



FPL Canadian Electronic Trading Conference 2009

*Toronto Hilton
June 1 and 2, 2009*



Algorithmic Trading in Turbulent Markets





Session Participants

Algorithmic Trading in Turbulent Markets

- Laurie Berke, Principal, Tabb Group (Moderator)
- Lou Mouaket, Executive Director, Program Trading, CIBC World Markets
- Doug Clark, Managing Director, Quantitative Execution Services, BMO
- Chris Sparrow, Head Canadian Trading Desk, Liquidnet
- Adam Striffler, Vice President Electronic Trading, Goldman Sachs



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2008 Crisis is Big Win
for Algorithms

Laurie Berke, Principal, TABB Group

Volatility reaches wild highs... and stays there

Oct 24, 2008 : **^VIX** O: 67.80 H: 89.53 L: 67.80 C: 79.13

H 89.53



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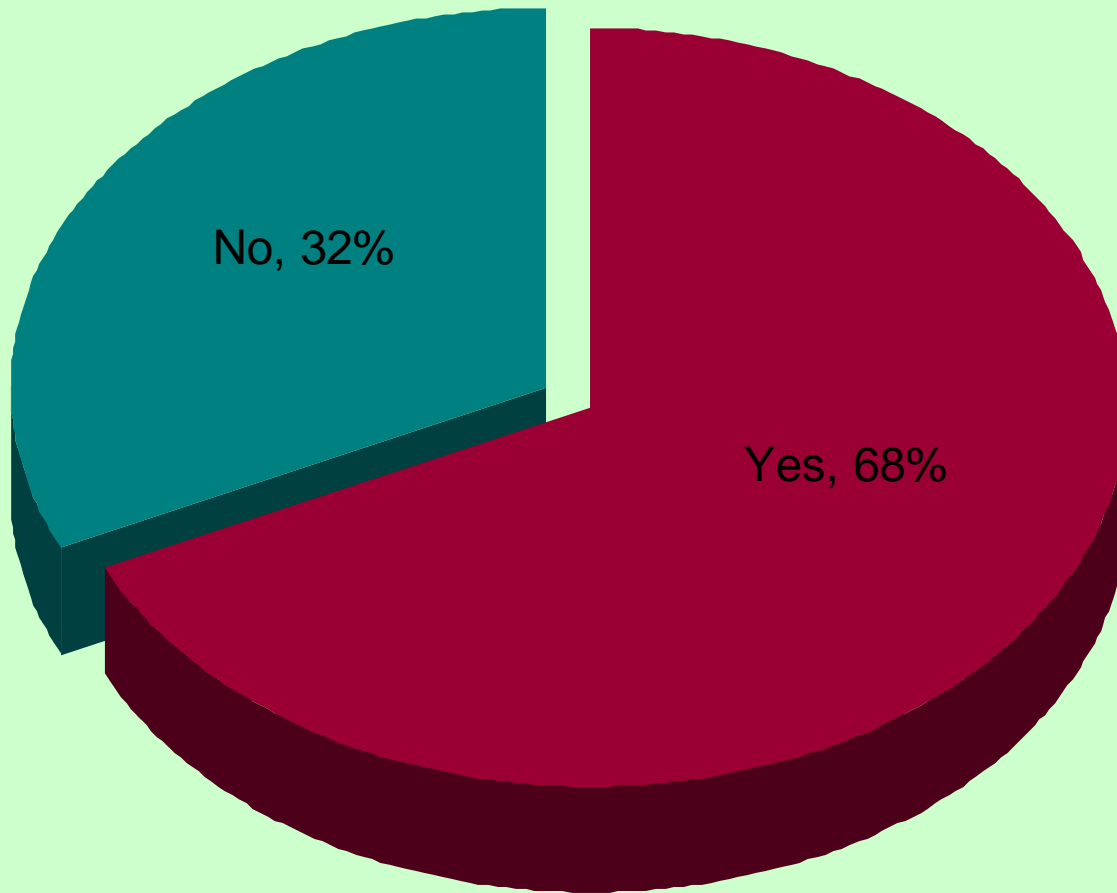
1D 5D 1M YTD 3M 6M 1Y 2Y 5Y Max FROM: Jul 25 2007 TO: Feb 26 2009

Source: Yahoo! Finance, TABB Group



The traditional trade facilitation service may be disappearing in the face of reduced appetite for risk & increased cost of capital

