

June 2020

US Market Structure Monthly



US Market Microstructure Observations

- Average daily volume in US Equities of 13.1b shares in June 2020, up 16% month over month and 85% year over year.
- TRF market share reached a record 42.2%, up 0.3% month over month. Nasdaq market share increased 1.4% month over month to 17.6%, while BZX Equities market share decreased 1.4% month over month to 5.5%.
- Excluding the first and last half hour of trading, the median size at the National Best Bid and Offer (NBBO) increased by 3.6% and 4.3% month over month for S&P 500 and RUS 2000 symbols respectively in June 2020, bringing the median quote size above that of early February 2020 prior to the impact from Covid-19.
- Median spreads decreased for the third consecutive month, by 7% month over month for both S&P 500 and RUS 2000 symbols. Spreads for S&P 500 and RUS 2000 symbols are currently 60% and 45% below the peak in March, but still 29% and 42% higher versus February 2020.
- In contrast to the trends in spreads, trends in intraday volatility were mixed for June 2020. Excluding the first and last half hour of trading, intraday volatility for S&P 500 symbols increased by 1% month over month, while RUS 2000 symbols saw a 3.4% decrease month over month.
- Proportion of volume traded in the close auction volume for S&P 500 symbols increased by 1.3% month over month to 10.3%, reversing a three-month trend.

Market Structure News

SEC and the Justice Department to Examine Exchanges' Market Data Business

The SEC and the Justice Department agreed to a formal partnership that could result in greater scrutiny of market data fees charged by stock exchanges. The involvement of the Justice Department will bolster the SEC's ability to examine whether the exchanges overcharge for data.

<https://www.wsj.com/articles/sec-justice-department-to-scrutinize-exchanges-market-data-business-11592864481>

Stock Exchanges Win Legal Battle with SEC Over Data Fees

The US Court of Appeals for the District of Columbia Circuit ruled in favor of the exchanges in a case surrounding a decision by the SEC to reject price increases by Intercontinental Exchanges (ICE), and Nasdaq. The court ruled certain fees, which include fees charged for market data, can't be challenged by the government after they have taken effect.

<https://www.wsj.com/articles/court-overturns-sec-decision-to-reject-fee-increases-for-exchanges-data-fees-11591383268>

Appeals Court Rules for Stock Exchanges in Fee Fight with SEC

The US Court of Appeals for the District of Columbia Circuit ruled the SEC can't order the stock exchanges to experiment with trading fees as dictated by the Transaction Fee Pilot. The decision would halt the SEC's effort to study how the exchanges' fee structure, in particular the "maker-taker" model, creates conflicts of interest for stockbrokers.

<https://www.wsj.com/articles/appeals-court-rules-for-stock-exchanges-in-fee-fight-with-sec-11592322391>



Market Structure News (Continued)

Nasdaq Loses Bid at SEC to Put Market Data Order on Hold

Nasdaq must comply with an SEC order requiring stock exchanges to create a plan to overhaul their public data feeds while a federal appeals court reviews the directive.

<https://news.bloomberglaw.com/securities-law/nasdaq-loses-bid-at-sec-to-put-market-data-order-on-hold>

Commodity Futures Trading Commission (CFTC) Rule Proposal Changes Course on Source Code

The CFTC voted to withdraw a 2015 proposal, known as Regulation Automated Trading, that would require firms to provide regulators the computer code behind trading decisions. A new approved proposal would instead rely on exchanges to implement risk management principles.

<https://www.wsj.com/articles/futures-exchanges-get-discretion-to-police-technology-glitches-11593110928?reflink=e2twmkt>

NYSE Trading Floor Reopening Enters Phase II

A subset of Designated Market Makers (DMMs) returned to the NYSE Floor in New York on Wednesday June 17, adding to the 25% of participants who returned on the initial reopening of the trading floor on May 26. Certain floor broker services such as the D-quote orders are now available.

