



## 2009 Global Index Transaction Costs

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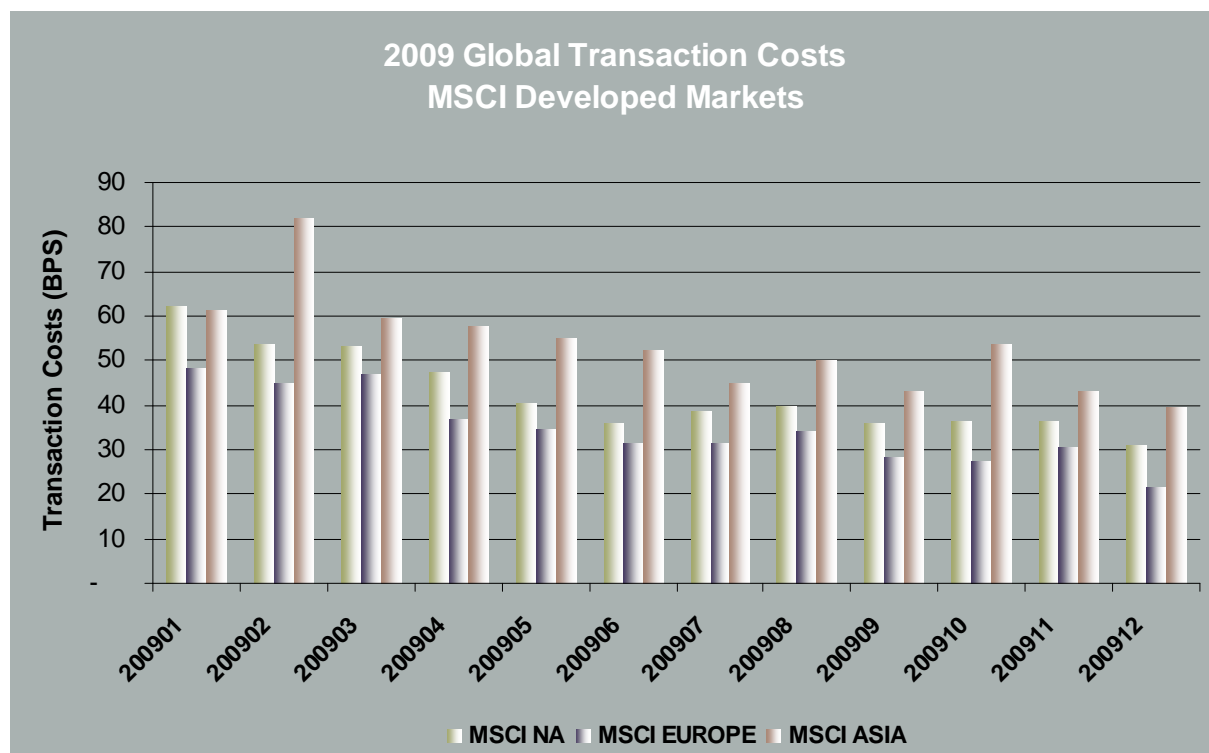
This month we are going to look back and review the trends in global trading costs and their impact on overall performance in 2009. We use the MSCI World Index and additional regional and sector-specific indices as representative proxies of the universe of easily tradable securities in both developed and emerging markets. Transaction costs are the weighted average costs of all trades in ITG's Peer Universe for 2009 for the constituents within a specific MSCI index. The benchmark used to measure transaction costs is the Mid-Point of the Bid/Ask at the time the order was released to the Trading Desk.

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### Developed Markets

Transaction costs went down in all regions of the world for developed markets in 2009. Regionally, transaction costs were highest in Asia and lowest in Europe. On a percentage basis, comparing January 2009 to December 2009, transaction costs went down by 54% in Europe, 50% in North America and 46% in Asia.