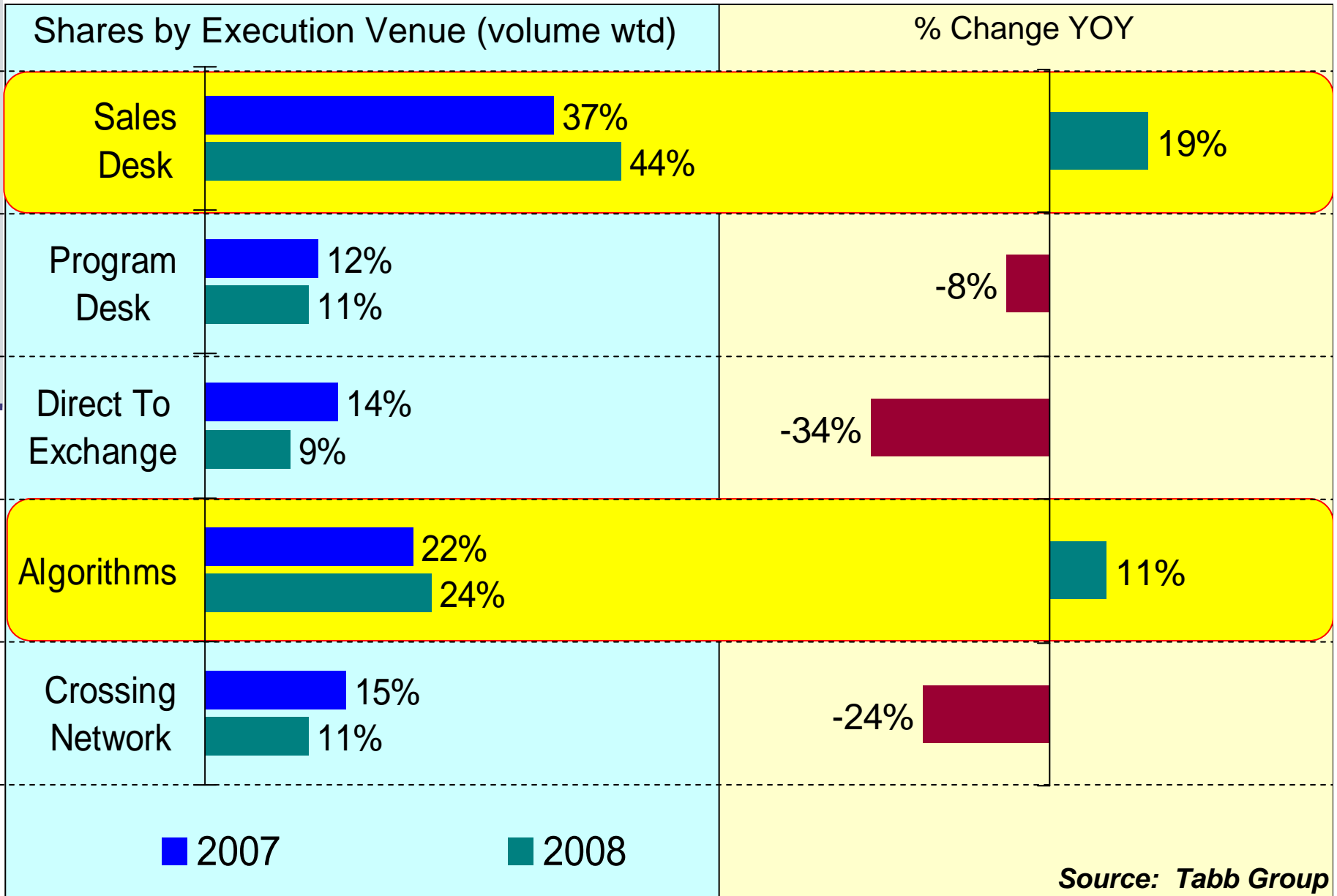
Are US Brokers Less Willing to Commit Capital?



