



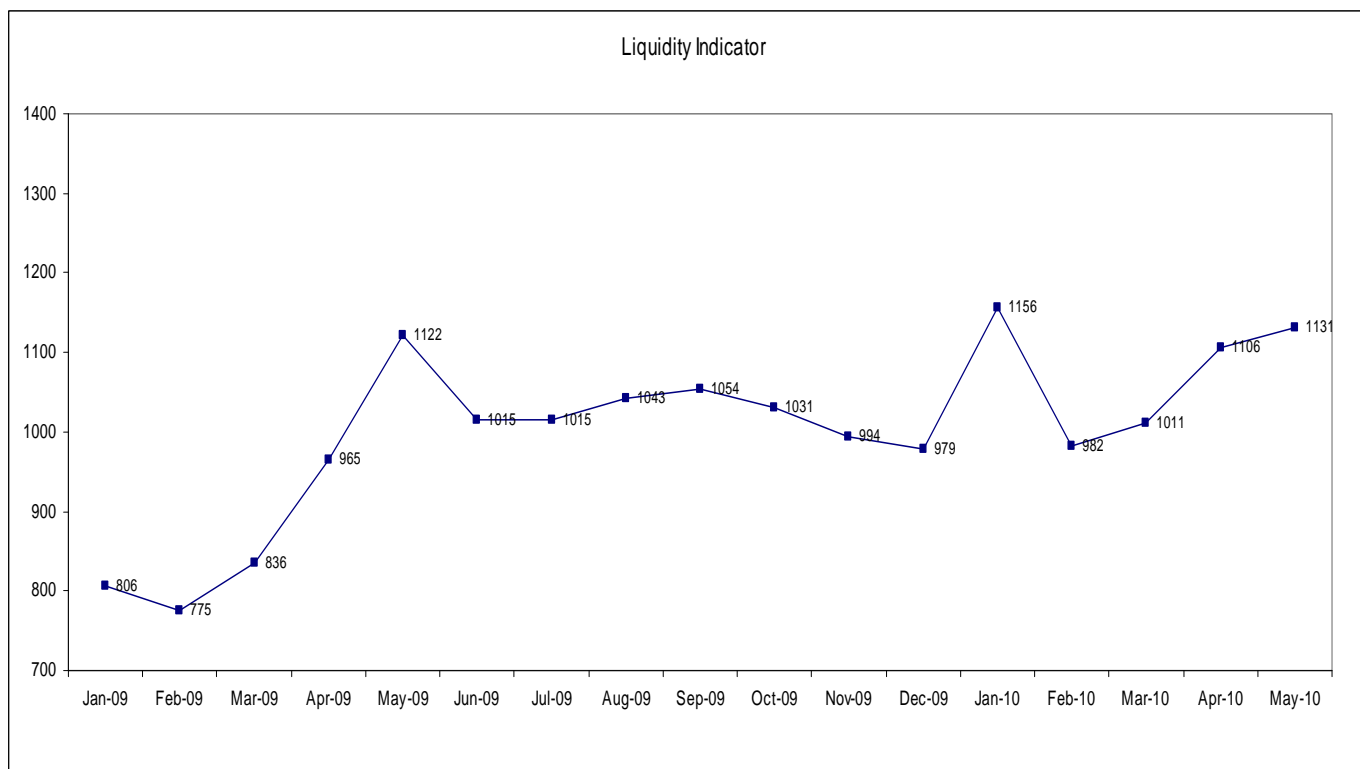
ITG'S ASIA PACIFIC LIQUIDITY BAROMETER – JUNE 2010

SUMMARY

EUROPEAN CREDIT CRISIS SHIFTS ASIAN TRADING PATTERNS – Check your algos are adapting

In May it appears the European credit crisis had a direct impact on Asian intraday trading volumes, meaning structured algorithms such as VWAP needed to take into account shorter term events. Weaker overnight signals from the US and uncertainty over the European Open is likely to have been the reason behind **a shift in intraday volumes towards the end of the trading day** (May average compared to previous three month average). Closing auction volumes also rose versus previous month average. Hong Kong had the strongest shift to the final 15 minutes of trading while Japan had an overall shift away from the Open and towards the afternoon session. In Australia and Singapore the shift was towards the last 60-90 minutes of trading. (See charts on p 5-10 for more detail).

- **At a regional level, liquidity through May edged up driven by 12-month highs of turnover in Japan and Australia, and Australia's narrowing spreads.** Korea and Singapore also witnessed liquidity improvement, while Hong Kong and Taiwan witnessed a regression in liquidity to February levels.
- **Trading costs stable** – around 60-70 bps for trading Korea and Taiwan, 50-60 bps for trading Hong Kong and Singapore, while Australia and Japan are lower at around a 30-40 bps average.