Monthly transaction costs during 2009

*“...comparing January 2009 to December 2009 transaction costs went down by 54% in Europe.”*

Transaction costs for stocks in the MSCI Europe Index went down from 48 bps in January 2009 to 22 bps in December 2009. Over the course of 2009, the countries with the highest trading costs were Portugal, Belgium and Greece. The countries with the lowest trading costs were Austria, Denmark and Sweden. Among the European countries with the largest trading volumes, the declines in transaction costs were as follows:

COUNTRY	JAN. 2009 AVG. TRANSACTION COST (BPS)	DEC. 2009 AVG. TRANSACTION COST (BPS)
<b>Great Britain</b>	56	16
<b>France</b>	44	23
<b>Germany</b>	40	31
<b>Switzerland</b>	38	22

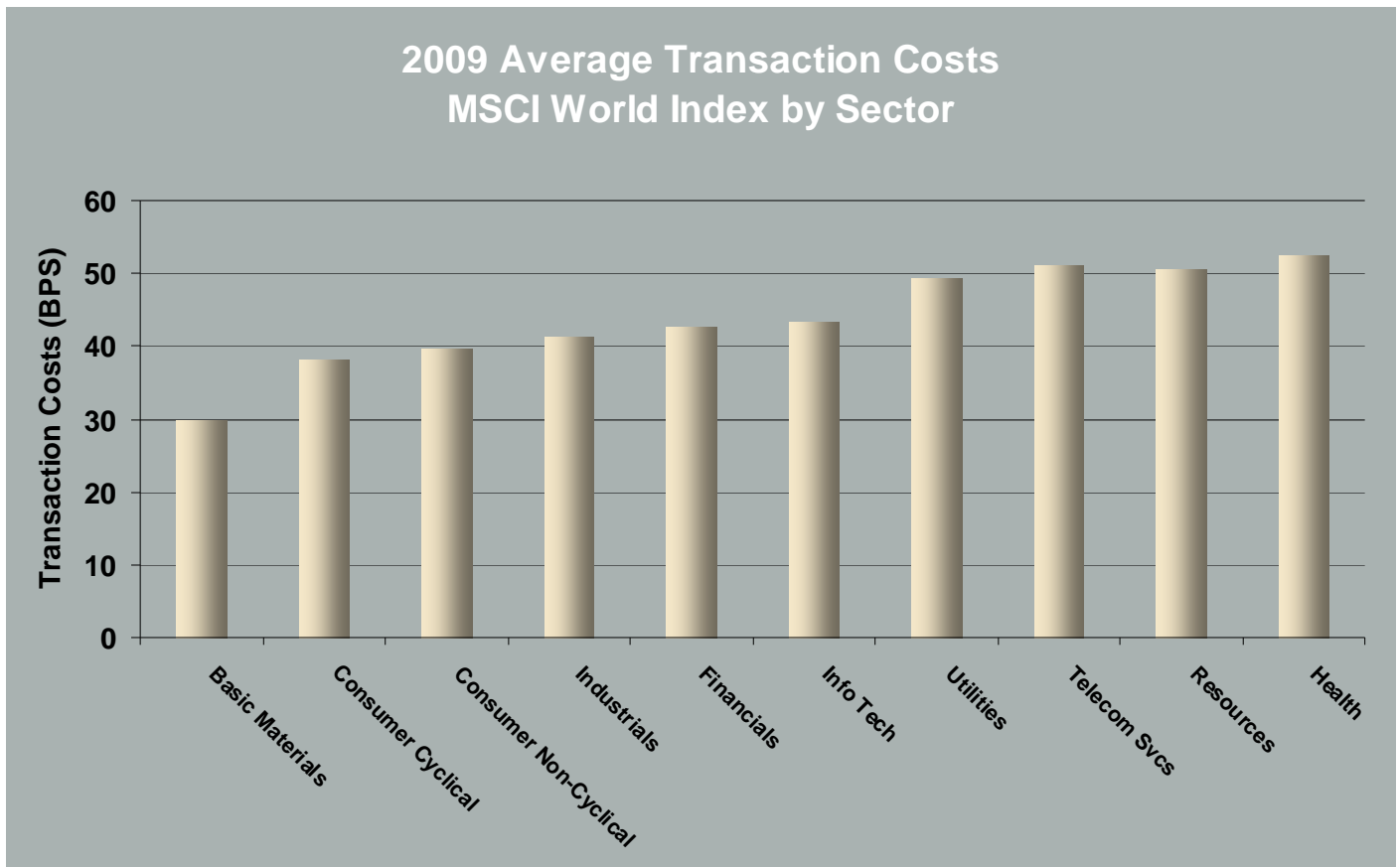
The MSCI Pacific Index also showed healthy declines in transaction costs over the course of 2009 with the exception of Hong Kong, where the average transaction cost increased 17 bps from January to December.

