



# European Equities Market Microstructure Survey

Q1 2021

## Summary - 2021 Starts Strongly Amid Covid and Brexit Uncertainty

Welcome to our latest quarterly survey of market volumes and fragmentation trends in European equities. If you are unfamiliar with the topic, we encourage you to visit our website and read our **Microbites series** for an explanation of European market microstructure.

Following a desolate second half in 2020 and despite ongoing Covid-19 and Brexit-related uncertainty, the first quarter of 2021 saw a return to some kind of normality in market volumes in the European equities market.

All three months were at or above the long term average of 55B€ traded per day. March turned out to be a bumper month, with a record STOXX and FTSE Russell rebalance driving the third largest day in at least five years at 125B€.

**Return to  
long term  
ADVT of 55B€**

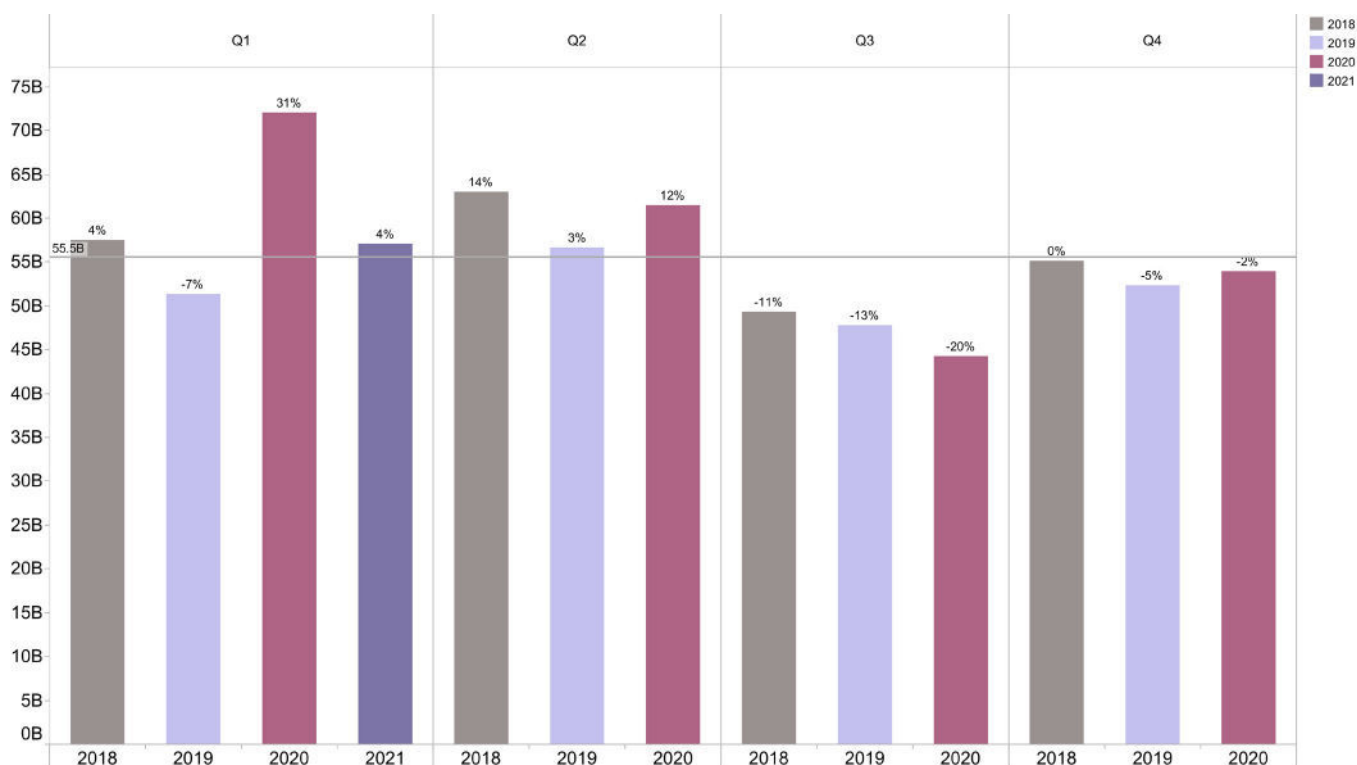
**22% decrease  
in volumes  
from Q1 '20**

