

# Delivering a liquid market for NGEU bonds

Q&A with Angelo Proni, Head of New and Domestic Markets, MTS



## 1. Why is the NGEU initiative important for Europe?

On 21 July 2020, EU leaders agreed to the creation of an economic recovery instrument, Next Generation EU (NGEU), in response to the COVID-19 pandemic. To finance this project, the EU is empowered to borrow up to EUR 750 billion on the capital markets between 2021-2026, via NGEU bonds.

During crises, it is important to steer financial flows in the right direction, and the NGEU initiative is intended to do just that. Together with the EU's long-term budget, NGEU is part of the largest stimulus package ever financed in Europe, helping build a post-pandemic, future-proof economy.

Environmental, social and governance criteria are also a cornerstone of the NGEU initiative. The European Commission is seeking to raise 30% of funds through green bonds, from ESG-focused investors, cementing Europe's leading role in sustainable finance markets.

So what does this mean for European fixed income markets? The issuance of NGEU bonds is expected to attract more investors to Europe, promote the international role of the Euro and encourage secondary bond market trading activity as a whole. We are proud to be supporting this initiative across our electronic markets. MTS is at the forefront of electronic fixed income trading in Europe, for dealer-to-dealer (D2D) European government bonds trading, Italian repo trading and dealer-to-client (D2C) European government bonds trading. As part of its mission to facilitate the financing of the real economy, Euronext is discussing with the European Commission how the MTS platform can be leveraged in support of the NGEU recovery programme.

## 2. How can participants trade NGEU bonds efficiently and effectively?

As ever, different participants have different strategies and therefore different needs when it comes to trading NGEU bonds – they should therefore seek out electronic venues that offer the selection of trading protocols best suited to the interests of all market stakeholders. They should also look to venues that have an undisputed track record in building liquidity, and those which offer orderly, regulated market conditions.

At MTS, our continued focus on supporting the ever-evolving fixed income market infrastructure over more than 30 years has allowed us to offer increasingly broad and deep liquidity whilst attracting diverse counterparties – and now participants can benefit from this when trading NGEU bonds. A major driver has been the fact that we aim to cater for all investment needs, with a choice of order-driven, quote-driven and RFQ trading protocols through MTS Cash and MTS BondVision. Our purpose goes beyond outright cash as we understand the importance and complementarity of funding, which we support through MTS Repo, MTS Depo and MTS BondVision Repo.

### **3. What is the role of data?**

When trading NGEU bonds, as with other fixed income instruments, participants look to consistently reliable information to support critical trading decisions. The need for data has grown in line with the seismic shift towards electronification – the overarching trend in fixed income – as firms seek greater efficiency, reduction in manual processes, regulatory compliance, streamlined workflows, and enhanced access to liquidity.

In particular, participants need access to real-time NGEU prices from the interdealer market that can help them build a better picture of price formation to inform effective trading strategies. Our ultra-low latency feeds, via MTS Live, and end of day analytics, via MTS Yield Book liquidity metrics, give global and regional dealers, asset managers and electronic liquidity providers (ELPs) the insight they need to optimise their trading performance in NGEU bonds.

BV Composite aggregates the latest real-time quotes received from our extensive network of BondVision dealers, providing streaming composite bid, ask, mid prices and yields. We also offer low latency feeds that can help ELPs explore correlations with other asset classes in real time.

### **4. What are the benefits of trading NGEU bonds on MTS?**

MTS is one of Europe's leading electronic fixed income trading markets, with over 500 unique counterparties and average daily volumes exceeding EUR 130 billion. Our cutting-edge technology, market-driven and client-focused approach benefits all market participants seeking to trade NGEU bonds.

Our services are used every day by all fixed income market stakeholders, within a framework that aims to find the "sweet spot" when it comes to serving the many needs of the broader fixed income trading community.

As NGEU bonds enter the world of EGBs, BV Composite offers an additional valid pricing point for dealers' and buy-sides' investment decisions. Leveraging the same streaming feed as is currently used for the most liquid European benchmarks, BV Composite aggregates real-time fully firm and indicative NGEU quotes from our extensive BondVision dealer network. It provides an accurate indication of market level, with guaranteed continuous pricing throughout the trading day.

Our strong relationships with primary dealers across Europe place MTS in a strong position to become a leading source of liquidity for NGEUs as these new instruments enter the market.



## 5. What choices do participants have for trading NGEU bonds on MTS?

NGEU bonds can be traded via several different protocols on MTS's electronic markets.

MTS BondVision supports trading via Outright, Switch, Butterfly and List RFQs in addition to comprehensive Auto Execution tools and Processed Trade registration. This flexibility, combined with our extensive network of regional and global liquidity providers and unique pre-trade data from the wholesale CLOB, ensures clients will always receive and trade at the best levels. MTS BondVision Repo, our dealer-to-client RFQ platform, brings the efficiencies of electronic repo trading to the buy-side, including easy access to fund positions and cover shorts on NGEU bonds.

EBM is MTS's Central Limit Order Book (CLOB) for Euro-denominated debt instruments, including NGEU bonds. It allows participants to post resting single-sided or double-sided orders that are fully executable, as well as to aggress the liquidity in the book. EBM is an invaluable tool for participants to build or to unwind positions on NGEU bonds.

MTS Repo is a professional e-trading venue for real-time eurozone repo trading, pricing and liquidity, uniting market participants across Europe. The creation of a dedicated GC Basket for NGEU and SURE bonds enables efficient funding of dealer portfolios.

The combination of these different protocols positions MTS as the most effective electronic trading venue available for NGEU bonds, whatever your specific needs or trading strategy.

**Find out how we can enhance your fixed income trading business by speaking to our expert team:**

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