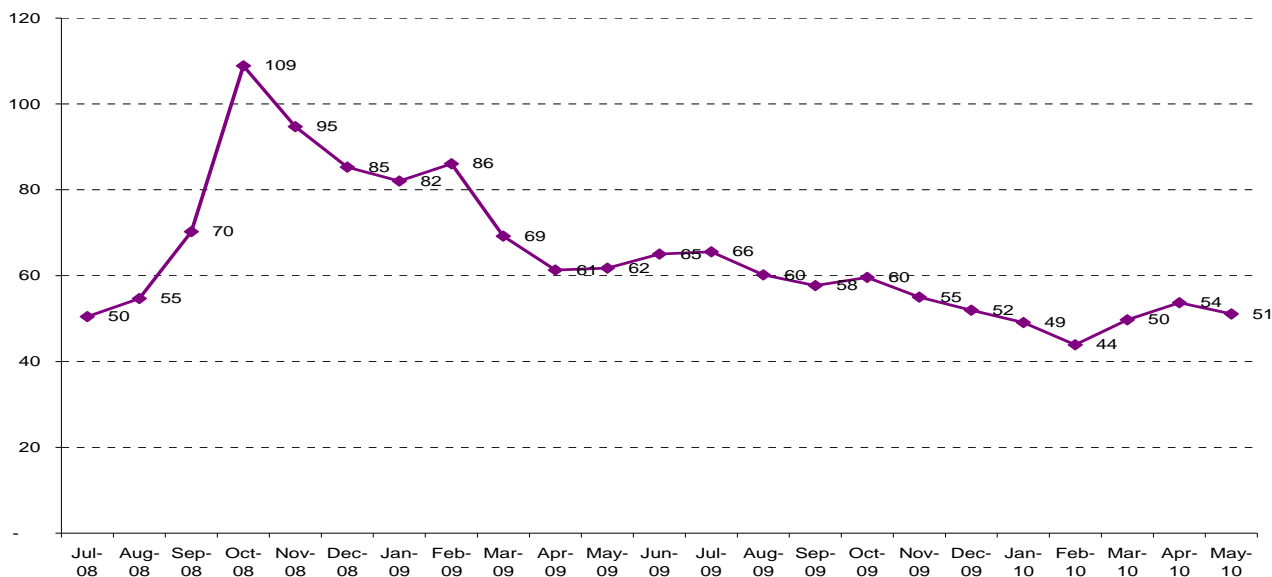


TRADING COSTS

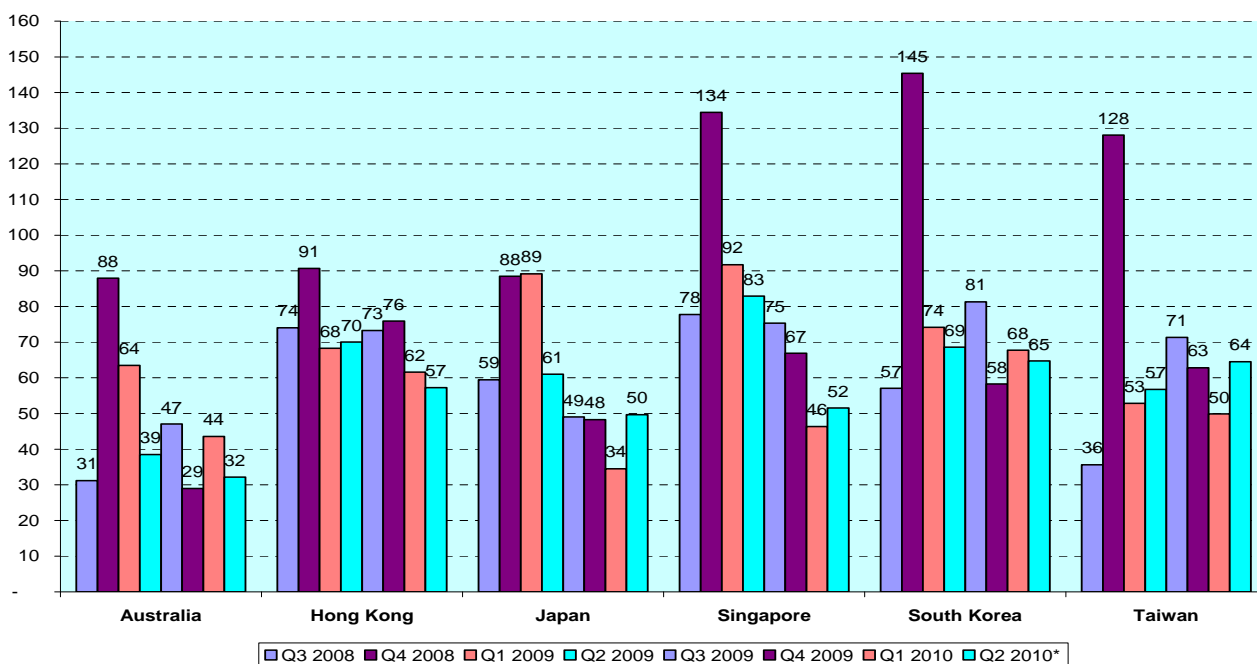
- Transaction cost in Asia trended down in May after rises through Q1 and Q2, largely due to decreases in Japan monthly costs.
- Hong Kong (54) and Japan (45) had declining trading costs relative to April. Japan seems high relative to the Q1 average (34) and we expect that the Q2 number will be revised down as more data accumulates
- Australia (34), Singapore (55), Korea (67) and Taiwan (78) moved higher than April.

* Note: transaction cost data for the previous 5 months is reviewed in each issue in light of additional data that is submitted to ITG's peer universe. No additional revisions are expected to Q4 2009 or older data.

Weighted Average Transaction Costs Across Developed Asia



Developed Asia Transaction Cost by Quarter

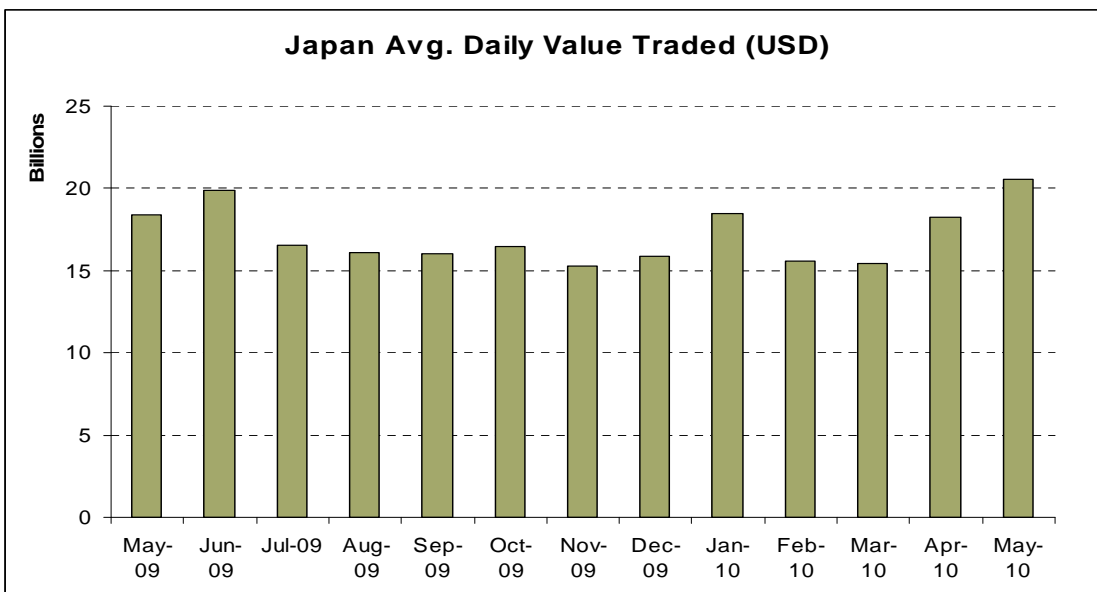
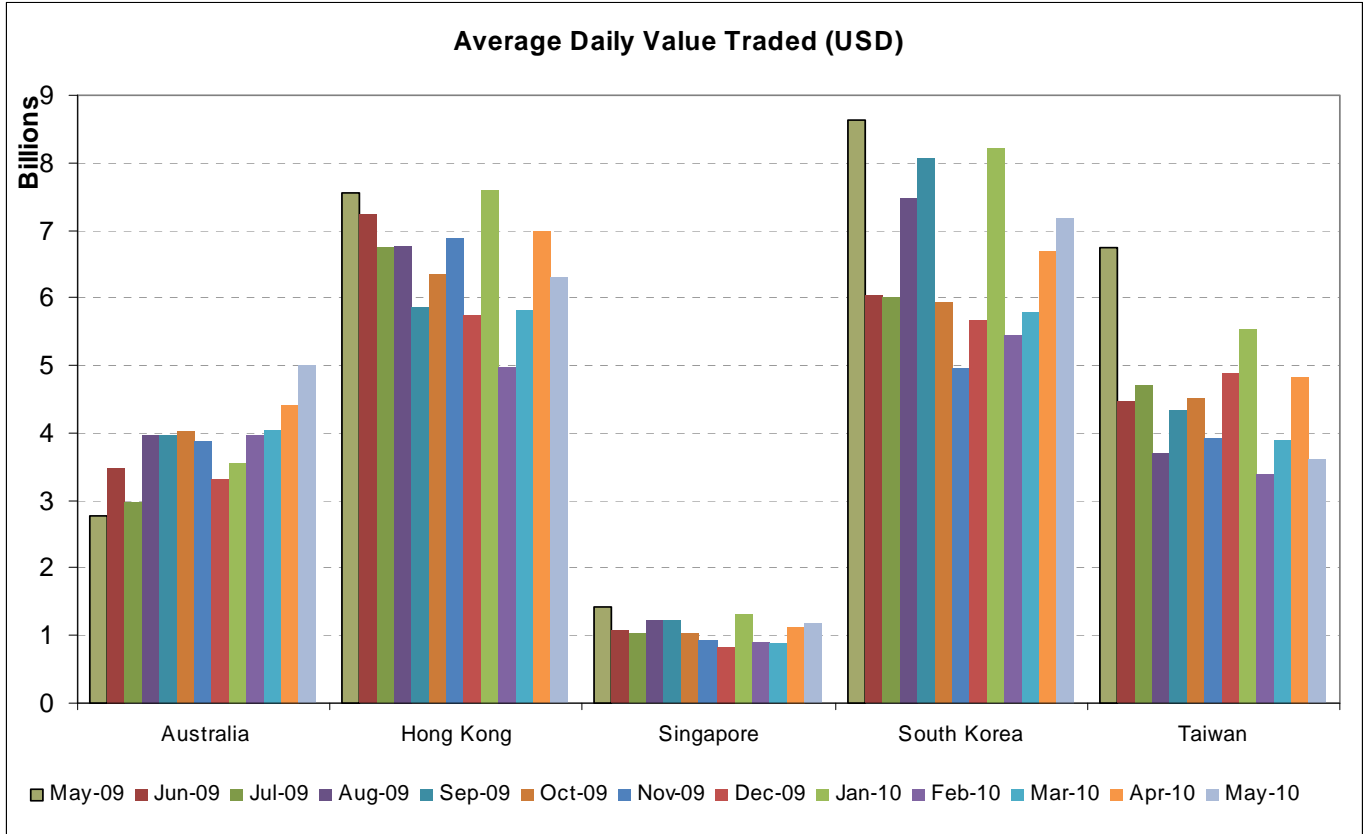