<https://www.bloomberg.com/news/articles/2020-06-15/nyse-will-reopen-trading-floor-to-some-market-makers-wednesday>

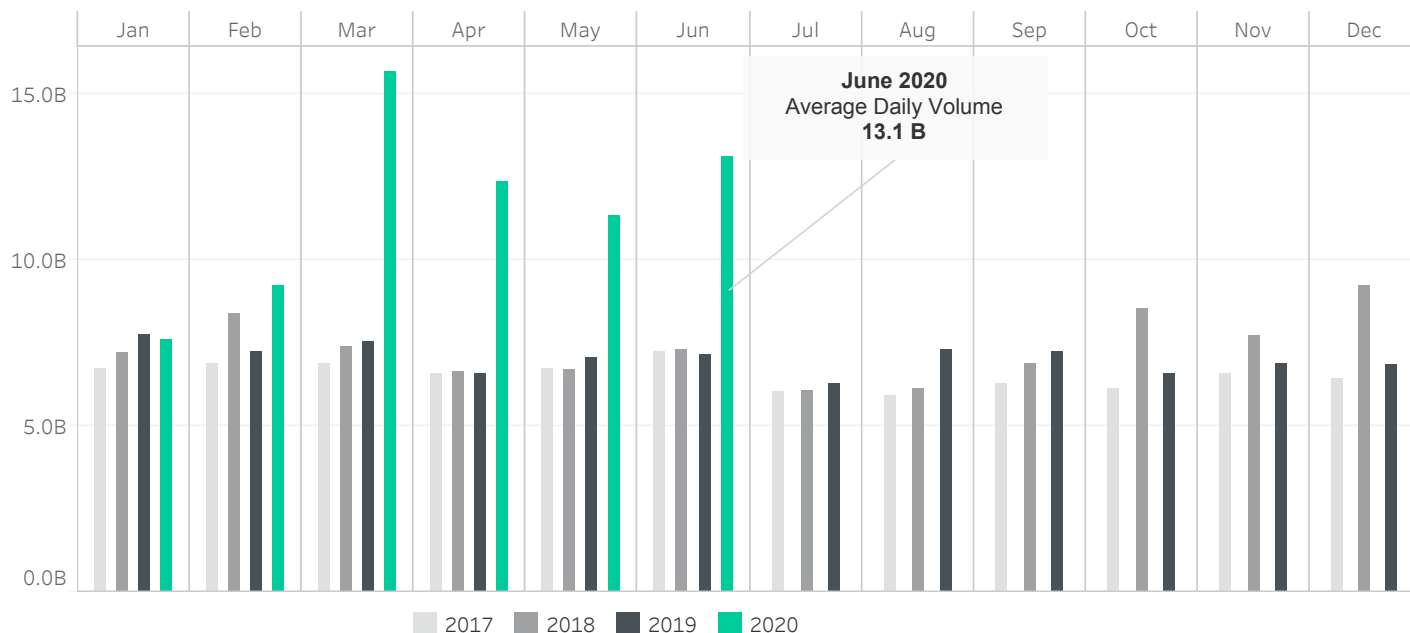
NYSE Makes Another Push on Direct Listing IPOs

NYSE submitted an amended rule change with the SEC in a bid to enable companies to raise capital by selling shares directly to investors rather than through investment banks acting as underwriters. The SEC declined an earlier request by NYSE in December. The latest proposal laid out in detail a mechanism for the first trade under a capital-raising direct listing, including how a floor price is set.

<https://www.reuters.com/article/us-nyse-direct-listing/nyse-makes-new-push-with-the-sec-for-ipo-alternative-idUSKBN23T2MZ>