**16% increase  
in volumes  
over H2 '20**

**19th March  
saw record  
Closing Auction  
of 37B€**

# Back to Long Term Average Volumes in Q1

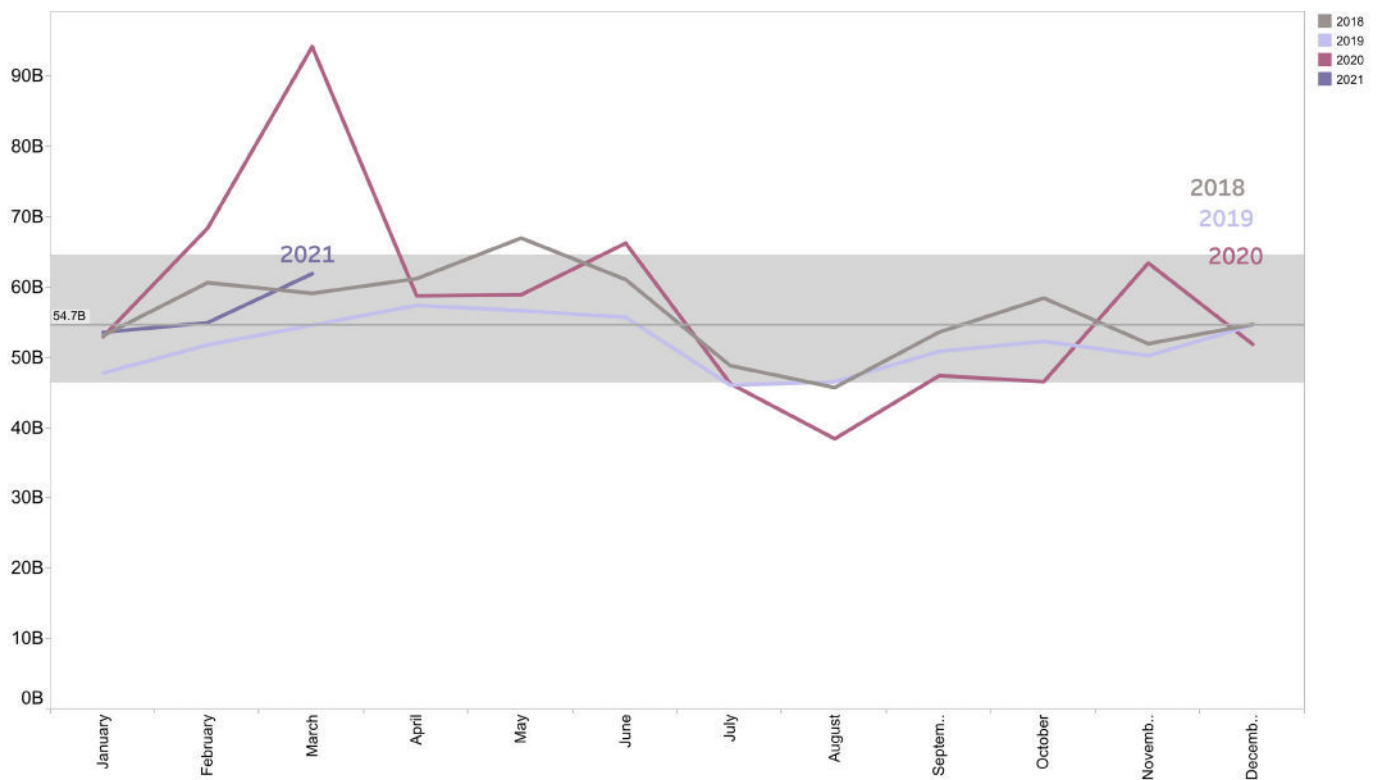
Market Overview - Quarterly ADV€



Q1 delivered a far more robust set of figures than the second half of 2020 with an increase of 16% to 3.6 trillion € traded. Although this was 22% lower than January to March of 2020 (remember that!), Q1 was among the top five quarters of the last 13 and back to the long term ADV of 55B€.