- Q2 2010 data is based on April and May costs only

MARKET SIZE AND TURNOVER

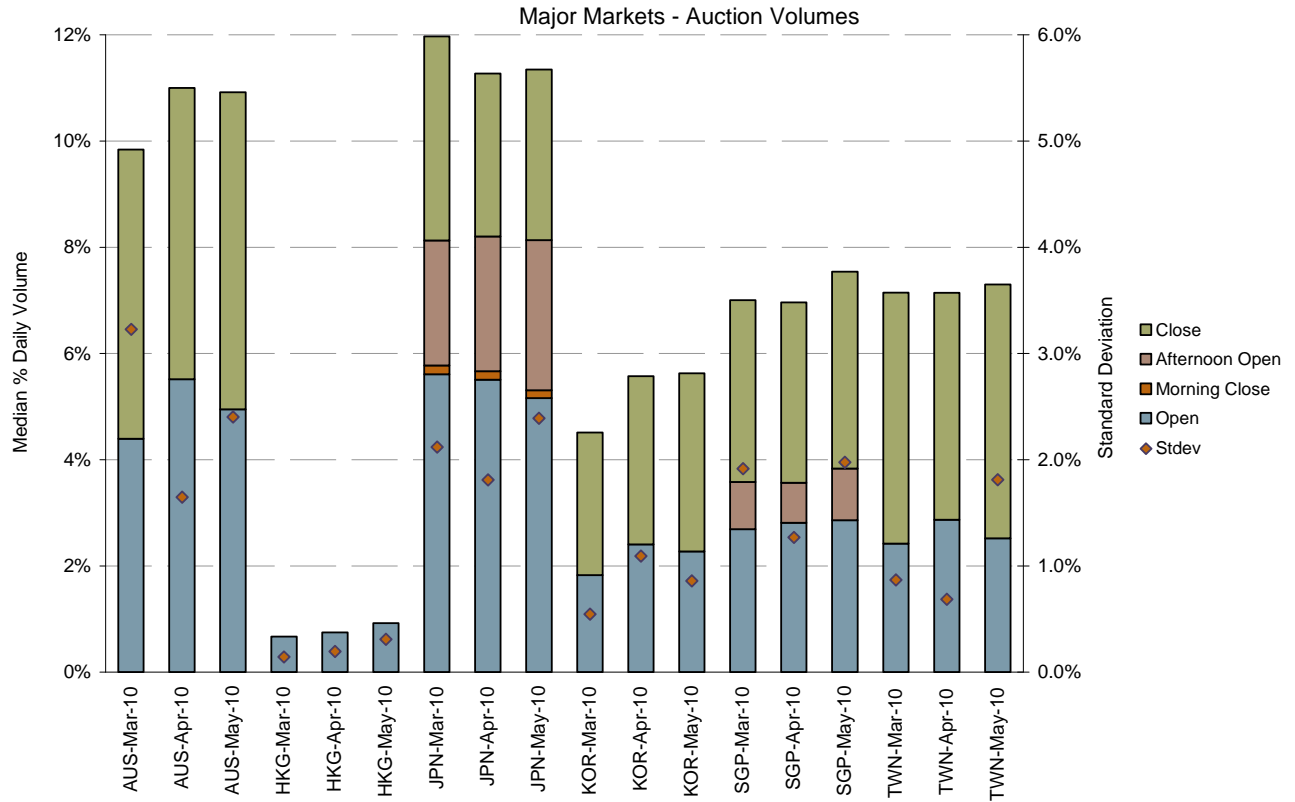
- Japan, Australia and South Korea displayed higher turnover (13%, 10%, 7% respectively) in May compared to April.
- Hong Kong and Taiwan saw volumes drop (10% and 25% respectively) while in Singapore volumes were stable (+5%).

Average Daily Traded Values (\$US)