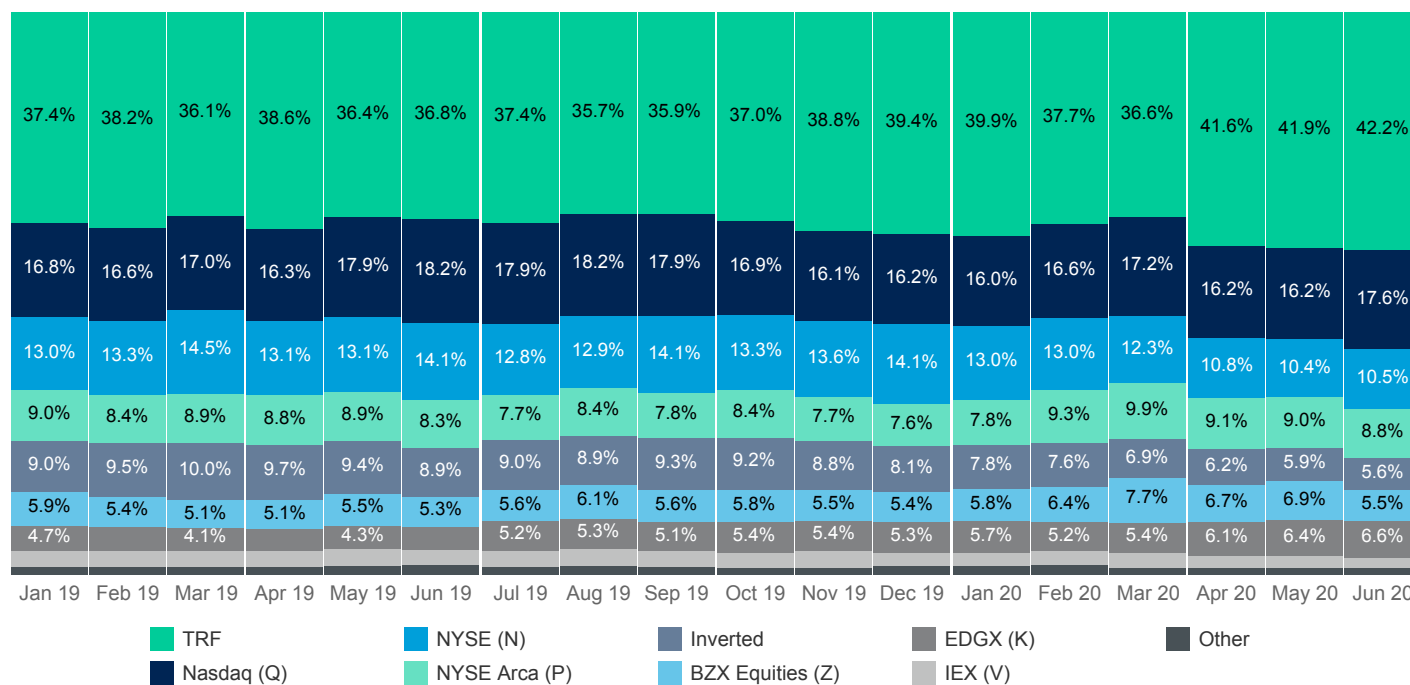


Average Daily Market Volume



Source data: Cboe Global Markets

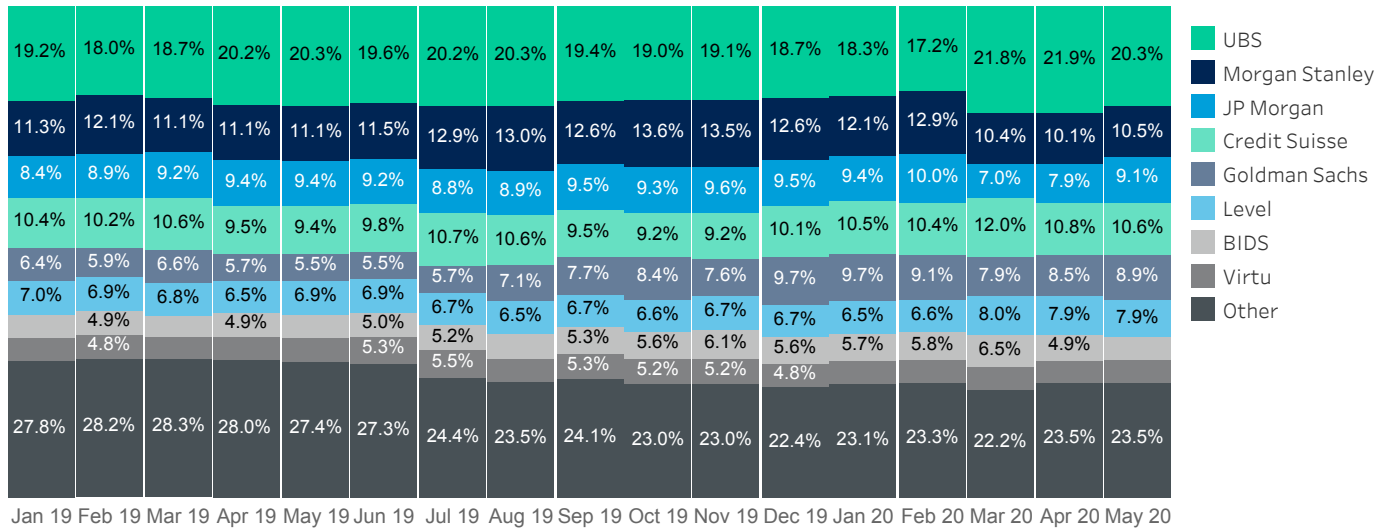
Venue Market Share



Source data: Cboe Global Markets

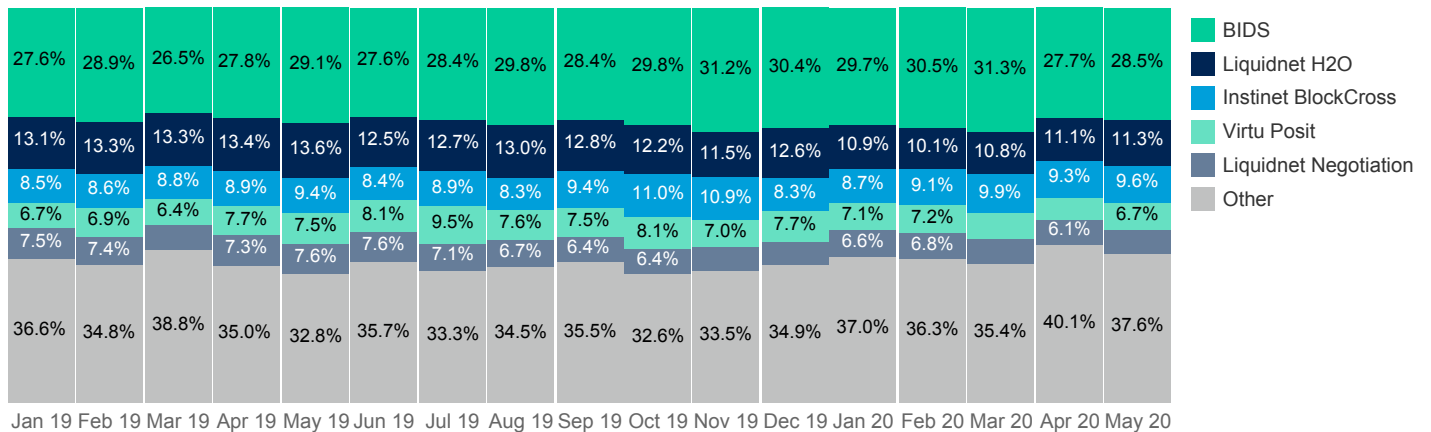


ATS Market Share



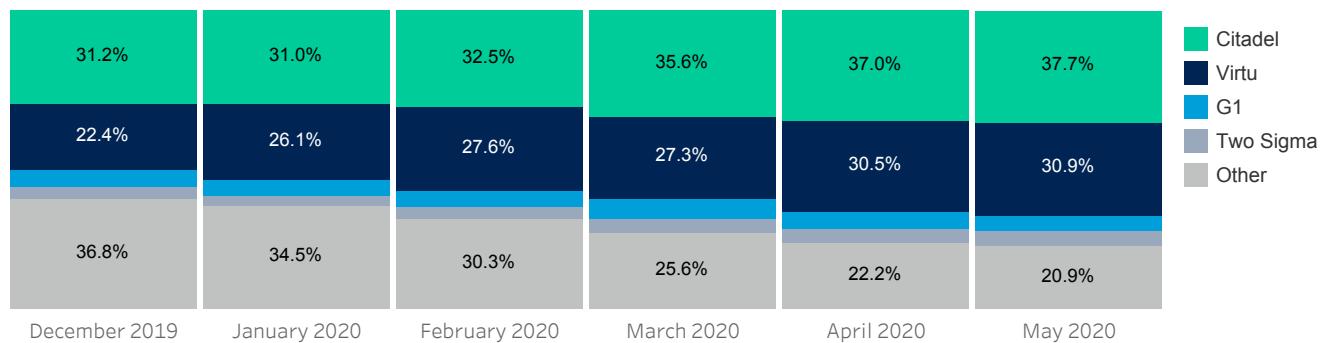
Excludes Dealerweb, OTC; Venues rolled up to firm level; Source data: FINRA

ATS Block Volume Market Share



Excludes Dealerweb; Blocks defined as >10K shares; Source data: FINRA

OTC Non-ATS Market Share



Source: FINRA, NMS Tier 1 & 2 Securities



Quote Size in Shares

		2Q 19			3Q 19			4Q 19			1Q 20			2Q 20		
		Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20		
