

Equity Hedge Funds Shift Commission Spending as Volatility Settles In

August 23, 2022

Executive Summary:



Buy-side equity commission spending grew in Q1 2021 compared to the year before after a nearly decades-long decline. Increased market volatility (in large part from the meme stock craze) expanded access to “free” trading for retail investors, with other structural changes being major drivers. For the buy side, engaging with the sell side to help navigate the increasing complexity of the market remains critically important. However, commissions through Q1 2022 normalized from these relative highs back to early 2020 levels as the bear market settled in, creating what could prove to be the precursor to a new full-year low.

Methodology:

From December 2021 through June 2022, Coalition Greenwich interviewed 241 buy-side U.S. equity traders and 94 small/mid-cap portfolio managers in the U.S. The study was conducted over the phone and online. Respondents answered a series of qualitative and quantitative questions about the brokers they use and their business practices in the U.S. cash equity space.

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