

Execution Analytics - Helping FX trading firms to take more informed decisions

ANONYMITY AND ANALYTICS

The pursuit of best execution requires a commitment to evaluation and analysis that includes both pre- and post-trade analytics, says Cürex's Singleton. On the Cürex platform FX traders can survey the live market in 200 currency pairs, and the streaming analytics shows spread development across its entire book, which is 100% executable. There's also historical spread analytics and a volatility tool.

MiFID II requires a pre-trade market check that is systematic and embedded in an investment firm's trading policy and practice, explained Singleton. He added that having the ability to survey the marketplace anonymously is advantageous, particularly when considering the execution of larger sized trades or less liquid currencies.

That's because streaming pre-trade analytics show when a skew in the market exists – more buyers than sellers, or vice versa. A volatility tool alerts the trader when the market is moving quickly or slowly, helping them choose the best timing for their trading decision.

"We think it is obvious - a better informed trader makes better trading decisions. Combined with robust post trade analytics, the end-to-end use of market and data analytics can improve the trading results of every FX trader," he said, adding that, at the base of successful analytical solutions that prove best execution, are reliable and accurate data that are not distorted by aggregation, redundancy and non-executable pricing.

DYNAMIC PROCESS

Moreover, the very concept of best execution is not a static

one, rather it is a continual process that compels FX market participants to identify, use, evaluate and judge different execution alternatives in the marketplace.

On the post-trade side, certain TCA providers have developed helpful solutions that specifically assist FX traders with their mandated reporting under MiFID II, says Singleton. On the pre-trade side, meanwhile, FX traders are struggling with complying with MiFID II's guidance on obtaining a pre-trade market check that is systematic and embedded in their trading policy and practice.

"Very few firms have developed pre-trade analytics that directly answer the regulatory mandate," notes Singleton, adding that analysing execution performance on a meaningful basis requires access to lots of hard to obtain data. Some of the metrics that would be useful to measure true

execution performance would include order fill rates, order misses, venue hold times, post-trade market impact, price slippage from time of risk origination until time of order execution, and counterparty performance.

"Getting access to some of this information is difficult – analysing it is challenging for investment firms without adequate human resources or bandwidth," he said. "And some of these metrics depend on access to precise time-stamped data. Without such precision, a supposed analysis is not worth much and could actually be misleading."



James Singleton
Chairman & CEO

"The accurate measurement of costs and execution quality will remain difficult as long as FX market participants stick with past practices."