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Robo-Trading Electrifies Sleepy Municipal Bond Market.

Electronic trading has surged in municipal-bond trading, leveling the playing field for small investors

Every morning, money manager Brian Dixon puts 75 to 100 municipal bonds up for sale to about 80 Wall Street brokers. But his biggest buyer is TMC Bonds, one of the electronic-trading systems that is transforming the municipal-bond market and leveling the playing field for individual investors.

The share of municipal-bond trading on electronic “alternative-trading systems” like TMC, which connects hundreds of buyers and sellers anonymously in the $4 trillion municipal-bond market, has jumped to 9% this year from about 6% in 2017, according to data from exchange operator Intercontinental Exchange Inc . , or ICE. Total electronic trading, which includes anonymous and disclosed transactions, account for 12% to 15% of the market, according to research by Greenwich Associates Inc.

That means more trading partners and faster trade execution for portfolio managers like the Naples, Fla.-based Mr. Dixon, who invests mostly on behalf of individuals. For individual investors, who are big buyers of municipal bonds due to the tax-exempt income they offer, this increases the chances they will get a higher price on sales and a lower price on purchases.

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By Matt Wirz

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