# Index Reshuffle Led to a Strong End to the Quarter

Average Daily Volumes € - 2018 to 2021

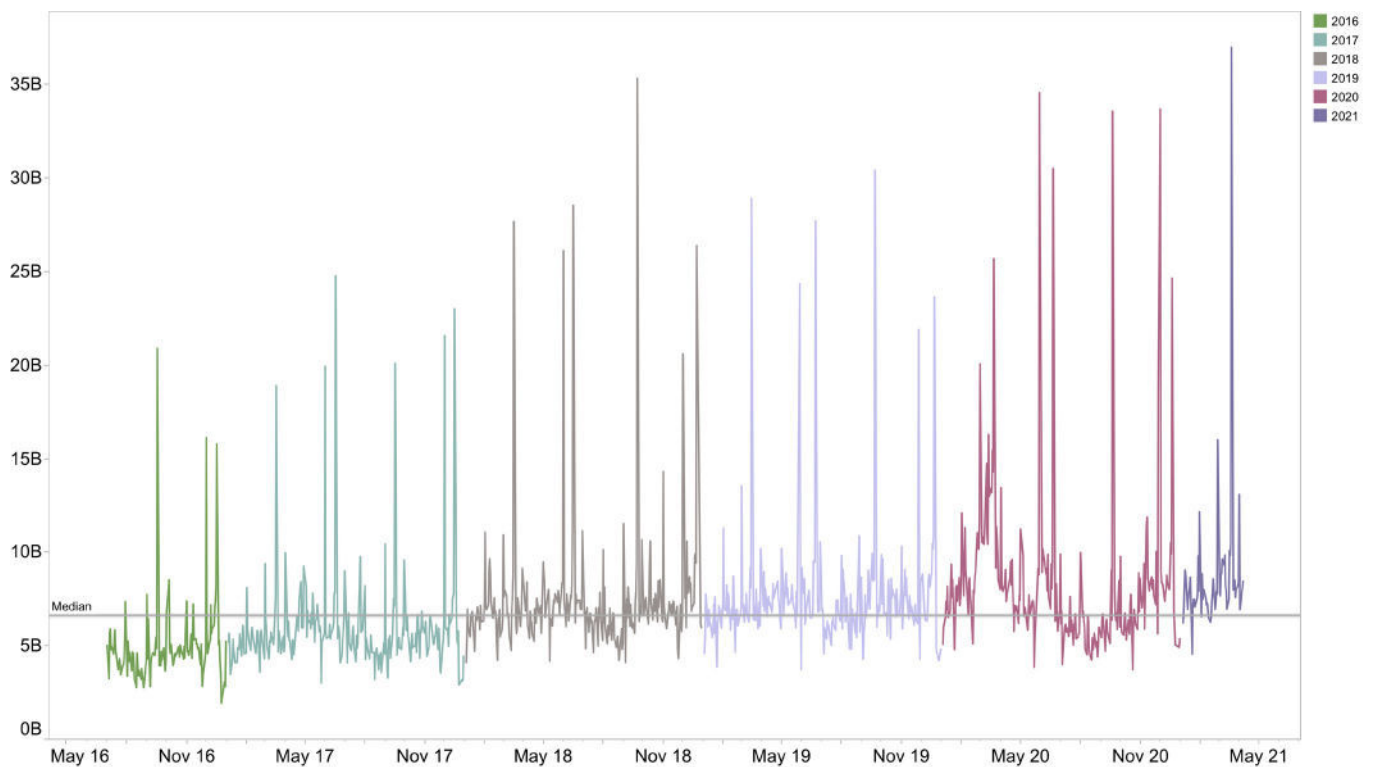


March ranked sixth by volume of the 39 months of the MiFID2 era, and with a 13% jump from the long term average to 62B€ ADV. Volumes were pushed up by the STOXX / FTSE Russell reshuffle which affected nearly 3,000 names globally, including the major European large and mid-cap indexes, and generated 125B€ on 19th March.

The recently IPO'd Dr. Martens moved into the UK's top indexes with 225M€ traded on the day, 100M€ of which was in the closing print, against an average day of just 12M€.

# A New Closing Auction Record

Daily Value Traded € Since 2016

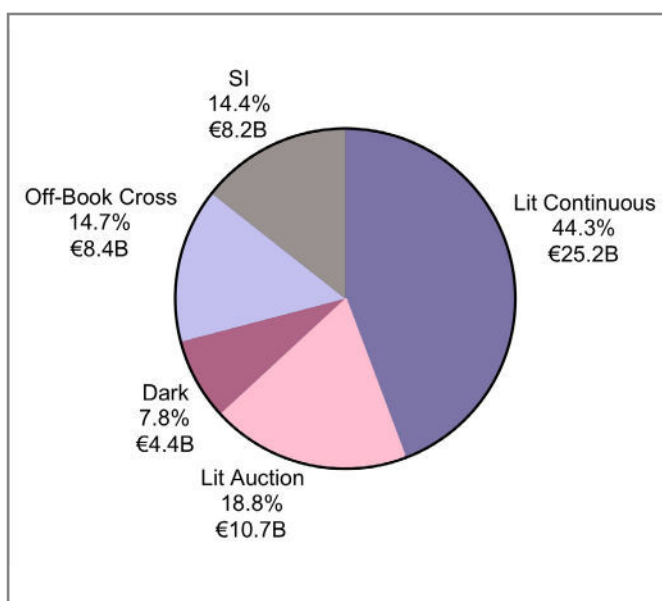


Index rebalances drive the highest concentration of volumes and 19th March set a new record for the Closing Auction - on this occasion reaching nearly 37B€ and beating the previous record set in September 2018. Other auctions throughout the day, including the Open, generated a further 8B€.