COUNTRY	JAN. 2009 AVG. TRANSACTION COST (BPS)	DEC. 2009 AVG. TRANSACTION COST (BPS)
<b>Australia</b>	54	27
<b>Hong Kong</b>	44	61
<b>Japan</b>	62	40
<b>Singapore</b>	99	29

In Australia the IPO market increased in Q4, and volumes recovered starting Q3 from the global financial crisis (about US\$4 billion per day compared with about US\$2-3 billion per day in Q1 and Q2). Volatility came down and spreads are back to normal (27-29 bps). Australia was one of the first western economies to raise interest rates, and this was generally seen by the market as a positive sign that the Australian economy is more shielded from the financial crisis than most. Additionally, unemployment numbers didn't rise as high as initially feared (5.7% and not 8%-10%). All pointed to more robust flow and liquidity in the market which account for the reduction in cost.

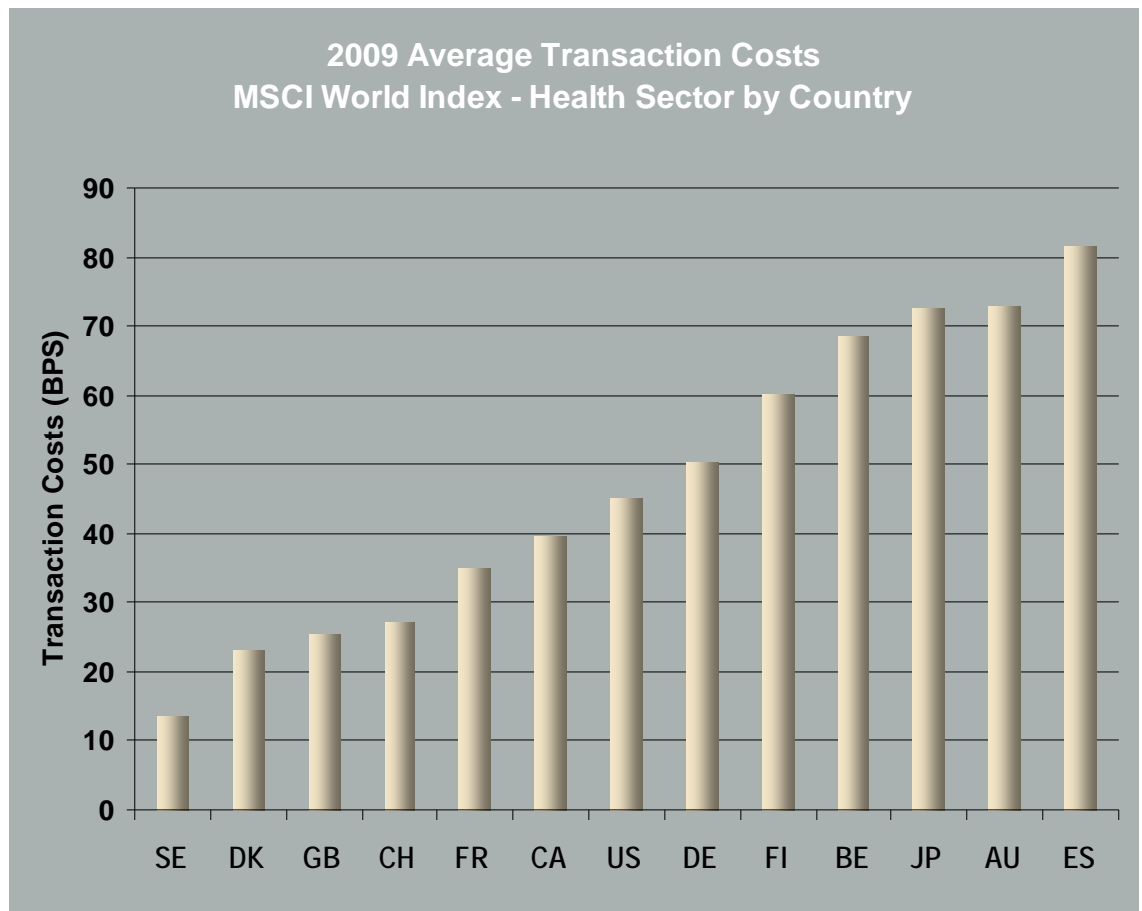
## MSCI World Index by Sector

There was significant variation in transaction costs between the different industry sectors in the MSCI World Index. Average transaction costs in 2009 ranged from a low of 30BPS for stocks in the Basic Materials sector to a high of 53BPS for stocks in the Health sector.



