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Take the guesswork out of intra-day pricing. The BMRK Magenta Line® gives you market-calibrated fair-value prices based on the most recent market data and our innovative blend of financial and statistical modeling. Just in time for the next trade.

» Transparency screens show you all relevant pricing information
» BMRK Magenta Line prices are available
  – For use across the terminal via the BMRK PCS
  – As a market data feed via B-PIPE
  – As an input to pricing rules in TOMS and ETOMS

LEARN MORE >>>
Pre-trade price analysis can be onerous. You must consider recent trades, dealer runs, and levels posted in electronic markets. Often you are forced to consider comparable securities and “matrix price” because there is no direct information for the security you’re analyzing. Finally, you might make price adjustments for the specific issue—it could be an older issue or have a higher coupon than current issues; there are a variety of such factors to consider.

The BMRK Magenta Line is a market-derived price that incorporates these calculations so that you can focus on your edge. Prices are updated every 30 seconds, reflecting up-to-date market information as well as the security’s terms and conditions and the historical values the market has given to them.

BMRK prices are available on the Bloomberg Professional® service—at no additional fee—providing market participants with unprecedented pre-trade price transparency.

Figure 1 — GIQ <GO> Visualize the BMRK Magenta Line versus TRACE (as shown). You can overlay MSG1 and ALLQ data as well.
LIQUIDITY IS FRAGMENTED & THIN
Today’s fixed income markets face problems with fragmented liquidity and pricing information. The tradeable universe is orders of magnitude larger than actively traded bonds. Moreover trading occurs in both OTC voice markets and electronic venues, making it difficult to execute when markets move.

NEED FOR PRE-TRADE TRANSPARENCY
Without access to independent pricing for pre-trade analysis, fixed income investors must make investment decisions using stale and sparse observations of fair market value. It is not uncommon to observe two or more contemporaneous transactions occurring at different price levels. And while there are competing views, many academic studies do conclude that increased pre-trade transparency can lead to lower transaction costs and improved liquidity.

US CORPORATE PRICE TRANSPARENCY
Without centralized liquidity pools, OTC market makers must invest in proprietary technology for calculating and disseminating their prices across multiple channels. Meanwhile the new regulatory landscape is adding cost pressures. A high-quality vendor based solution promises to reduce costs for current market makers and should help to bring more liquidity providers into the markets.

Sources
Bloomberg Fixed Income Search(SRCH)
FINRA TRACE™
CONCEPTUAL PROCESS

OTC market making differs from markets having a central limit order book where one can imply the fair-value mid by inspecting the order stack.

In OTC markets traders generally determine prices based on 3 considerations. First they determine what is termed the fair value mid. At this stage, the security’s terms and conditions are appraised, along with either recent transaction prices in that security or prices of comparable securities, such as those that might be used to hedge.

Second, traders may “skew” the price based on short-term supply and demand. For example, if the trader is buying the security and predicts it will take 3 days to find another buyer, the potential for adverse market movements is factored into the price.

Finally, traders add a bid/offer spread. This acts both as a guard against adverse selection (informed price takers) and as a means to cover the cost of doing business.

ROLE OF BLOOMBERG BENCHMARK

The BMRK Magenta Line is designed to help with the first component of pricing, the fair-value mid.

The remaining steps are highly dependent on matching buyers and sellers, and remain in the domain of traders and trading systems, where connectivity to live buyers and sellers is essential.
AUTOMATING MATRIX PRICING

The BMRK Magenta Line helps you stay on top of fast markets, even for less liquid bonds. Through its innovative technology, and Bloomberg’s extensive array of market data, the BMRK Magenta Line offers a curve-based price for thousands of bonds, not just the few hundred that trade most.

And crucially, unlike traditional matrix pricing that requires manual oversight and adjustments, Bloomberg Benchmark® spreads are automatically learned from the market, earning the term “market-calibrated matrix pricing.”

MARKET DATA
- Transactions
- Electronic quotes
- Swap and Treasury rates

SINGLE SECURITY MODEL
- Estimate transaction costs
- Discern outliers and market moves

SYNTHESIS
- Build issuer curves
- Blend security and curve model estimates
MARKET DRIVERS

One of the strengths of the market-calibrated model is that it can provide information about which market data matter most via a sensitivity calculation.

The Market Drivers page, available on BMKT <GO> shows you:

» Market observations that were most important in determining the price.

» Breakdowns of the price movement in terms of changes in credit, rates and rolldown.

By default the screen filters the results showing you observations that rank highest. However, you can custom sort and filter the results to search for market data you think is relevant.

Figure 2 – BMKT <GO>. The Bloomberg Benchmark transparency screen showing which market observations were the most important in determining the price.
CURVE BREAKOUT
BMKT <GO> gives you transparency where it is needed most—when there are no quotes and no recent trades in the security you’re pricing.

This Screen Helps You Answer
* How have the issuer’s most liquid bonds changed today?
* Has the security been historically rich or cheap relative to the issuer curve?
* Can the rich/cheap curve spread be explained by the usual factors of age, coupon and issue size?
* Have recent trades indicated a richening or cheapening relative to the curve?

These are key quantities that market participants evaluate when determining the fair-value mid—now available on a single screen and updated in real-time.

Figure 3 — Curve Breakout on BMKT <GO>.
Good fair-value pricing is central to a successful securities trading operation. Without independent pre-trade price transparency, fixed income has been constrained when trying to follow the path of other asset classes into flow and electronic trading.

With the advent of the BMRK Magenta Line—an estimated fair-value mid contemporaneous to any trade—it is now possible to quantify opportunities and costs like never before. Look for new applications of BMRK Magenta Line prices across the Bloomberg Professional service and enterprise services in the near future.
PRICING SOLUTION
The Bloomberg Benchmark Pricing Service Provides
» Real-time fair-value mid prices every 30 seconds
» Market-calibrated "matrix pricing" for illiquid securities

TRANSPARENCY SOLUTION
BMKT <GO> Gives You Real-Time Access to
» Market Drivers – which market data are driving the price.
» Curve Breakout – explains how securities relate to their issuer curve and how these curves are changing intra-day.

DISTRIBUTION CHANNELS
» Bloomberg Professional service. The BMRK Magenta Line is available at no additional cost to terminal customers.
» Trading Solutions. Bloomberg Benchmark pricing is available as an input to the ETOMS pricing engine.
» Data Feed. BMRK Magenta Line data is available as a real-time feed via Bloomberg BPIPE and the Bloomberg Server API (SAPI).

QUALITY
» Industry-leading market and reference data inputs.
» Innovative blend of financial and statistical models.
» Validation by extensive back-testing.

Learn more from the BMRK Fact Sheets and Whitepapers on BMKI <GO>.
ABOUT THE BLOOMBERG PROFESSIONAL® SERVICE

Bloomberg, the global business and financial information and news leader, gives influential decision makers a critical edge by connecting them to a dynamic network of information, people and ideas. The company’s strength—delivering data, news and analytics through innovative technology, quickly and accurately—is at the core of the Bloomberg Professional service, which provides real time financial information to more than 315,000 subscribers globally. Headquartered in New York, Bloomberg employs more than 15,000 people in 192 locations around the world.

LEARN MORE
To learn more contact your Bloomberg representative at bbgbenchmark@bloomberg.net.