First 30 Min	SP500	178	179	174	173	175	178	178	176	185	185	184	196	200		
	RUS2000	192	200	200	192	200	200	195	193	204	200	194	200	206		
Mid Day	SP500	215	219	201	202	201	210	212	199	194	174	177	197	204		
	RUS2000	213	224	227	219	219	224	219	210	216	200	198	209	218		
Last 30 Min	SP500	329	331	266	296	277	302	290	254	240	193	200	229	229		
	RUS2000	273	285	281	272	268	279	266	250	264	233	228	239	243		

Spread Bps

First 30 Min	SP500	8.2	7.4	9.5	8.6	8.9	8.2	7.5	7.7	9.8	28.1	19.4	11.8	11.0
	RUS2000	42.8	39.5	48.3	45.7	44.3	41.0	36.4	36.3	43.7	108.1	87.0	65.2	56.7
Mid Day	SP500	3.5	3.0	4.1	3.7	3.7	3.2	3.1	3.4	4.1	13.1	8.4	5.7	5.3
	RUS2000	16.0	14.3	17.3	17.2	16.5	15.3	14.0	14.5	16.4	42.5	34.8	25.0	23.3
Last 30 Min	SP500	2.3	2.0	2.6	2.2	2.4	2.1	2.1	2.3	2.5	9.7	5.8	4.2	3.8
	RUS2000	11.6	10.4	12.5	12.0	11.7	11.1	10.8	10.9	11.2	33.2	25.1	19.3	18.2

One Minute Volatility Bps

First 30 Min	SP500	13.2	11.8	15.7	13.3	12.5	11.6	10.6	11.2	14.6	53.4	32.8	24.5	23.3
	RUS2000	14.8	13.6	17.5	16.6	15.2	16.1	14.8	15.4	16.9	45.1	40.8	33.2	31.3
Mid Day	SP500	4.7	4.1	6.0	4.8	4.6	3.9	3.4	4.3	5.6	27.7	14.4	9.6	9.7
	RUS2000	4.9	4.2	5.2	5.3	4.8	4.2	3.8	4.7	5.7	21.8	16.4	11.9	11.5
Last 30 Min	SP500	5.3	4.6	6.7	4.7	5.1	4.1	4.0	5.1	6.1	36.1	17.0	11.5	11.5
	RUS2000	5.3	4.5	5.8	5.0	5.1	4.3	4.4	5.3	5.8	28.0	20.1	15.0	14.8