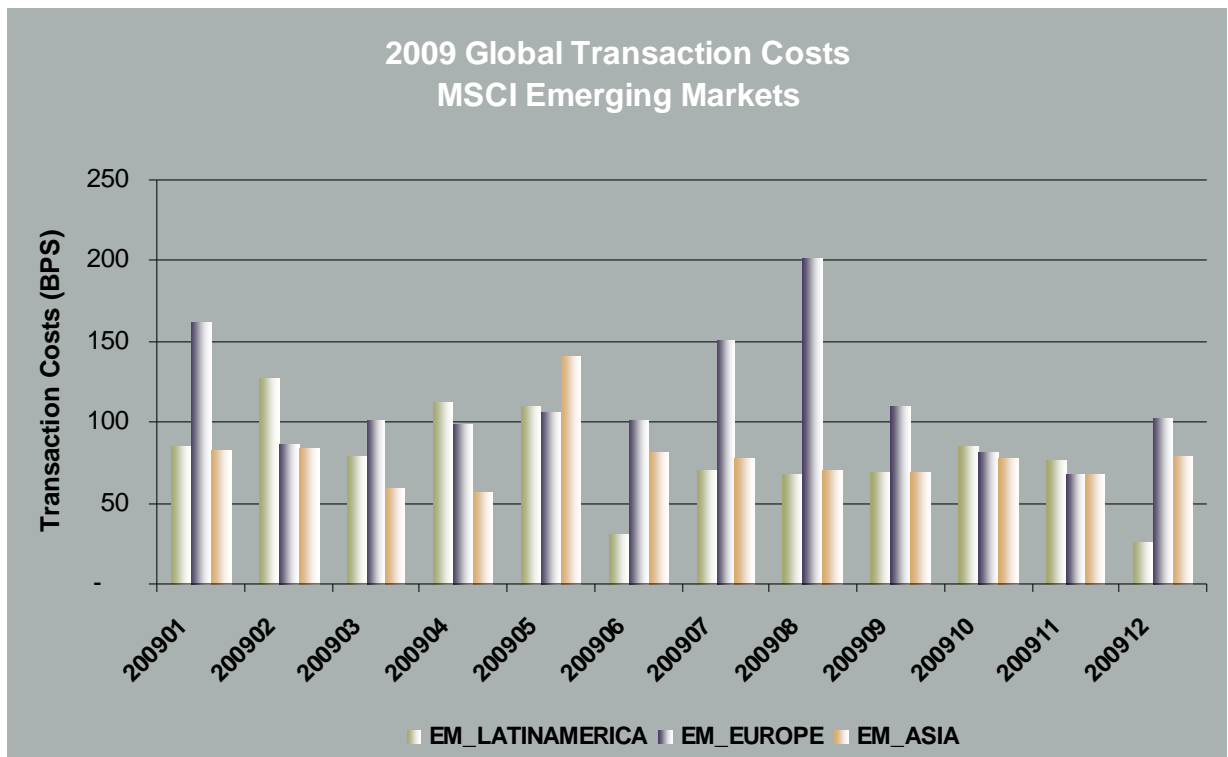
*“Within the Healthcare sector, transaction costs ranged from 14BPS to 82BPS.”*

Within the Healthcare sector, which had the highest overall transaction costs, there was a large variation of costs between countries. Transaction costs ranged from 14 bps in Sweden and 23 bps in Denmark to 82 bps in Spain.



## Emerging Markets

Transaction costs in the emerging markets also declined, most notably in Latin America where transaction costs went down by 70% over 2009. Transaction costs decreased significantly in Europe (down 46%) and declined slightly in Asia – a reduction of 5% from the beginning of 2009.