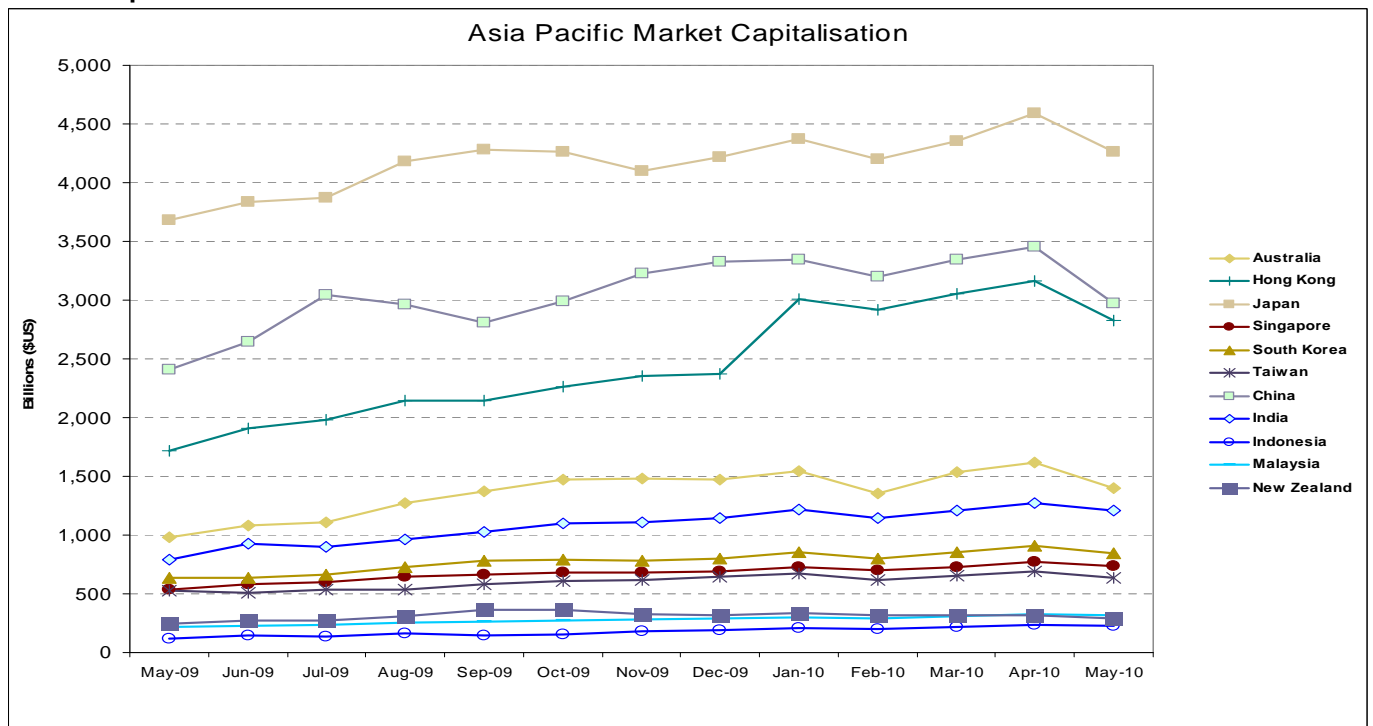


Auction Volume

- Japan auction volumes stabilised after a four-month consecutive drop.
- Most markets witnessed an increase in Closing auction volume, in line with the general shift in intraday volumes to later in the Asian trading day triggered by caution over European markets (see summary).



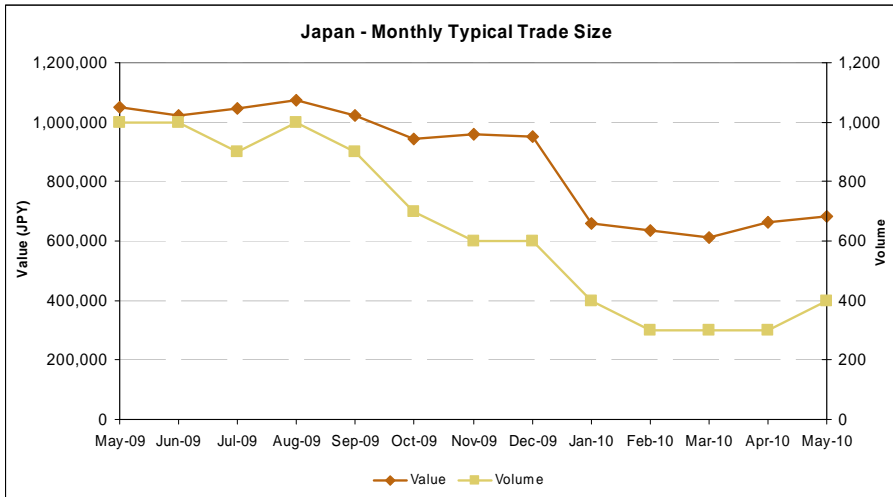
Market Capitalisation



MARKETS IN DETAIL

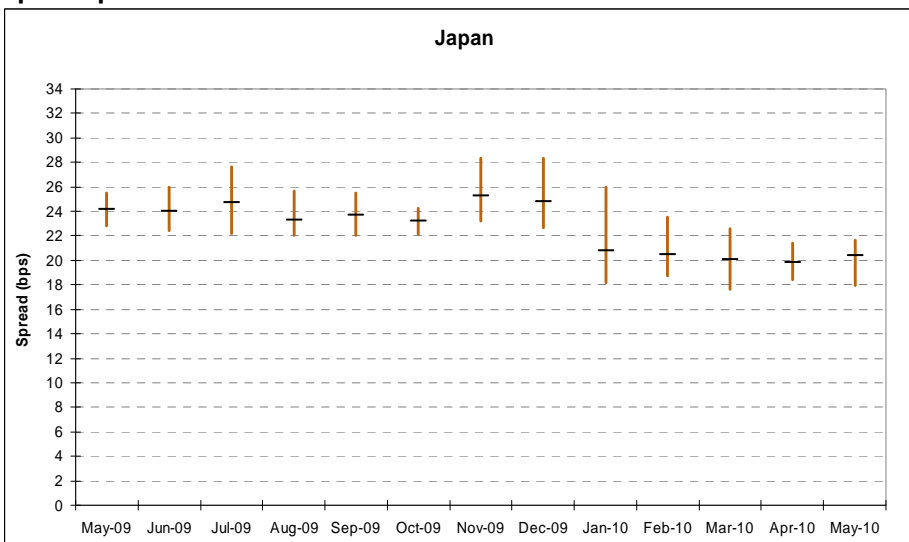
JAPAN

Typical trade size

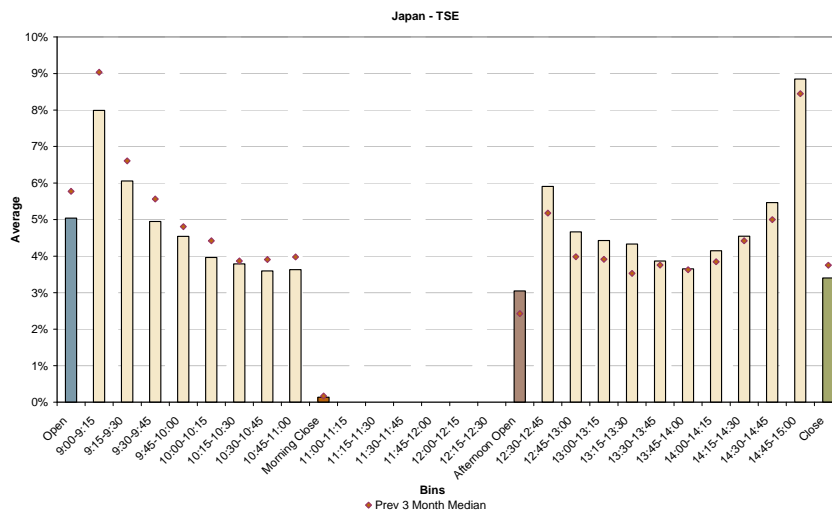


- Average Daily Turnover rose by 13% month on month to just over US\$20 billion – **the highest turnover in the last 12 months**
- Typical trade size climbed back to 400 shares after three months at 300 shares, though is still significantly lower than 2009 levels
- Spreads remained stable at 20bps though standard deviation increased slightly
- Volumes have shifted more towards the second half of the day. The most dramatic drop is in the first 15 minute bin after the Open.