Percent ADV by Time of Day

Open	SP500	0.9%	1.0%	1.0%	0.9%	1.0%	1.0%	1.1%	1.1%	1.1%	1.0%	1.1%	1.0%	1.1%
	RUS2000	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%	0.8%	0.8%	0.9%	0.9%
First 30 Min	SP500	8.2%	8.4%	8.0%	8.0%	7.6%	8.0%	7.7%	7.9%	8.6%	8.2%	8.7%	9.4%	9.1%
	RUS2000	6.7%	6.7%	6.9%	6.8%	6.6%	7.2%	7.1%	7.3%	7.2%	6.3%	7.0%	7.9%	7.3%
Last 30 Min	SP500	18.8%	18.9%	18.4%	18.3%	18.7%	18.8%	18.4%	18.0%	17.9%	18.3%	17.7%	17.7%	17.9%
	RUS2000	19.6%	19.7%	19.4%	18.9%	19.5%	19.5%	19.3%	18.8%	18.6%	19.9%	18.9%	18.7%	18.5%
Close	SP500	11.0%	9.9%	11.4%	11.6%	10.4%	11.4%	13.5%	13.8%	12.0%	9.9%	9.8%	9.0%	10.3%
	RUS2000	8.1%	7.8%	8.8%	9.0%	8.0%	7.8%	10.0%	9.4%	8.1%	9.0%	8.9%	8.3%	8.9%

