

Fixed income markets on demand

Speaking at Hubbis' Investment Solutions Forum 2017 in Singapore in June – Stephen Cohen of BlackRock discusses what he sees as a bold and exciting new future for bond ETFs.

Today, technological advances are rapidly transforming finance; old operating models are being rethought and modernised.

Stephen Cohen, managing director and global head of fixed income beta, BlackRock, says he sees this disruption occurring within the fixed income industry, too – something he believes could not come soon enough.

After all, he says, investors can no longer rely on the old bond trading model to meet all their liquidity needs.

As a result, he explains that ETFs have revolutionised the fixed income industry. More specifically, bond ETFs on an exchange provide investors with the fixed income markets, on demand, he adds.

It is a sector which is growing quickly; USD600-plus billion in global AUM, showing 34% year-over-year growth over the past decade, and approximately USD7 billion traded daily.

Looking at the next five years, Cohen expects to see two fundamental changes in fixed income market.

First, is the way fixed income trades, in terms of it becoming a much more transparent, networked market with the rise of platforms; and secondly, is the way fixed income is used to build portfolios – in terms of giving clients exposure to a bond market through a more efficient method.

As a result, he says wealth managers can now think about bond ETFs as tools helps them to become much more useful where, at the touch of a button, they can buy different parts of the fixed income market in a very easy way to construct a portfolio.

This is essential given that efficiency is in the spotlight amid all the pressures around regulation, customer preference, technology and fees. All this helps bond ETFs to become a weapon of mass convenience, adds Cohen. ■



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