Spread profile

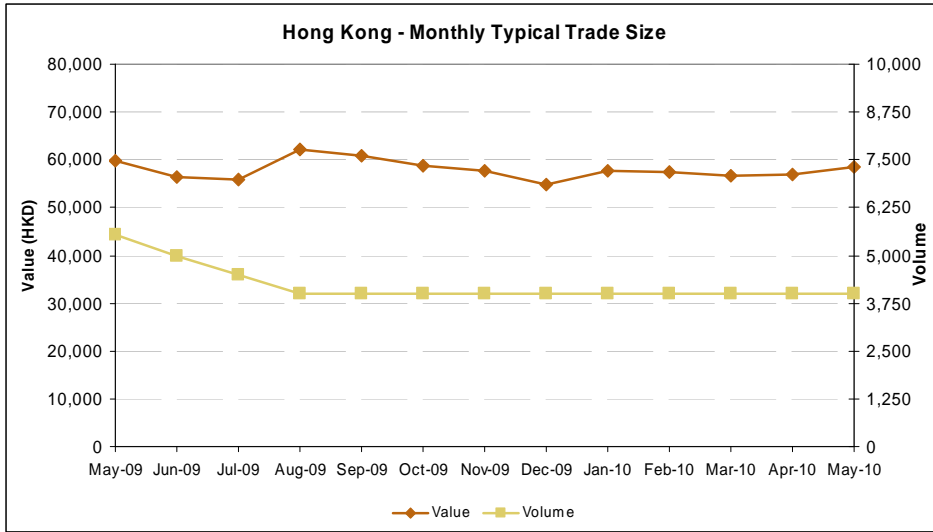


VWAP profile (TSE – other Japanese markets available on request)



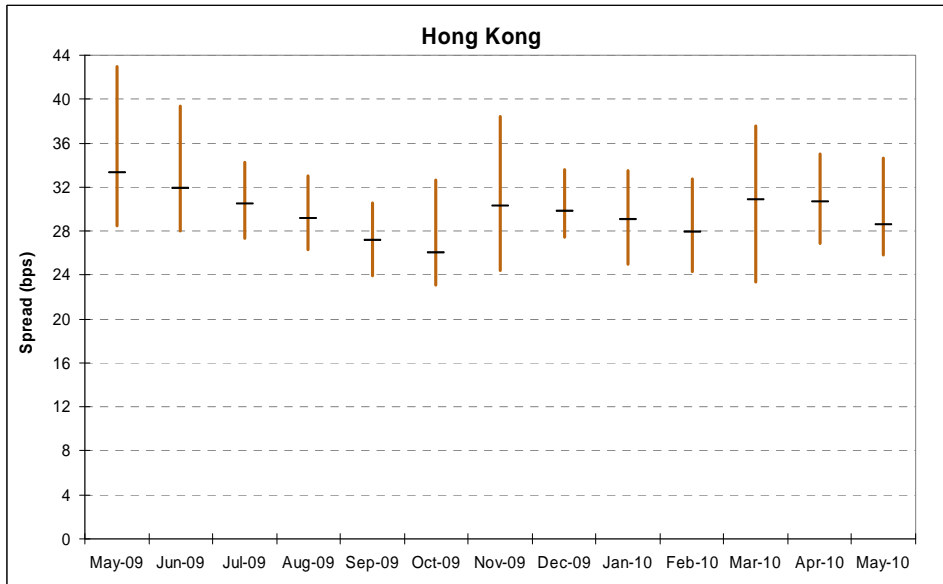
HONG KONG

Typical trade size

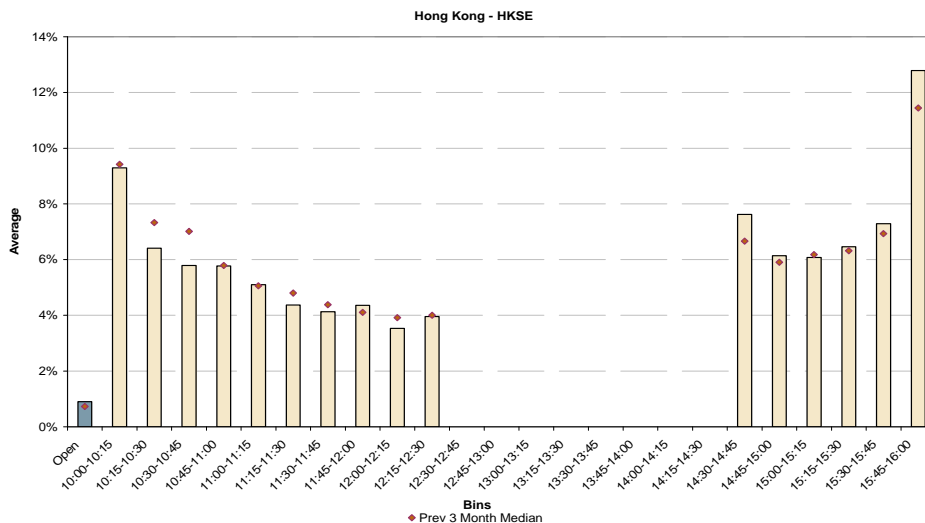


- Turnover was down 10% in May to a daily average of US\$6.3 billion
- Typical trade size is consistent at 4 lots
- Spreads came back down to 28 bps from their slightly elevated position of 30+ bps in March and April.
- Volume moved toward the afternoon session and into the Close, with intraday trading in the morning falling from the three month average. This was a significant change to both the trading period at the start of the afternoon Open, and immediately prior to the Close.