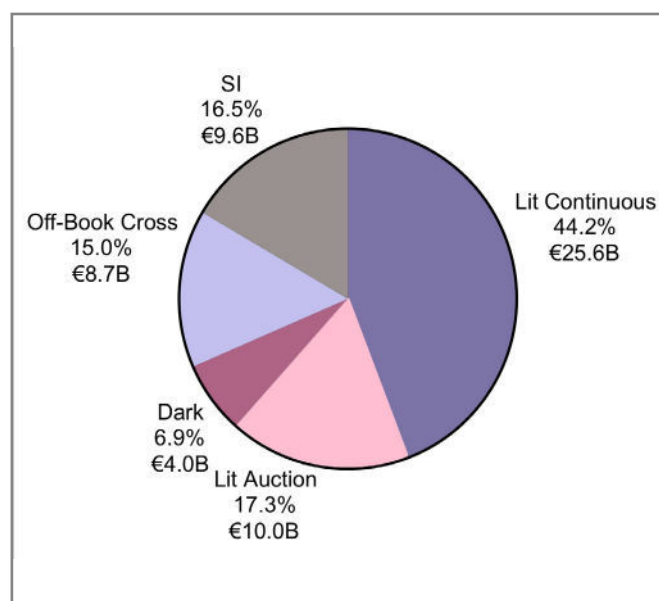
Our chart shows how the steady rise of passive trading since 2016 has driven up Closing volumes, with the median value nearly doubling from 4.5B€ per day in 2016 to 8B€ this year.

# Market Fragmentation Sees SI Trading Lose Out to the Orderbooks

Market Fragmentation 2021



Market Fragmentation 2020



\*Daily Value Traded in €

Orderbook trading took 2.5% market share in Q1 versus full year 2020 due to the bumper auction in March and increasing dark trading.

We were expecting to see a gentle increase in dark trading in UK equities as a result of the FCA's announcement in December (reaffirmed in March) that they would not automatically apply the double volume caps. Dark trading in UK equities has already increased from 9% to 10.5% of market share since the announcement, but also from 6.9% to 7.8% in Europe as a whole.

As the UK begins to diverge from EU policy in this area it will be interesting to observe whether there is any impact on market quality.

# UK Based MTFs Set Up in Europe

Transfer of Volume to EU Regulated Venues



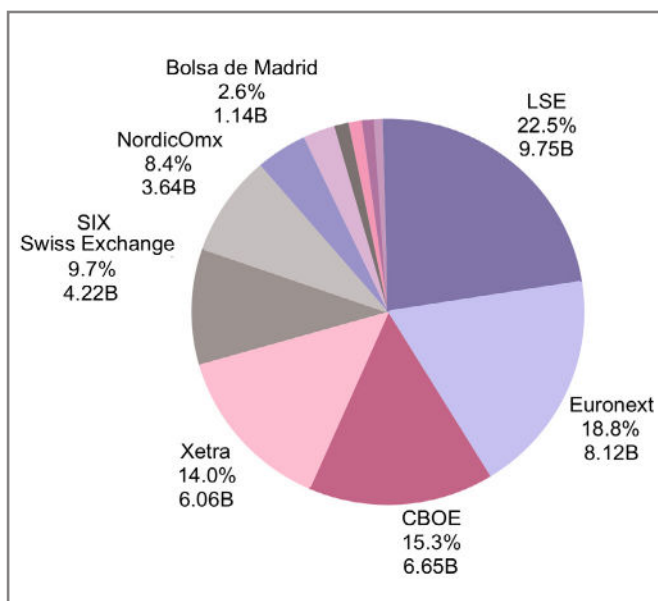
The normally dry topic of Equity Market Microstructure suddenly topped the evening news as trading in European equities shifted from UK regulated MTF venues to EU regulated venues operated by the same group entities as a means to align regulation with primary listings.

It was not as dramatic as reported. Our chart shows how in 2020 around two thirds of on orderbook trading took place in EU regulated venues; this grew to around 80% in Q1.