Source: *Tabb Group*



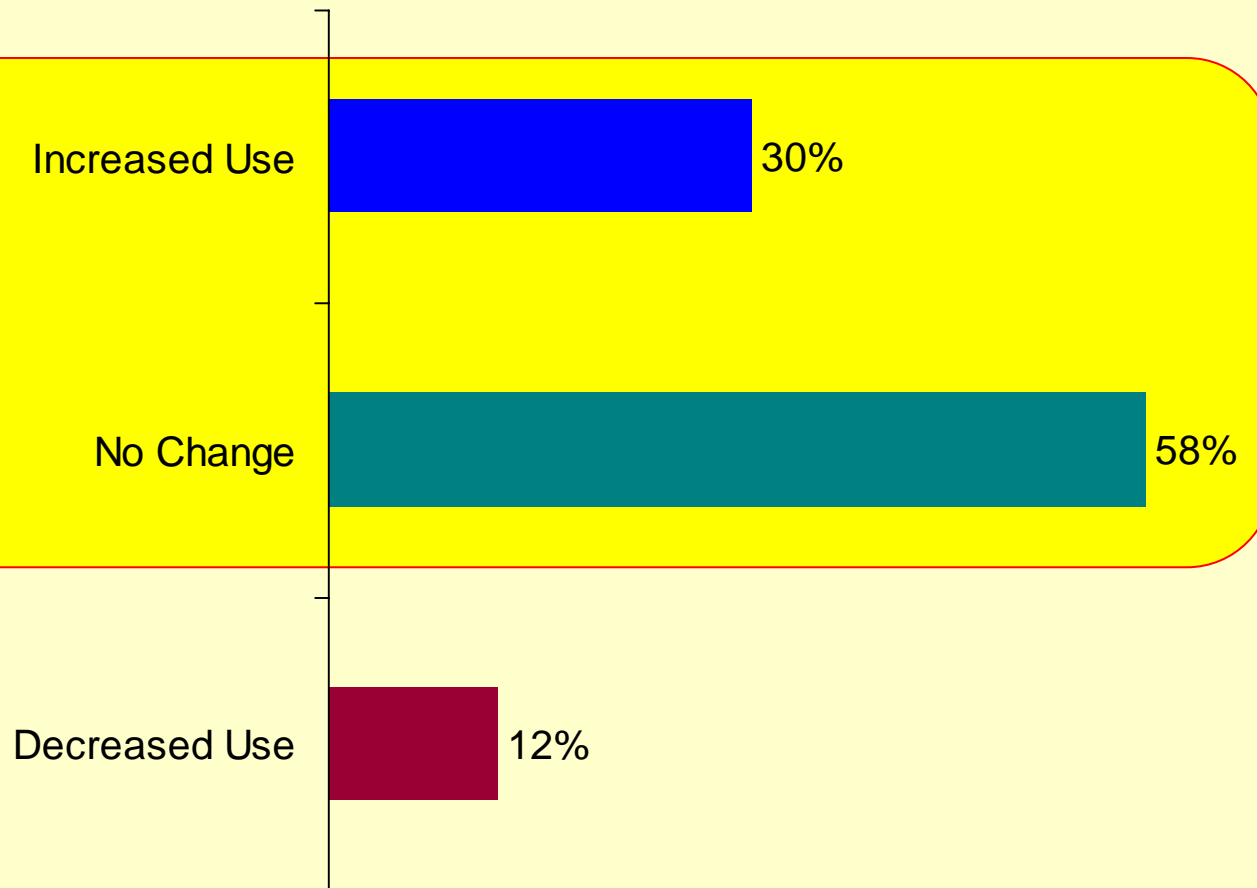
Buy-side traders looked to both their sales traders and their algorithms to manage flow & find natural liquidity





Volatility pushed traders toward algorithms, despite concerns that trading patterns have altered dramatically intra-day

Has Volatility Changed the Frequency With Which You Use Algos?