Spread profile

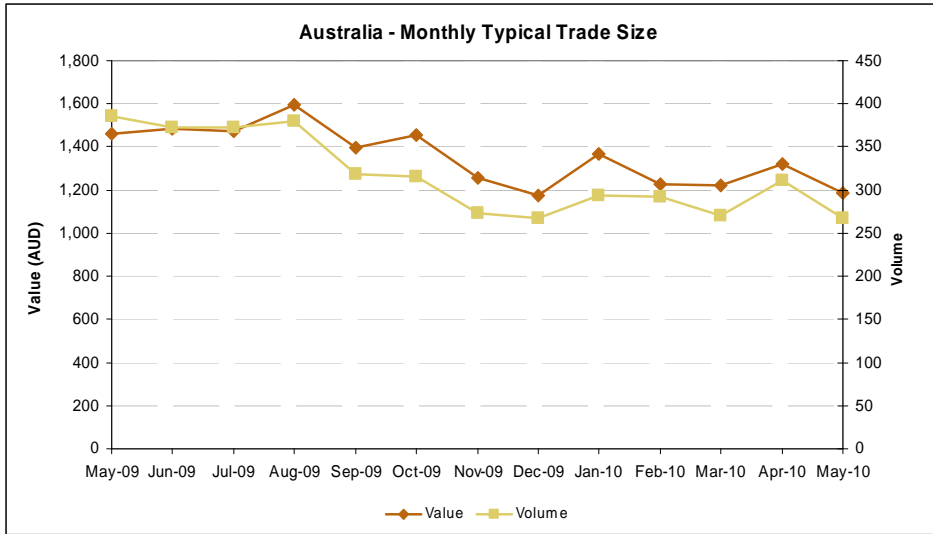


VWAP profile HKSE



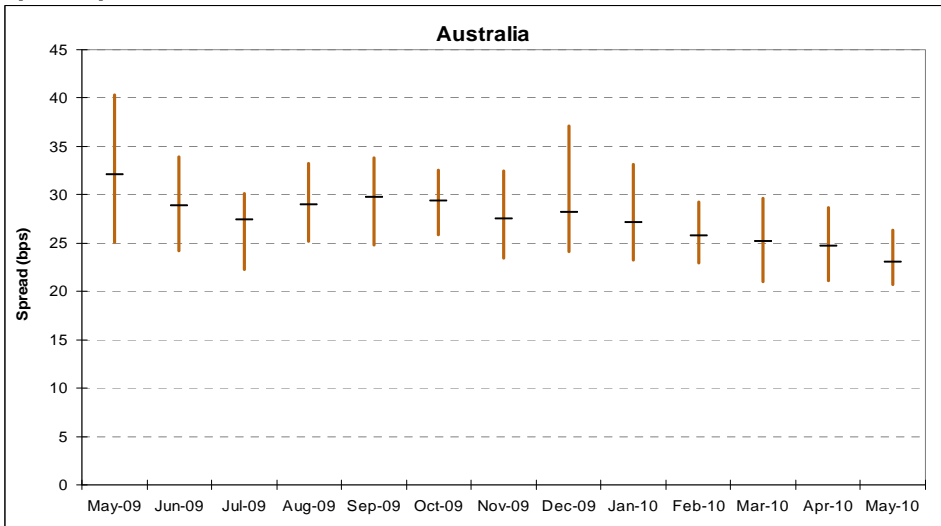
AUSTRALIA

Typical trade size

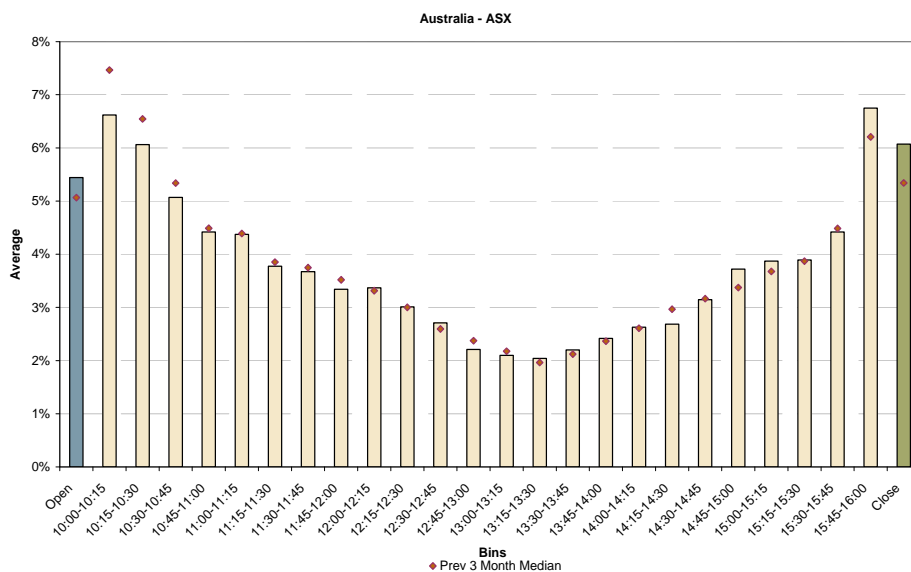


- Turnover up 13% in May, to a daily average of US\$5 Billion - **the highest turnover in the last 12 months**
- Typical trade size came down to 260 shares
- Spreads narrowed with the rise in liquidity. The average spread dropped to 23 bps - the lowest in the last 12 months - with a tight standard deviation.
- Volumes also shifted more toward the last bin and the close.