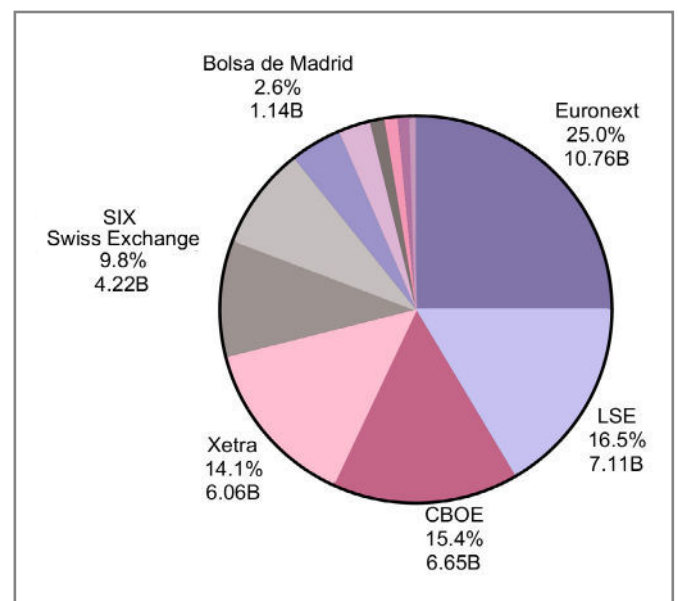
UK equity trading stayed put - interestingly around 20% of UK equities are trading in EU regulated venues such as Equiduct and Euronext.

# The More Interesting Story of the LSE and Refinitiv

**Market Share - Pre-Refinitiv**



**Market Share - Post-Refinitiv**



\*Daily Value Traded in €

The LSE's acquisition of Refinitiv is at least partly behind the required divestment of Borsa Italiana to Euronext, which seems to have a bigger impact on the European market landscape than Brexit.

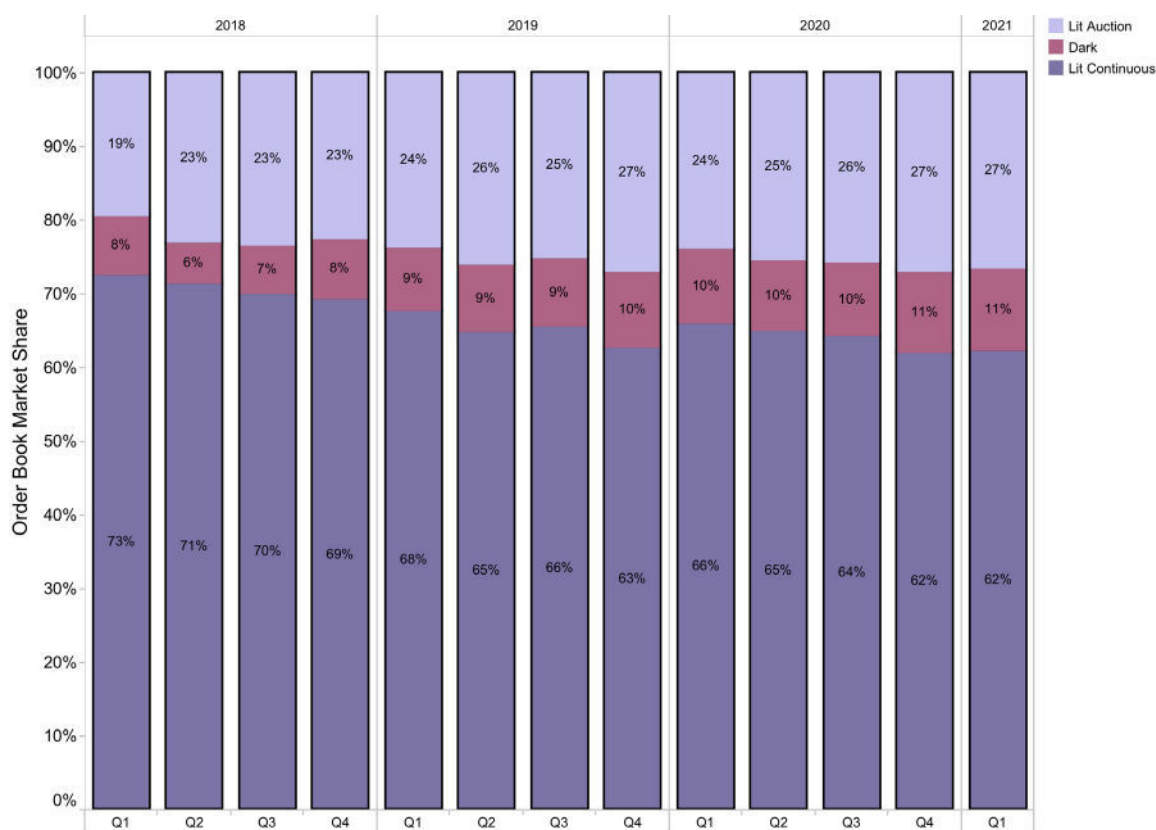
The LSE Group (including Turquoise) will hand over its position as the number one operator of European trading venues to Euronext, based on orderbook trading.