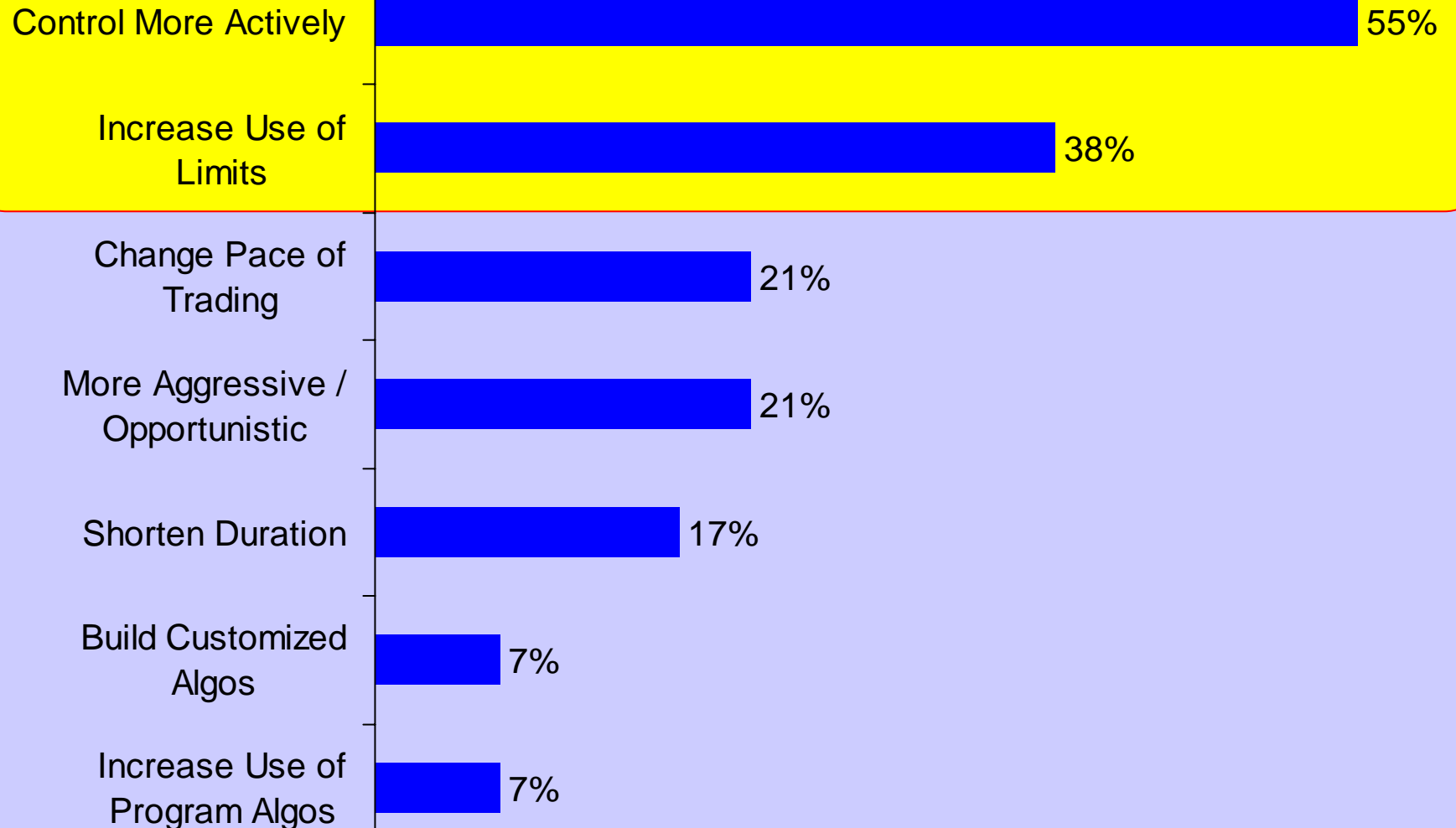


Source: *Tabb Group*



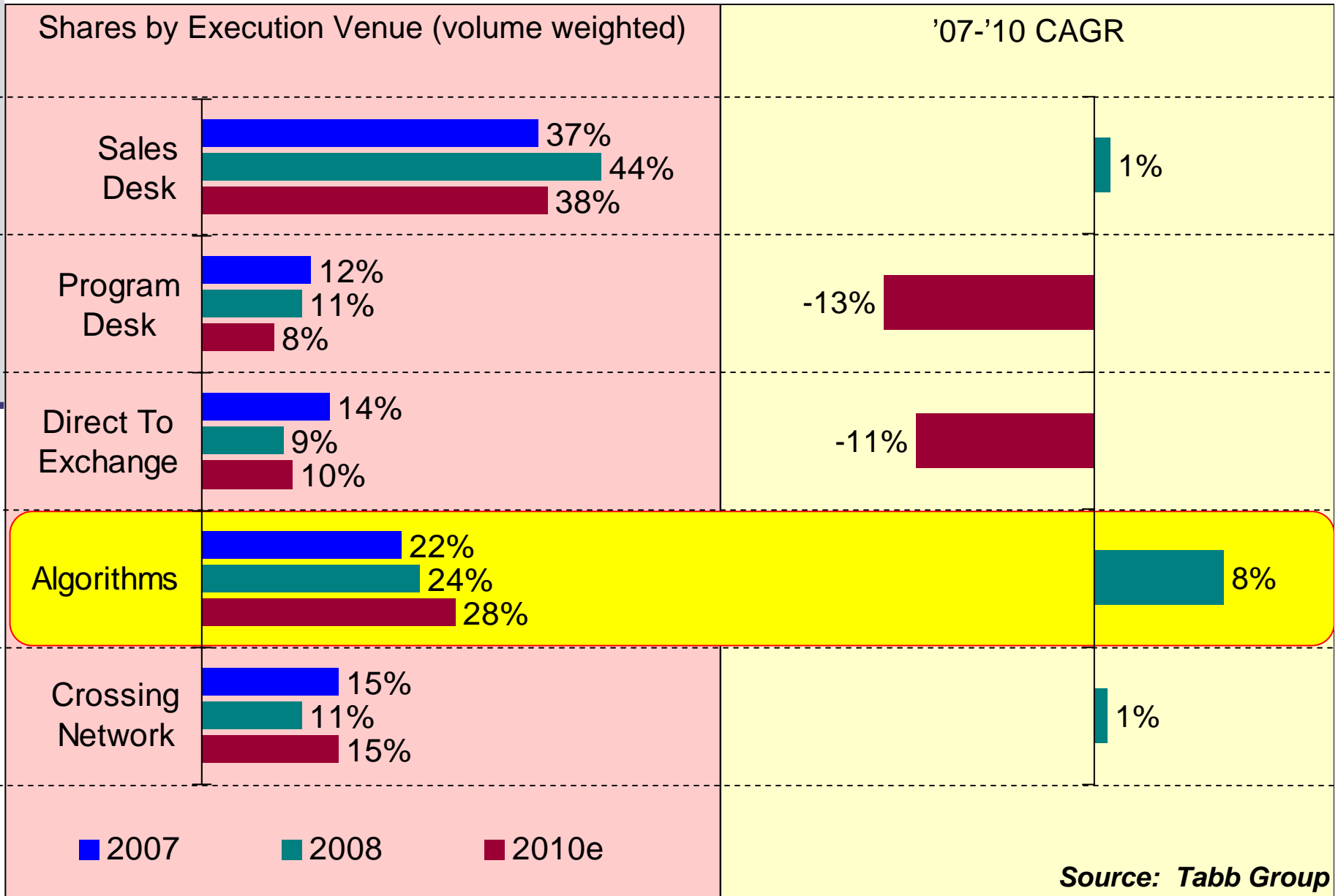
Traders increased their oversight and interaction with algos during the day, protecting their orders with limit prices...

How Have You Changed Your Algo Strategies?