## Emerging Asia

Results in the MSCI Emerging Asia Index were mixed. Transaction costs increased in countries such as China, India and the Philippines. Overall, costs were down 5% because of declines in transaction costs in Korea and Taiwan, which have the largest trading volumes of countries in the index.

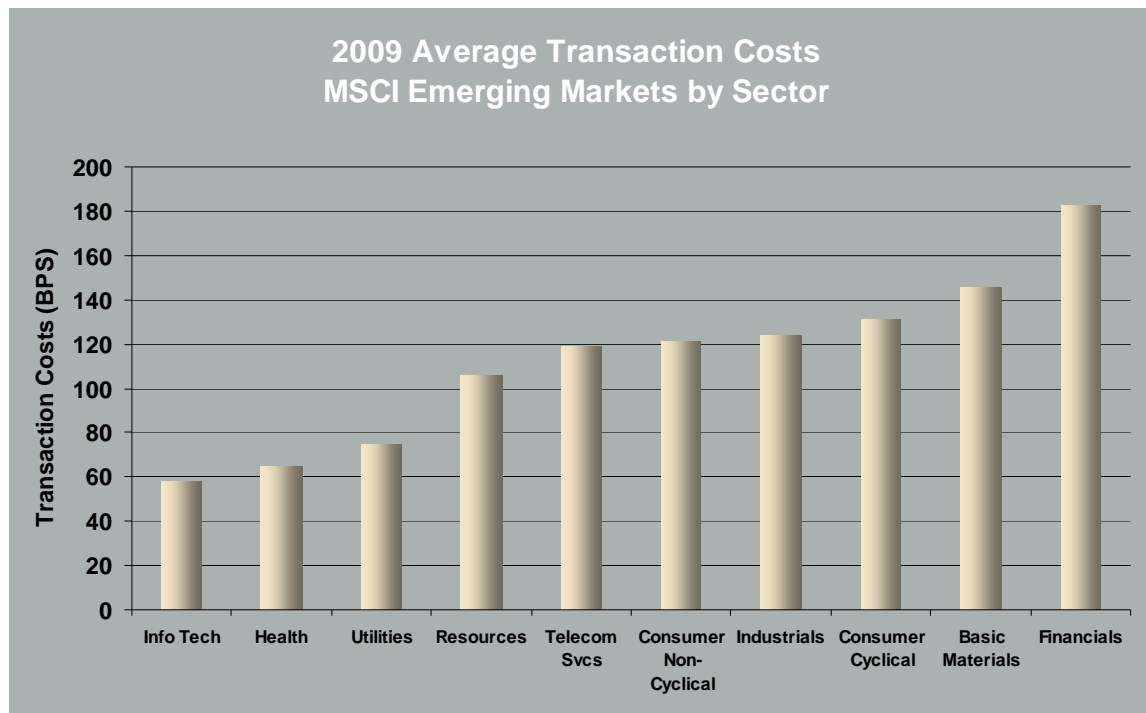
Korea experienced a fairly robust IPO market in 2009 (of the 6 major Asian markets – JP, HK, KR, TW, AU, SG), Korea together with HK had the most IPO's in 2009. Korea also moved to the Developed market definition under FTSE which together with a fairly advanced electronic exchange helps explain the reduction in transaction costs.

COUNTRY	JAN. 2009 AVG. TRANSACTION COST (BPS)	DEC. 2009 AVG. TRANSACTION COST (BPS)
China	43	53
Indonesia	407	145
India	68	104
Korea	70	31
Malaysia	128	76
Philippines	90	110
Thailand	18	3
Taiwan	68	54

## MSCI Emerging Markets by Sector

On average, Financials had the highest transaction costs (183BPS) of all sectors in the MSCI Emerging Markets index. Financials were 25% more expensive to trade than the next most expensive sector, Basic Materials. Interestingly, Basic Materials was the least expensive sector to trade in the Developed Markets. The least expensive sectors to trade in the MSCI Emerging Markets index were Information Technology (58BPS) and Health (65BPS).

Within the financials sector, Russia (370BPS), India (266BPS) and Mexico (262BPS) had the highest transaction costs.



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