The move reflects the strategic importance of market data to venue operators.



# Shifting Market Share Inside the Orderbooks

Inside the Orderbook - Major Indexes

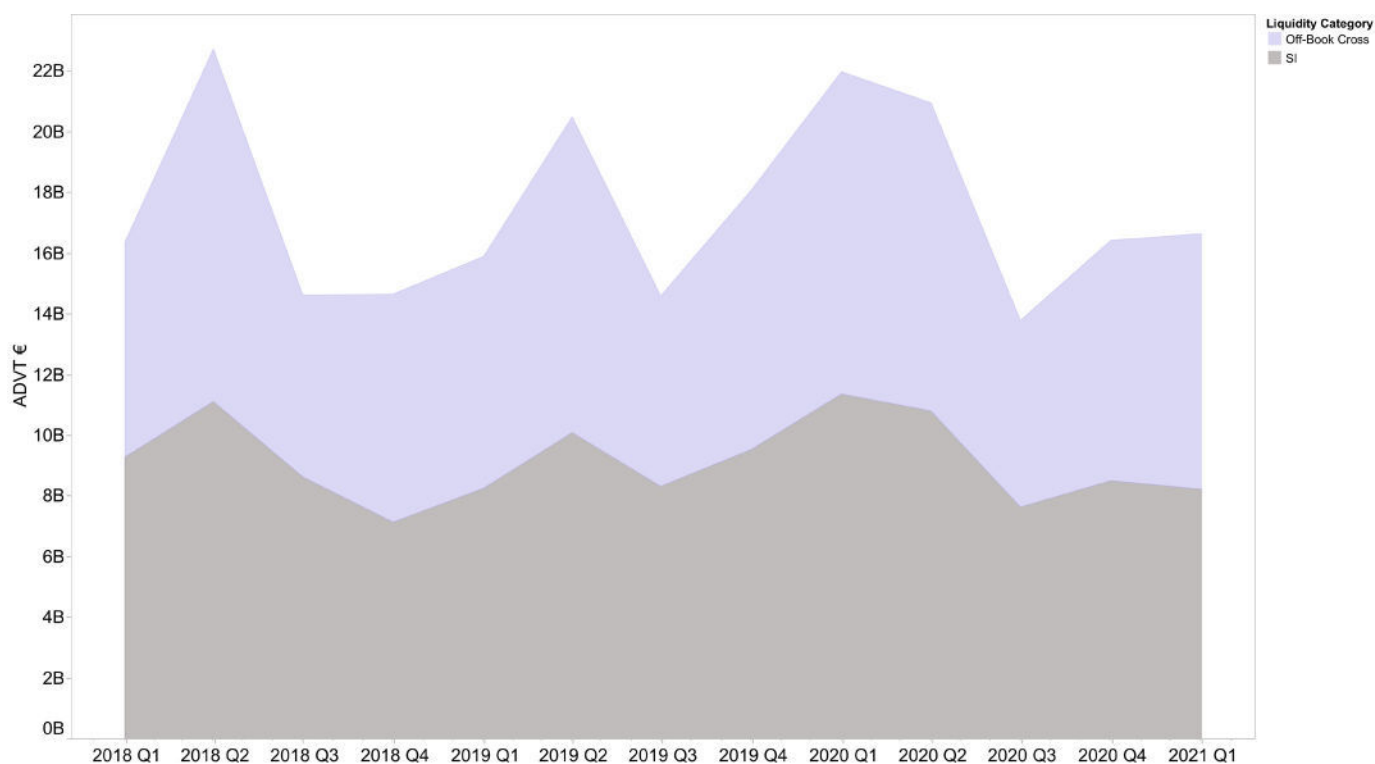


Closing Auctions and dark trading have reached their highest levels for 13 quarters, at the expense of lit continuous trading which has sunk to 62% of orderbook trading for two quarters in a row.

Since the MIFID2 launch, Closing Auction trading has grown by 7% of the orderbook, while lit continuous trading has lost 10%.

While it is tempting to blame the growth of dark trading, we maintain that Closing Auction market share would increase further and faster without intra-day alternatives to trading in the lit continuous phase.