Source: Tabb Group

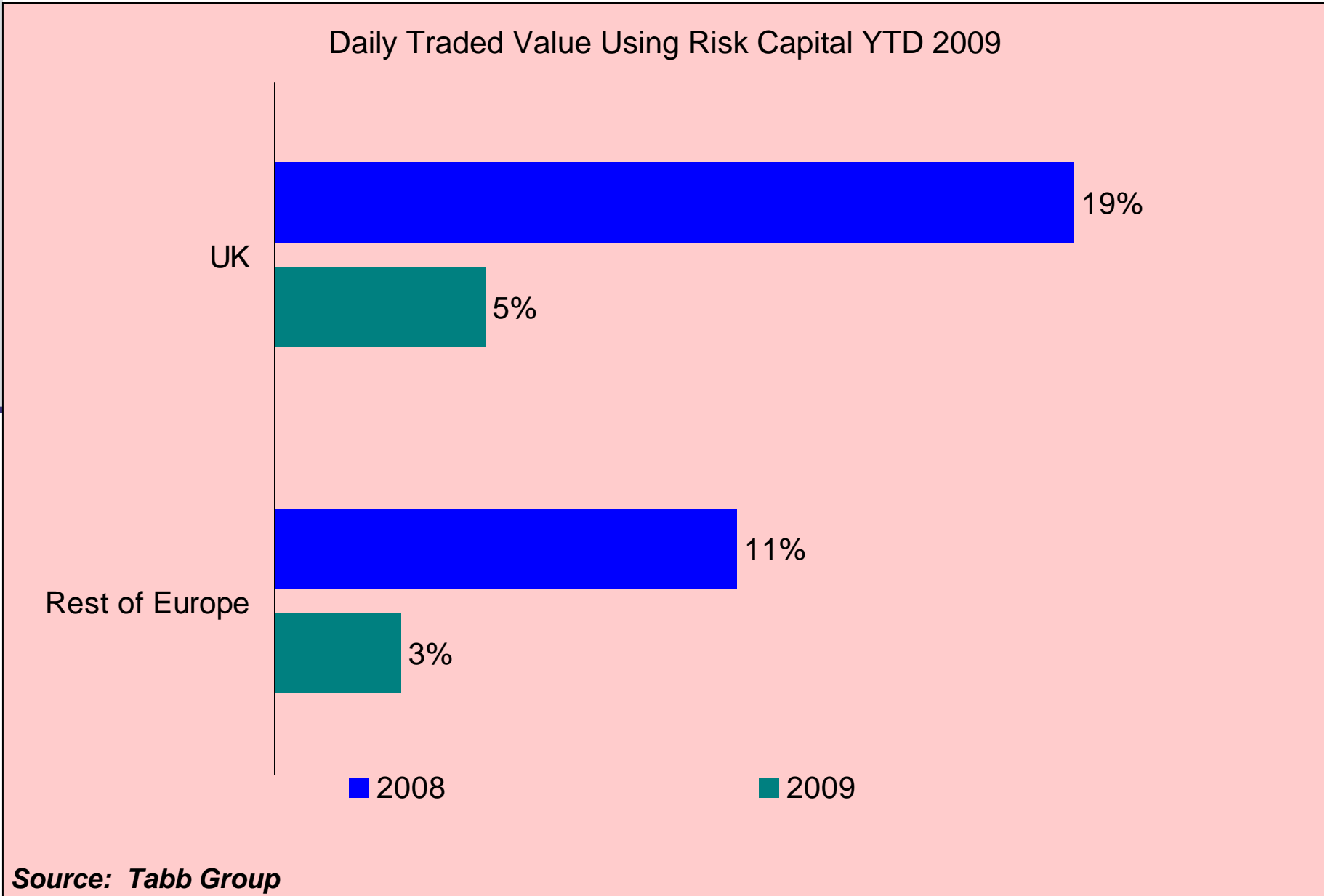
... and algorithms passed the volume-&-volatility-surge-test in the face of extreme volume and volatility



Source: Tabb Group



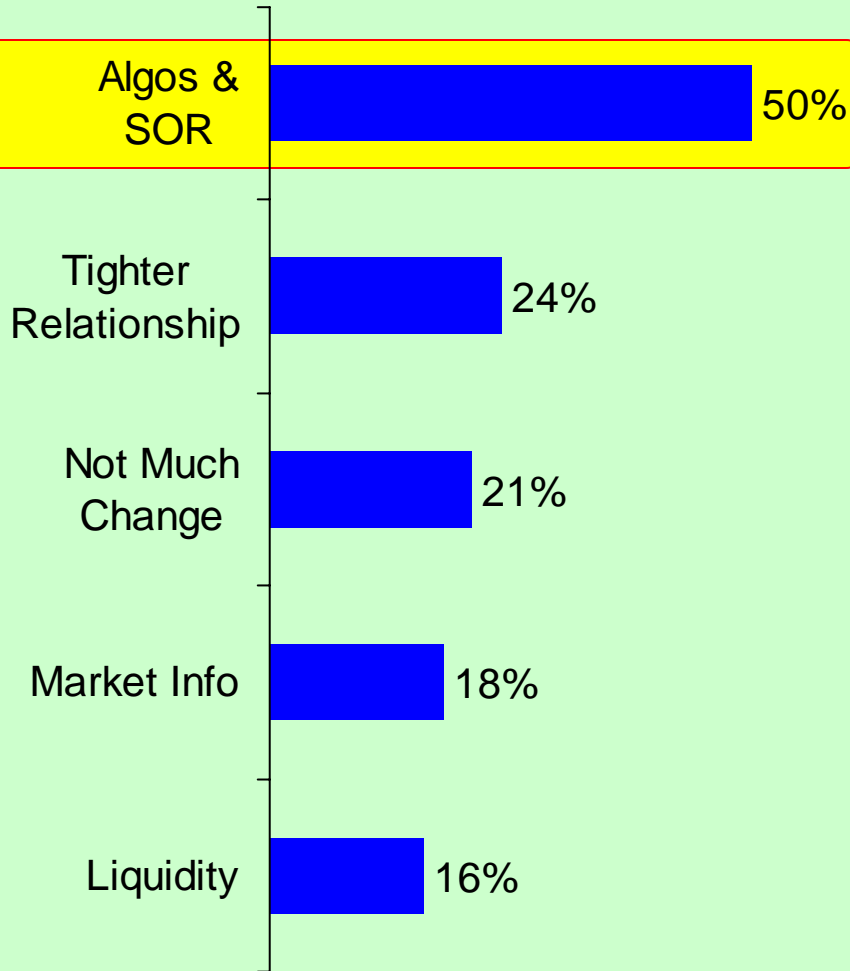
The availability of risk capital has plummeted overseas as well, in a traditionally “upstairs” dealing culture