Spread profile

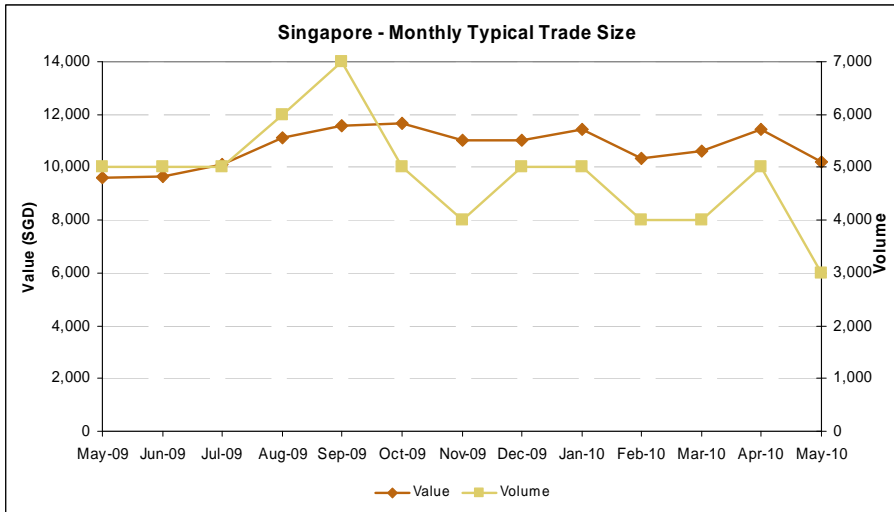


VWAP profile ASX



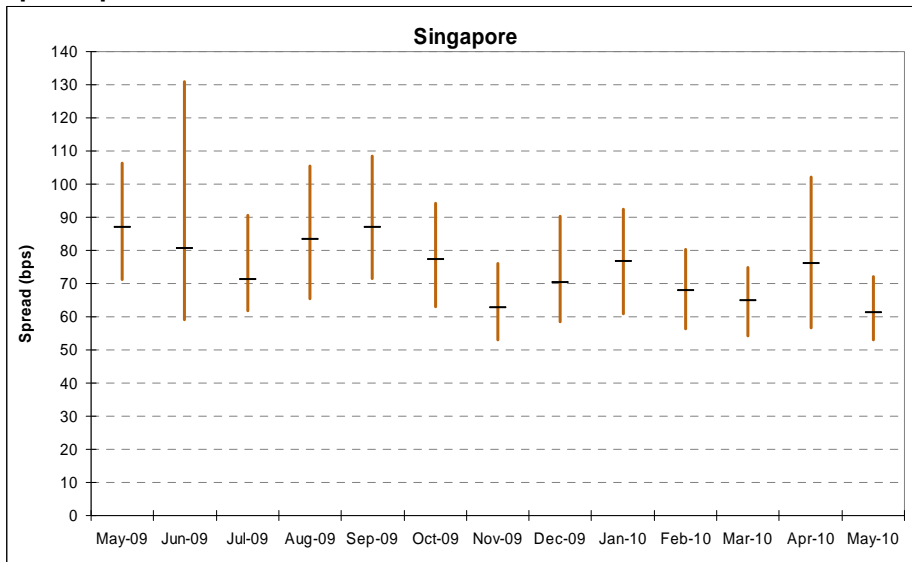
SINGAPORE

Typical trade size

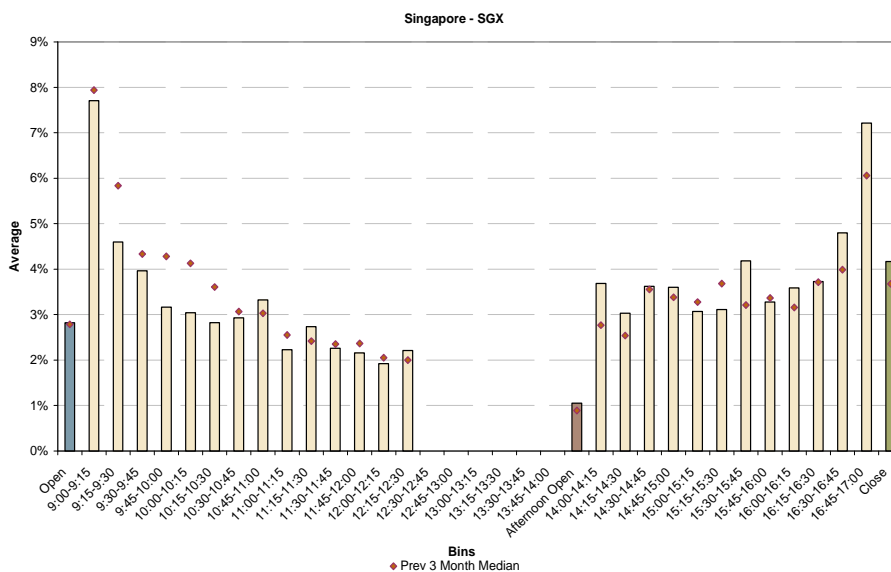


- Turnover slightly up by 5% in May, to a daily average of US\$1.2 Billion
- Typical trade size experienced an atypical drop to 3000 shares
- Average spreads recovered from the increase in April and dropped by 20% to 61 bps (from 75 bps). The standard deviation also witnessed a sharp decrease. This makes April appear an anomaly in the trend towards lower spreads and lower standard deviation which started in January 2010.
- Volumes have shifted toward the start and end of the PM session.

Spread profile

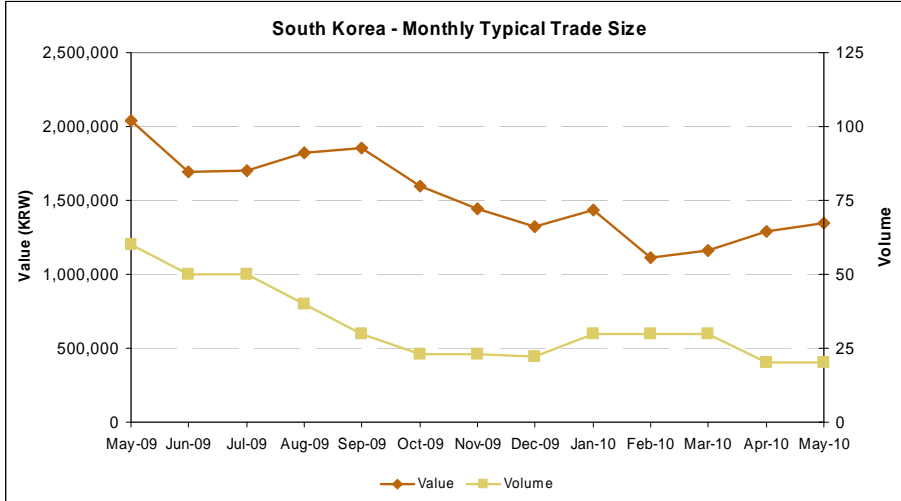


VWAP profile SGX



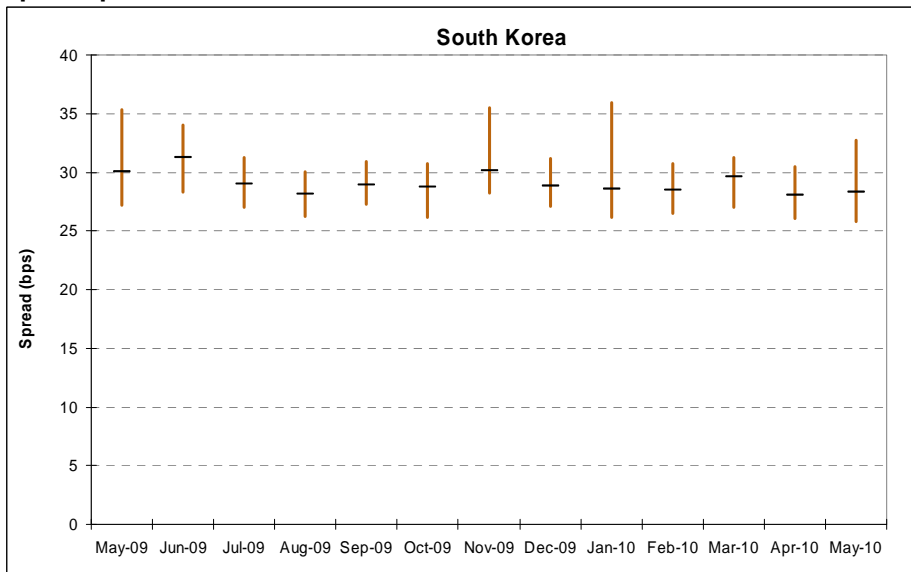
KOREA

Typical trade size

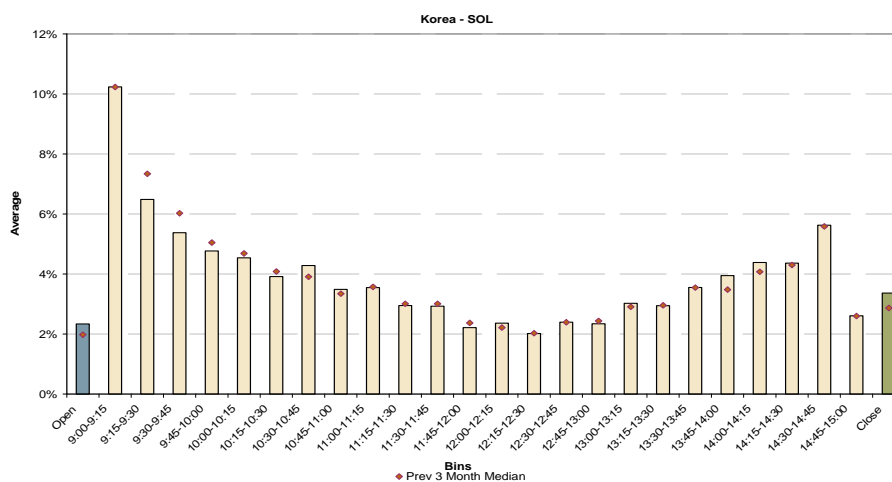


- Turnover up 7% in May, to a daily average of US\$7 Billion
- Typical trade size stable at around 20 shares
- Spreads holding at 28 bps though with a higher standard deviation than in recent months.
- Unlike the other markets, Korea's volume profile did not appear to shift significantly this month.

