

Markets Update - April 15, 2020

It's been a month since the CME and Cboe Exchange floors closed, and the impacts to Equity Derivative and Futures markets have stirred up a debate amongst market participants – especially with regard to SPX options. The debate appears centered around two central themes – liquidity and trade process efficiencies (i.e. speed of price discovery and execution). XFA's message to our customers is clear – **ALL of XFA's execution desks remain operational and fully capable of securing liquidity and best price/execution for all products (SPX & VIX Options – S&P Futures Options – Single Stock/ETF options).**

With regard to S&P futures options – XFA's execution team report a seamless ability to facilitate and secure liquidity for “block” trades. Since the start of all electronic trading, XFA has executed a large portion of all “block” transactions.

Specific to SPX - the process for securing quotes and trade execution is very different in an all-electronic environment. That said, XFA's SPX execution units are receiving liquidity provision from the vast majority of providers available. In addition, the responder willingness to price “size” up markets is strong. Therefore, despite the Exchange floor closure – liquidity in the SPX remains robust and XFA remains capable of securing best price/execution on behalf of our customers until the trading floors are reopened.

Company News – April 2020

XFA adds Dedicated Team for trading Block and ECRP trades on CFE

XFA's VIX business unit is excited to announce the addition of a new team dedicated to the execution of Block and ECRP trades (Exchange of Contract for Related Position). Block trades have minimum size requirements and are entered into by participants looking to trade sizeable positions that require excess liquidity not afforded through the exchanges central limit order book. ECRP trades are entered into by market participants seeking to swap related exposures. An example would be a customer seeking to swap VIX Futures for VXX ETN. Adding these trade types to our VIX business unit offers XFA customers the most complete Volatility related execution services available.

FLEX Options Liquidity Remains Robust and Competitive against OTC Markets

XFA's dedicated FLEX options business unit reports solid demand from our customers during the Covid-19 crisis. FLEX markets liquidity has remained strong and competitive; while customers report recent OTC market quote responses are wider and less competitive. One of the primary benefits of FLEX options is - they are cleared at the OCC, which significantly reduces counterparty risks and removes the requirements for ISDA documents. Given the sudden and unique complexities of risks facing the Bank dealer desks, customers should know that FLEX options pricing and liquidity remains efficient, competitive, and strong.

A Message from the XFA Managing Partners

The staff at XFA hopes you and your families are safe and healthy during this unprecedented challenging time for Global Financial Markets. As is the case for most, working remotely presents a unique set of challenges, especially given the recent rounds of market volatility. XFA wants you to know that we are doing everything we can to insure best liquidity provision and execution quality to our firms most valuable asset – you our customer.

Questions or Inquiries can be made to Bill Looney – XFA's Head of Global Business Development – blooney@x-fa.com