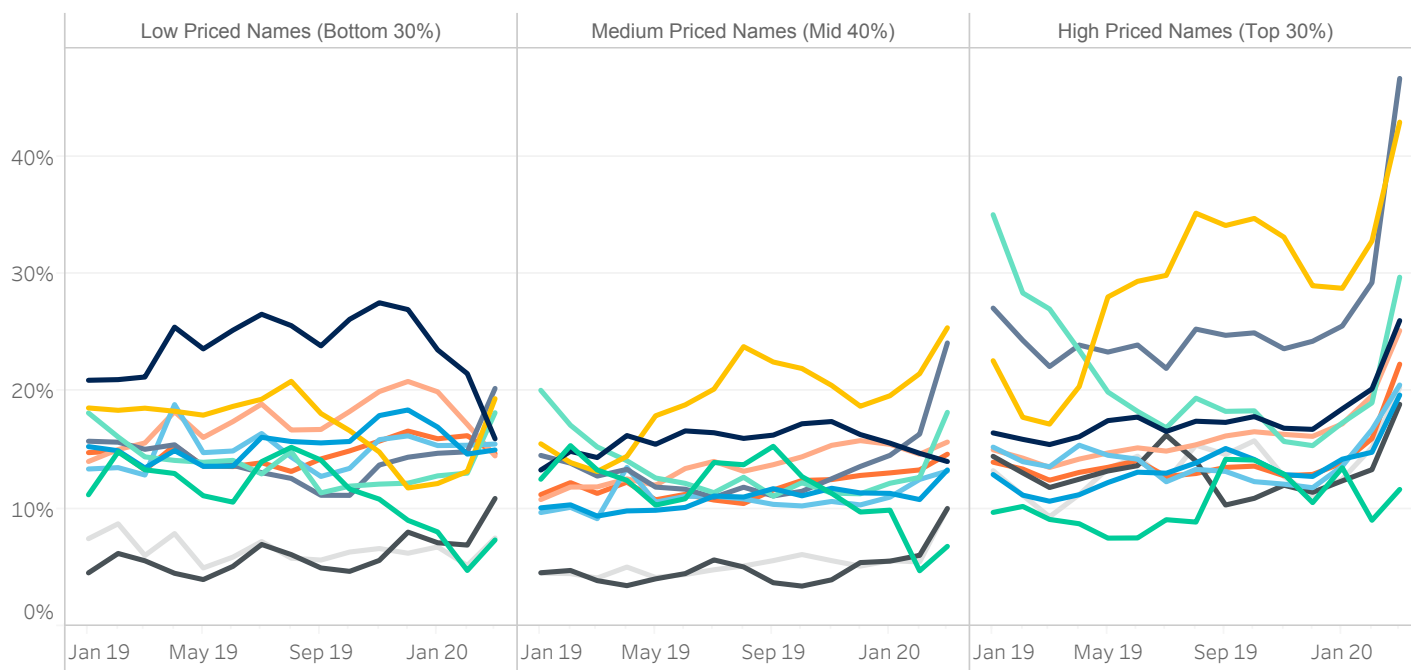
Median used for all metrics

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

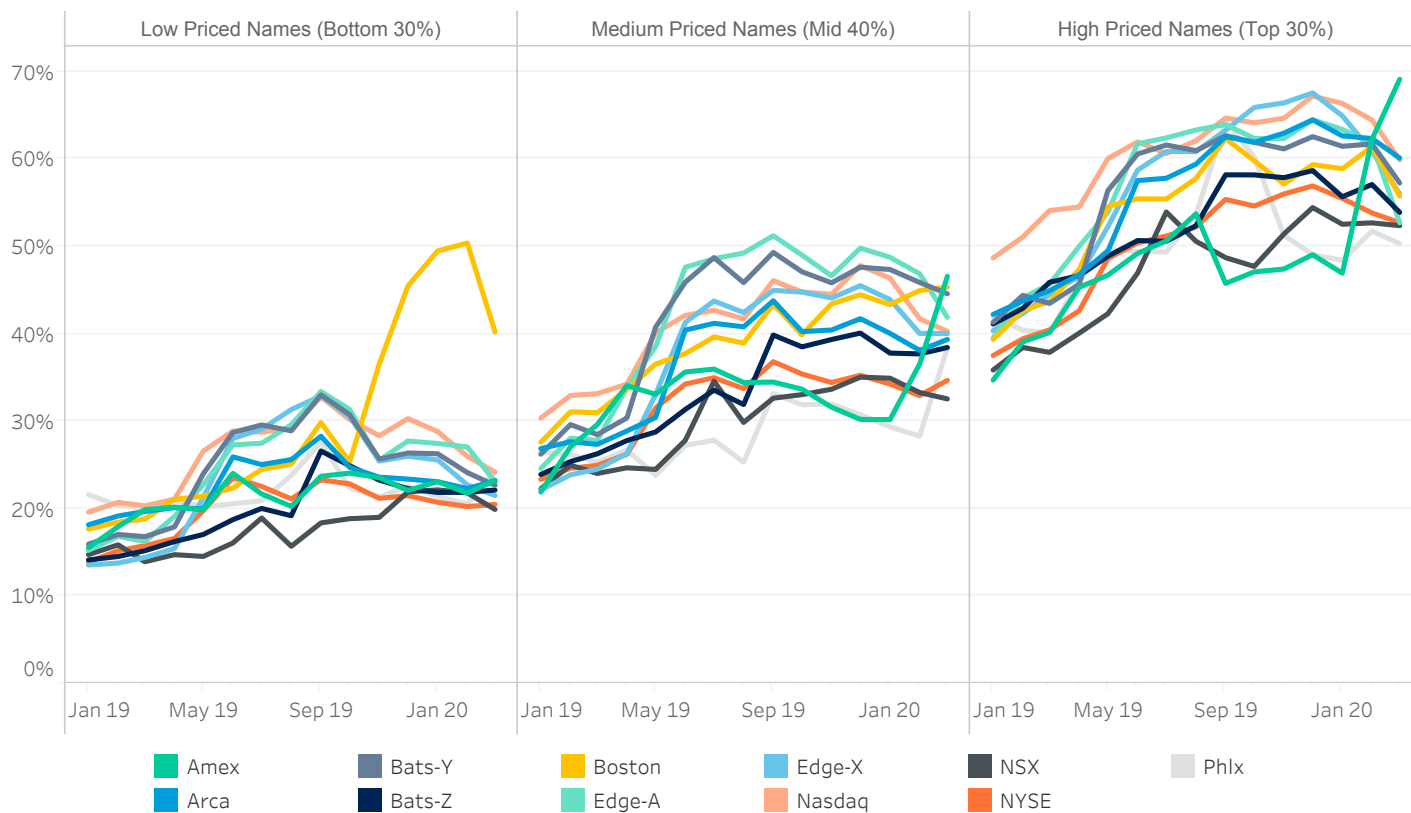
Source data: Virtu Financial



Hidden Trades Proportion by Price and Venue



Oddlot Trades Proportion by Price and Venue





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