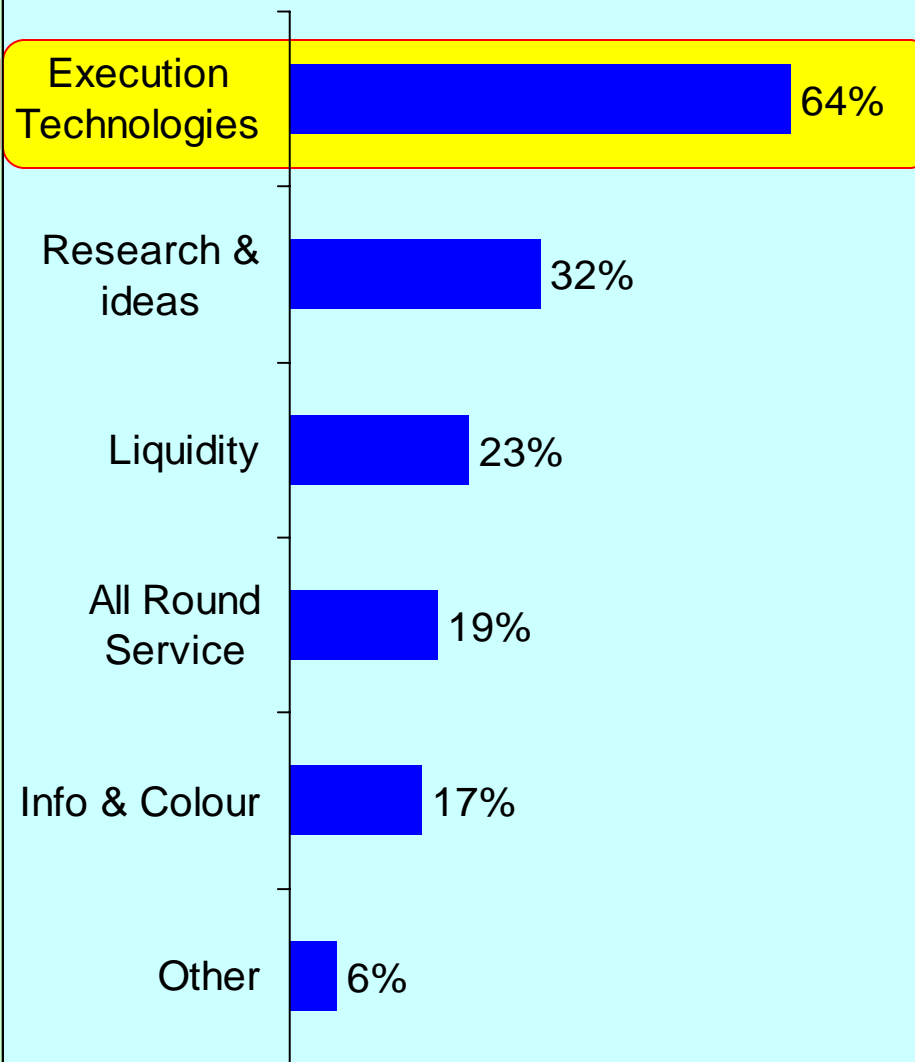


What are your UK & European brokers providing to help find liquidity in a newly-fragmented market?

