market share for the two largest inverted venues (Alpha: 5.9% → 7.1%, and Nasdaq CX2: 3.3% → 4.6%), as well as the TSX. Outside of the TSX, maker-taker venues saw decreases in market share across the board. Generally, in a fast-moving market, posting resting orders is no longer a priority while actively crossing the spread to access liquidity becomes more favourable and results in a rebate on an inverted market.



Unsurprisingly, according to Virtu’s pre-trade ACE model, the market impact costs relative to arrival soared in March. Note that the cost estimates are based on a \$500m basket and, due to the TSX 60 having fewer constituents than the TSX Composite, the cost associate with an identically sized TSX 60 basket are higher.

As with market impact costs, the average spread in the TSX 60 and TSX Composite increased by more than 300% in March. As liquidity became scarcer and risk premiums increased, so too did the spreads. Furthermore, a one penny spread in basis point terms increased as stock prices declined.



Despite the March market decline, equity ETFs saw a record amount of fund inflows. Across the largest sector ETFs, energy saw both the largest selloff in March and the highest net inflows (for example, XEG CN saw over CAD\$130m of fund inflows, representing a 50% increase from the end of February). Meanwhile, fixed income ETFs experienced the largest net outflows in several years.

To learn more, contact your sales representative or call our desk at: **APAC +852.2846.3592 | CAN +1.416.874.0800 | EMEA +44.20.7670.4066 | US +1.212.444.6250**  
[info@virtu.com](mailto:info@virtu.com) | [www.virtu.com](http://www.virtu.com)

Chart source: Virtu Financial

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