LIQUIDNET’S TOP FIVE PREDICTIONS FOR THE GLOBAL
EQUITY MARKETS IN 2013

Liquidnet Celebrates Milestone Anniversaries in Europe and Asia Pacific

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As Liquidnet, the global institutional trading network, celebrates its 10 year anniversary in Europe and five year anniversary in the Asia Pacific region, Liquidnet provides their top five predictions for the markets globally in 2013.

Five Predictions for 2013

1. Inflationary pressures coupled with a prolonged low interest rate environment and falling bond yields will bring equities back into vogue. As a result, trading volumes will continue to recover. What remains to be seen, however, is whether primary markets recover some of their market share; in our view, the trend towards disintermediation will continue throughout 2013.

2. As the impact of HFT continues to affect the cost of institutional trading, institutional investors will take a more active role in their choice of execution venues and turn to venues which meet their specific needs – those that provide deep liquidity in an HFT-free zone. Regulators and exchanges around the world, responding to investor pressures will begin the discussions around whether to – and how to – implement high frequency free trading zones within their markets.

3. Amid increasing competition from low cost index products, asset managers will broaden their scope of investment opportunities globally looking at both public and private company investments in a search for greater alpha generating opportunities. As a result, 2013 is likely to see private shares emerge as a growing institutional asset class. The potential is huge given the sheer size of institutional assets compared to private equity or venture capital assets.

4. As for the execution landscape, money will begin flowing back into equities in 2013, increased scrutiny and regulation around broker sponsored dark pools will lead to a decline in volume in those venues. The number of execution brokers that asset managers use will continue to decline and the use of CSA and sponsored brokers will continue to increase. Asset managers will begin to classify brokers into order routing and execution destination brokers. Choosing which execution brokers remain will be based on those that offer the best technology and support and those that would be designated as destination brokers.

5. Regulators around the world are already communicating and collaborating more as we move into the new year. 2013 will see that collaboration continue and gain speed as many regulators have already centered their focus on the same two issues, what to do about high frequency trading and broker sponsored dark pools.
Anniversary Milestones

With milestone anniversaries in Europe and Asia Pacific, Liquidnet continues to strengthen its role in enabling a more seamless flow of capital across the world by providing its institutional trading network with deep and safe liquidity so that leading asset managers can access large-scale investment opportunities anywhere in the world.

“We remain strongly focused on building the largest and most diverse source of safe block liquidity so that institutional investors can continue to look for new ways to achieve performance and invest in stocks safely and efficiently, particularly during volatile market conditions. This focus has been key to our ongoing success,” commented Liquidnet Founder and CEO, Seth Merrin.

Liquidnet Europe launched in 2002 with 12 member firms and now works with over 100 of Europe’s leading asset managers who have traded more than 27.5 billion shares thus far in 2012 with an average execution size of USD$1 million. Since inception, Liquidnet has had more than 230 members trading Asia equities, with an average execution size of $1.1million – more than 118 times the average execution size on the Hong Kong Stock Exchange. In Europe and Asia, the company has won a total of 15 awards since their respective launches. Most recently Liquidnet was named “Best Buy-Side Execution Venue” in the European Buy-Side Technology Awards 2012 for the fifth consecutive year. Liquidnet was also named winner of the Best Alternative Trading Venue by AsianInvestor.

About Liquidnet

Liquidnet is the global institutional trading network that connects over 700 of the world’s top asset managers to large-scale equity trading opportunities across the globe — 41 markets across five continents. With an average trade size of more than 44,000 shares in the US, 68,800 in Canada, and approximately $1 million in Europe, Africa and Asia Pacific*, Liquidnet is a leader in large block trading globally. Liquidnet does this by going beyond what the retail market can provide by defending and securing the integrity and the anonymity of the block trade while continuously looking for ways to bring in new sources of safe, actionable liquidity from asset management firms, exchanges, brokers and corporations. Asset Managers rely on Liquidnet to help protect the performance of their portfolios by allowing them to enter and exit their portfolio positions more efficiently. For more information on the Liquidnet community, its liquidity, block executions, and additional investment capabilities, visit www.liquidnet.com.

*as of 1H 2012