Broker Services to Find Liquidity in a Fragmented Market



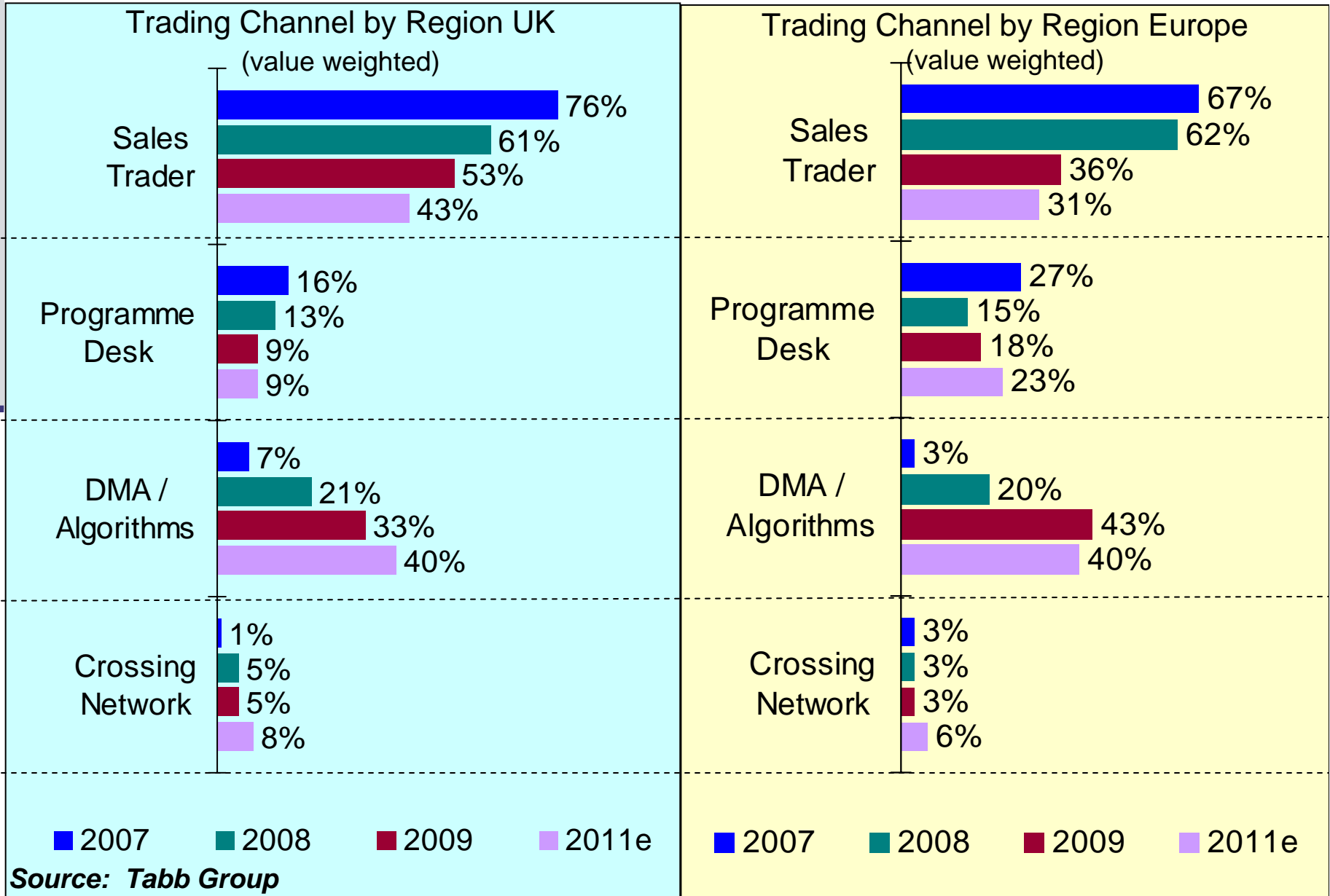
Expectation of Value-Added From Brokers in 2009



Source: Tabb Group



By 2011, nearly half of value traded in the UK and in Europe will be executed via low-touch channels





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Algorithmic Trading in Turbulent Markets

Discussion and Q&A



Discussion and Q&A

Impact of turbulent markets on algorithmic trading:

- Did buy-side use of algos go up / down / stay the same?
- Did buy-side use of strategies change?
- How did volatility impact buy-side allocation of order flow to traditional sales traders?
- What happened to dealer capital as a result of extreme volatility?
- How did algorithms perform in the face of increased volatility?
- What benchmarks do clients use when trading via algorithms?
- What is the state of the art today with portfolio level algorithms?
- What was the Impact of short-sale bans
- what does the future look like for the buy-side trader with the advent of liquidity fragmentation in Canada ?