Global Data Products

Level the Playing Field for Local Government

PROBLEM: TRADING IN THE DARK

Johnson County, Kansas Government’s Financial Management Division is responsible for the effective stewardship of public funds and the timely, efficient delivery of financial services through cooperative partnerships with County departments and agencies. Among many fiduciary duties, one of the primary responsibilities of the office is to perform daily cash management and investment services. The following outlines Johnson County Government’s challenge, solution and results when faced with an inadequate method to price and trade U.S. Treasury securities.

State, city and local governments alike have in recent years been plagued by shrinking budgets and rising obligations. To meet payroll demands, continue to fund essential projects and administer employee benefits, these organizations must find additional revenue sources above and beyond taxes and new bond issuances to make ends meet.

Trading U.S. Treasuries is often the first choice for municipalities looking to preserve capital while also pursuing short-term profits. However, slim trading margins, a competitive bidding landscape and a lack of market transparency can oftentimes erase the already low returns available from U.S. Treasuries and traditional short-term fixed income trading. This is the position that Thomas Robben, Treasury Cash Manager at the Johnson County Government, found himself in before switching to NASDAQ OMX’s eSpeed electronic market data for real-time on-the-run benchmark U.S. Treasuries.

According to Robben, “Investing for profit can be difficult enough, but coupled with a Treasuries trading platform that did not provide the real-time pricing or the speed to market capabilities I knew others were deploying put myself—and more importantly the public employees and citizens of Johnson County—behind the proverbial eight ball.”

SOLUTION: A CRAFTSMAN IS ONLY AS GOOD AS HIS TOOLS

Understanding what was needed for success — real-time U.S. Treasuries pricing data and access to a level playing field — Johnson County Government set out to find a provider who could meet its specifications.

Following a period of market research and speaking with industry peers, Johnson County Government targeted NASDAQ OMX eSpeed Market Data. After reviewing eSpeed’s real-time data feed, they found that it captured the true representation of the global marketplace, not compromised by estimates from dealers or aggregators — providing the most reliable data to address their most pressing needs.

Johnson County quickly found the key features of eSpeed data to include: best bid/offer, trade size, complete limit order book and active market stack composition — all important requirements to their investment operations.

More so, upon substantial use of the NASDAQ OMX’s eSpeed Real-time Treasuries Data, they found it gave not only the tools to meet their goals, but also a consistent advantage in the marketplace. Robben shares, “I use the real-time U.S. Treasury pricing to buy 2- and 3-year Treasuries for short-term profits. I am confident I know the price to transact for and that transparency helps me find profits where previously I did not. One example is that I will purchase the 3-year U.S. Treasury on a Friday morning for ‘cash’ and then sell it at a profit late Friday afternoon for ‘reg,’ thus earning a substantial return over the weekend.”
RESULTS: UNEXPECTED GAINS

For Johnson County Government and Treasury Cash Manager Thomas Robben, NASDAQ OMX’s eSpeed real-time data provided the essential market information to confidently trade U.S. Treasuries. Armed with market data he could trust and the knowledge he was operating on a level playing field, Thomas found that he could trade not only to preserve capital, but also generate consistent returns for the County’s fund. NASDAQ OMX eSpeed not only met their needs, but also surpassed them with additional functionality and trading opportunities.

Immediate Returns
The Johnson County Government has seen immediate and impactful returns since switching to NASDAQ OMX eSpeed Market Data. From 2011 until 2014, the agency approximates it has earned $2.33 million additional investment income when compared to traditional overnight and 3-to-6-month instruments. “Having the ability to identify opportunities for profit in the U.S. Treasuries market helps me offset the very low returns available from traditional short-term fixed income instruments,” says Robben.

Expanded Opportunities
Confident with the eSpeed data for trading U.S. Treasuries, Johnson County expanded its efforts to include buying other government agency-issued loans to boost returns while diversifying its portfolio. “I also use the product to buy U.S. Agencies when they are priced against the 2 and 3-year U.S. Treasuries. Knowing the U.S. Treasury prices assures me that I am receiving the best bid on my agencies,” remarks Robben.

While the U.S. Treasury securities market is one of the largest markets in the world, with over $500 billion in daily trading volume, being a part of NASDAQ’s Global Data Products Group also provides eSpeed users access to additional data and business solutions across the fixed income spectrum. This means that for customers such as the Johnson County Government it is not a matter of if they would consider expanding their NASDAQ OMX/eSpeed Data suite, but when. “I would definitely consider purchasing another product,” says Robben.

Help, Expedited
Securities trading aside, what happens when technical issues arise? When the Johnson County Government was faced with such a challenge, NASDAQ’s proven technology expertise and fast operations support team responded. As told by Robben, “My sales rep put me in immediate contact with the operations support team when my product would not boot up. It ended up being an internal firewall issue at my firm but NASDAQ’s team explored several angles of correcting the situation until we worked things out on our end. Simply put, I was very impressed.”

“I know I am receiving the most competitive price available by using NASDAQ’s data. I would say that there is no way to accurately trade U.S. Treasuries, or know where U.S. agencies are priced, without this type of real-time data,” concludes Robben.

ABOUT NASDAQ OMX ESPEED MARKET DATA
NASDAQ OMX eSpeed Market Data empowers today’s technology-driven markets with specialized, independent and verifiable real-time Treasury pricing. Through eSpeed, NASDAQ OMX provides real-time institutional trading of U.S Treasuries benchmark securities, one of the largest and most liquid fixed-income cash markets in the world. Complementing the real-time trading business is an assortment of valuable real-time and static market data products including live intra-day, end-of-day, historical and indicative pricing derived through the eSpeed trading system.

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Thomas Robben, Treasury Cash Manager, Johnson County Government
Thomas.Robben@jocogov.org