Spread profile

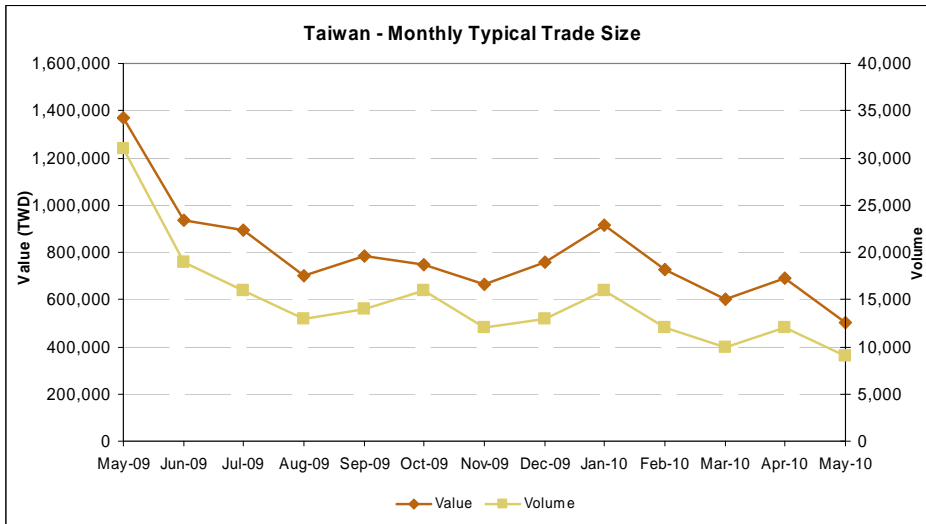


VWAP profile SOL



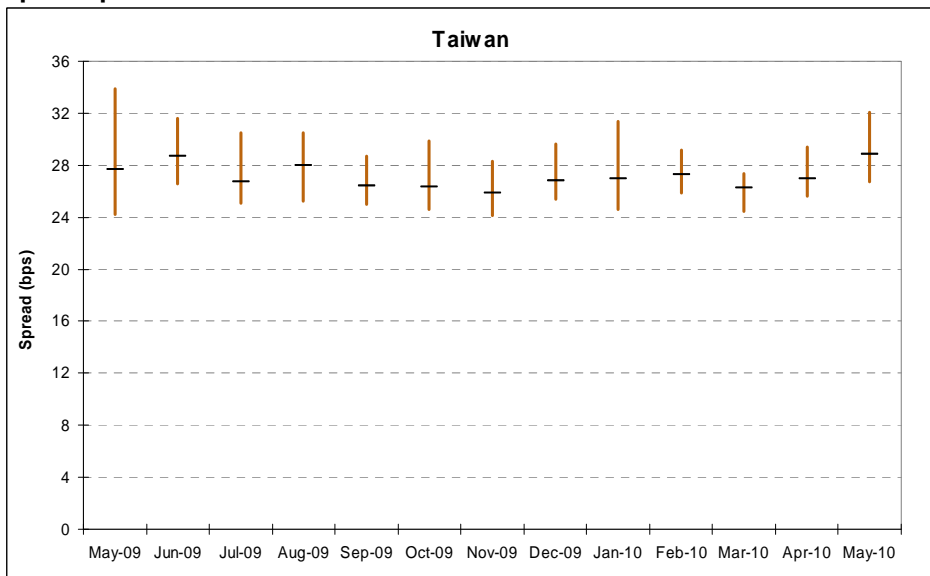
TAIWAN

Typical trade size

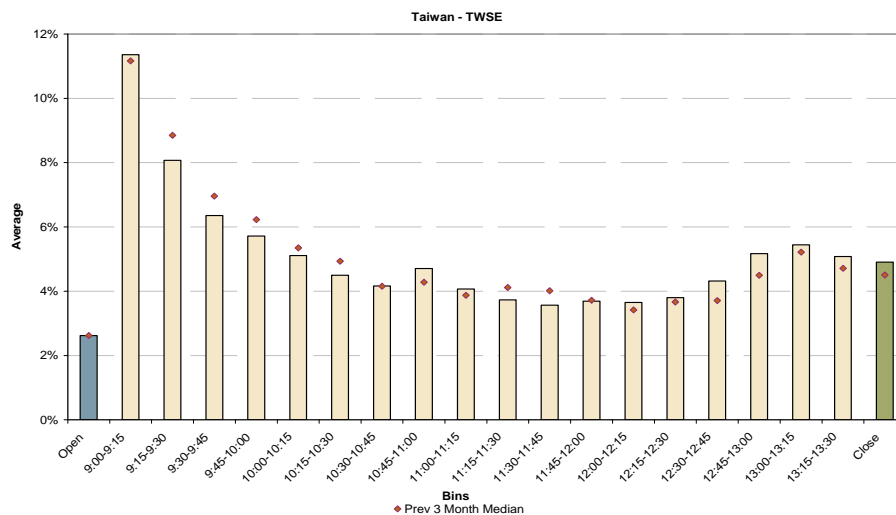


- Turnover down 25% in May, to a daily average of US\$3.6 Billion - the lowest since Feb this year.
- Typical trade sizes moved back down to the 9,000-10,000 shares range
- Spreads moved higher due to the lower liquidity to 28 bps the highest since June of 2009. Spread standard deviation also increased in May
- Volumes are stable throughout the day, though there is a slight shift towards the 12:30pm bin and onward

Spread profile



VWAP profile TWSE



MACRO MARKET INFORMATION

- Australia consensus estimate of CPI revised up to 2.8% from 2.73%
- Japan consensus estimate of GDP growth revised up to 2.15% from 2.1% while deflation expectation came down to -1.1% from -1.2%
- **Hong Kong consensus estimate of GDP growth revised up to 5.70% from 5.25% and inflation down to 2.15% from 2.3%**
- As opposed to April, the USD strengthened against the AUD, HKD, SGD, KRW, TWD while weakening against the Yen in May

	FX US\$1 (March)	FX US\$1 (April)	Central Bank Rate	GDP (2009)	GDP (2010 exp)	CPI (2009)	CPI (2010 exp)
AU	1.0790	1.1525	4.50%	1.33%	3.47%	1.85%	2.80%
JP	93.45	91.83	0.10%	-5.20%	2.15%	-1.35%	-1.10%
HK	7.7629	7.7860	0.50%	-2.70%	5.70%	0.52%	2.15%
SG	1.3819	1.3947	0.69%	-1.98%	6.50%	0.62%	2.45%
KR	1116	1169	2.00%	0.20%	5.30%	2.80%	2.75%
TW	31.48	31.82	1.25%	-1.87%	6.14%	-0.87%	1.40%

ITG's Asia Pacific Liquidity Barometer

Ofir Gefen +852 2846 3573
Ian Jones +612 9779 4621
Clare Rowsell +852 2846 3567

For more information on this research please contact: +852 2846 3567 or email: info@itg.com

Call ITG's Trading Desks on

Hong Kong: +852 2846 3592

Australia: +612 9779 4604



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