## Outside the Orderbooks

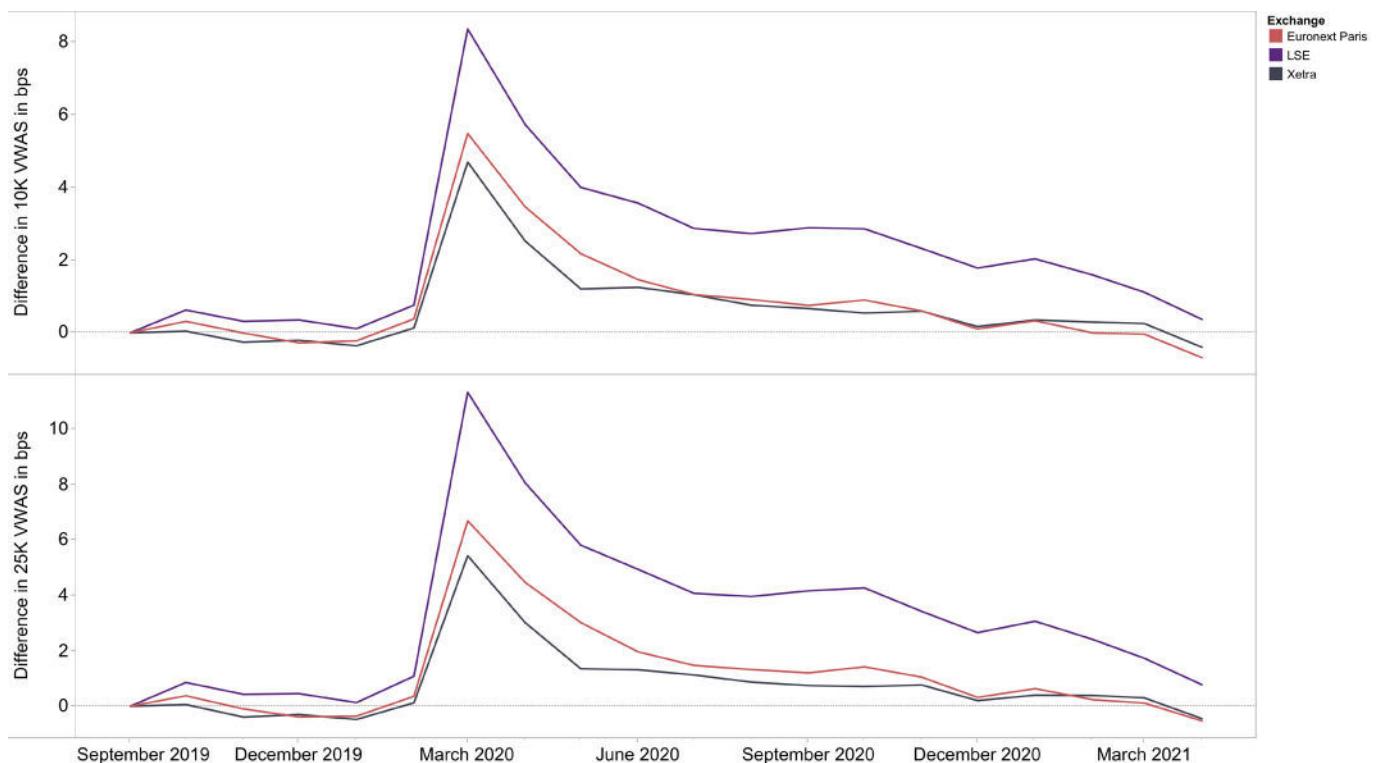


Bilateral trading off orderbook remains a hot topic for the regulators who are keen to see more flow passing through the multilateral electronic order books of the exchanges and MTFs to encourage efficient price formation.

The share of trading away from the orderbooks remains at a very stable level, with if anything a slight move in favour of multilateral trading, other than in the second quarter of each year, when dividend season tends to drive up bilateral block trading.

## Postscript: Market Quality

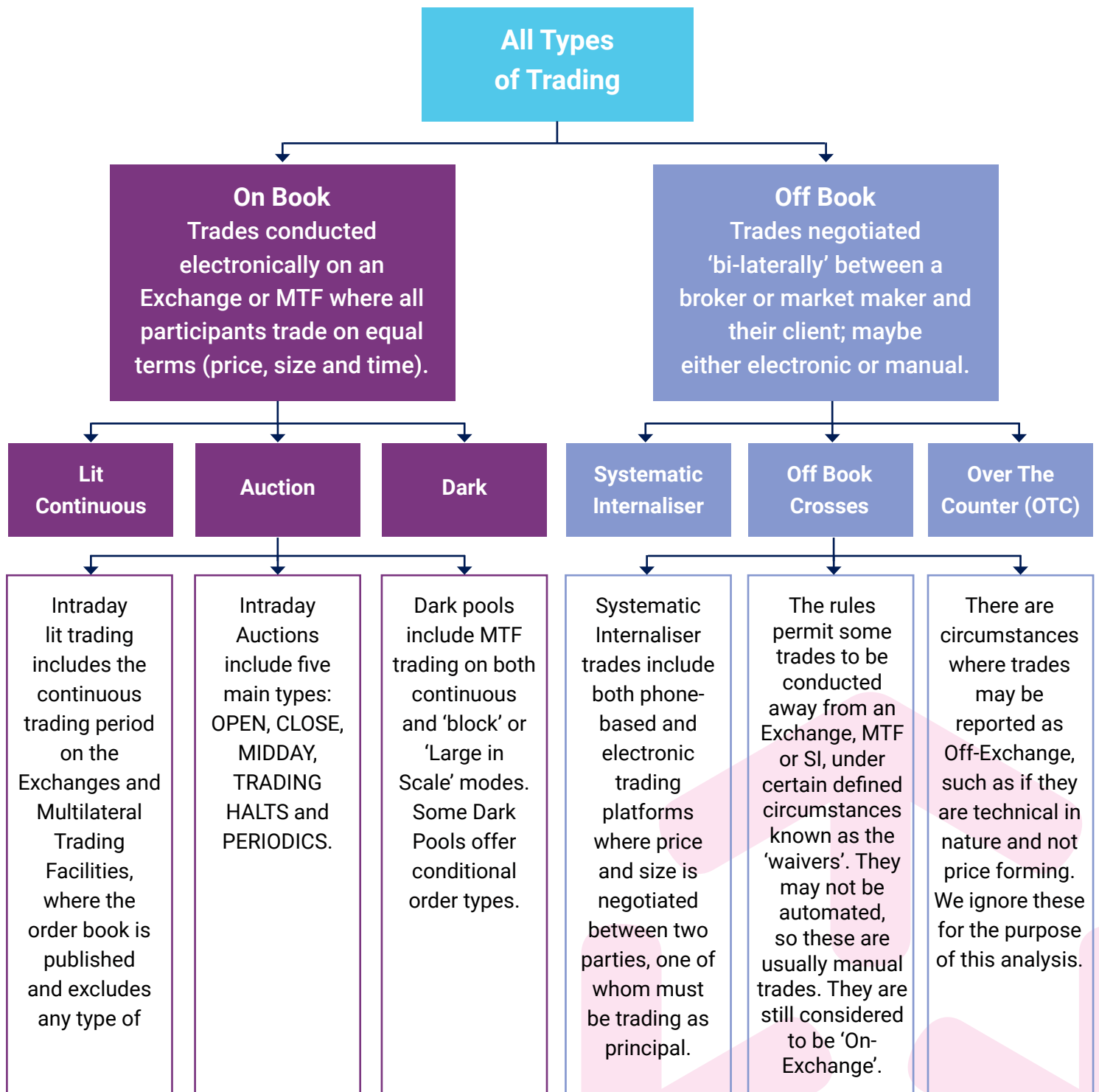
Primary Market Spreads History for DE30, FR40, UK100



A quick look at a few market quality metrics shows that alongside more normal trading volumes, spreads are finally returning to the levels of Q4 2019. Our chart shows the weighted average spread for liquidity up to 10K€ and 25K€ in the most liquid German, French and UK indexes on the primary markets only, indicating a little more risk appetite than at any time over the past four quarters.

For a comprehensive view of these and many more metrics on all the European indexes and trading venues, please visit our [Liquidity Cockpit](#). If you are not already a subscriber, please request a trial via the website.

# Appendix: European Microstructure 101



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big xyt has created a global ecosystem for tick data analytics covering more than **120 trading venues**, across **Equities, ETFs, FX, Futures and Options**. Our unique technology normalises trade conditions of venues allowing consistent aggregations of trading volumes, comprehensive analysis, and delivery of results in a flexible and customisable format.

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### Get in touch to find out more:

#### Europe

Mark Montgomery / Richard Hills  
Business Development  
and Client Management  
+44 20 36 03 10 58  
[sales@big-xyt.com](mailto:sales@big-xyt.com)

#### North America

Jenny Chen  
Head of Sales in the Americas  
+1 888 464 1254  
[sales@big-xyt.com](mailto:sales@big-xyt.com)

#### Asia Pacific

Philip Barnes  
+65 3105 1520  
Head of Business Development  
Asia  
[sales@big-xyt.com](mailto:sales@big-xyt.com)