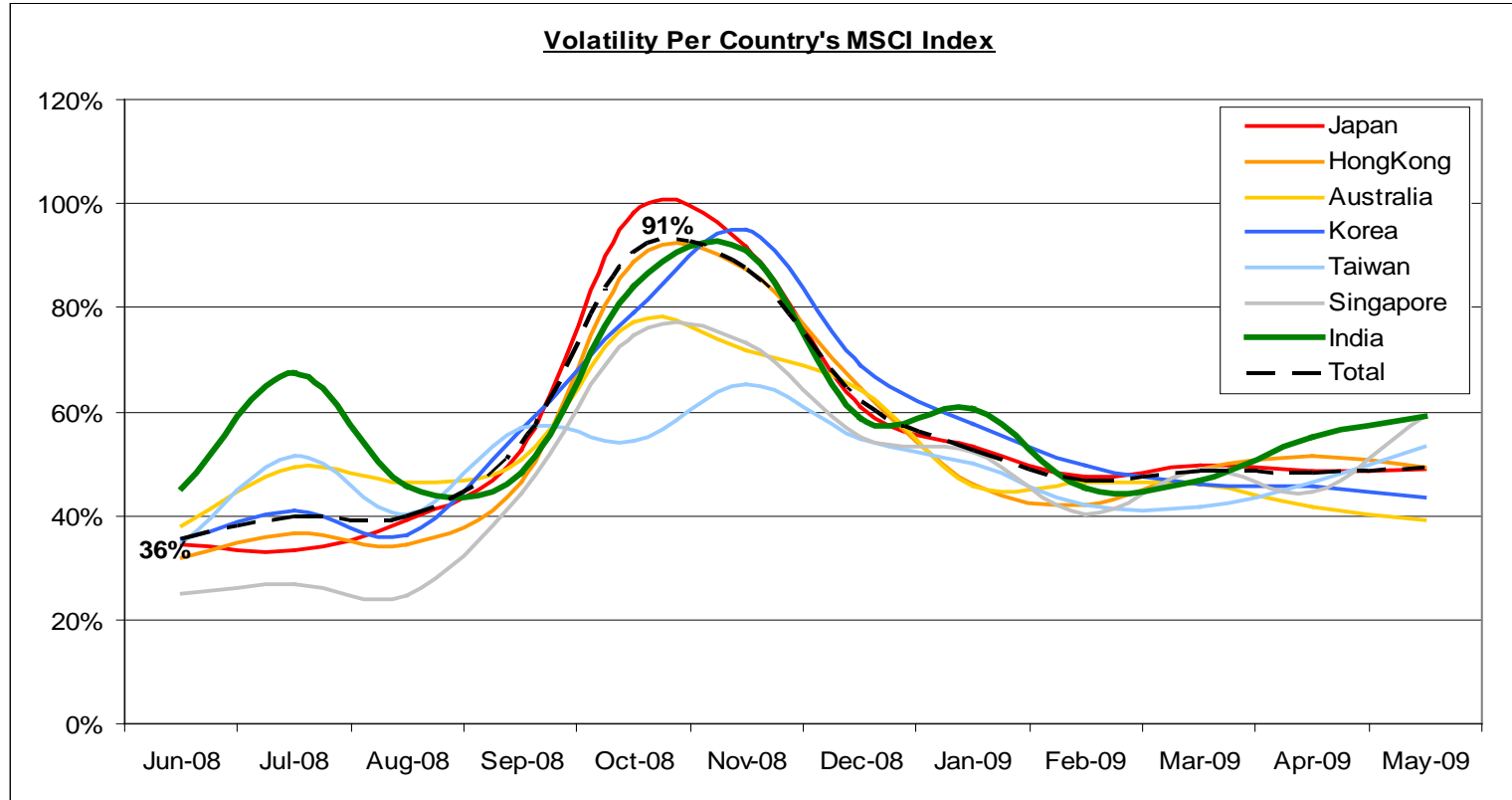


Panel Discussion: How have Changes to Asian Market Conditions Affected Trading Behavior?

Jason Lapping

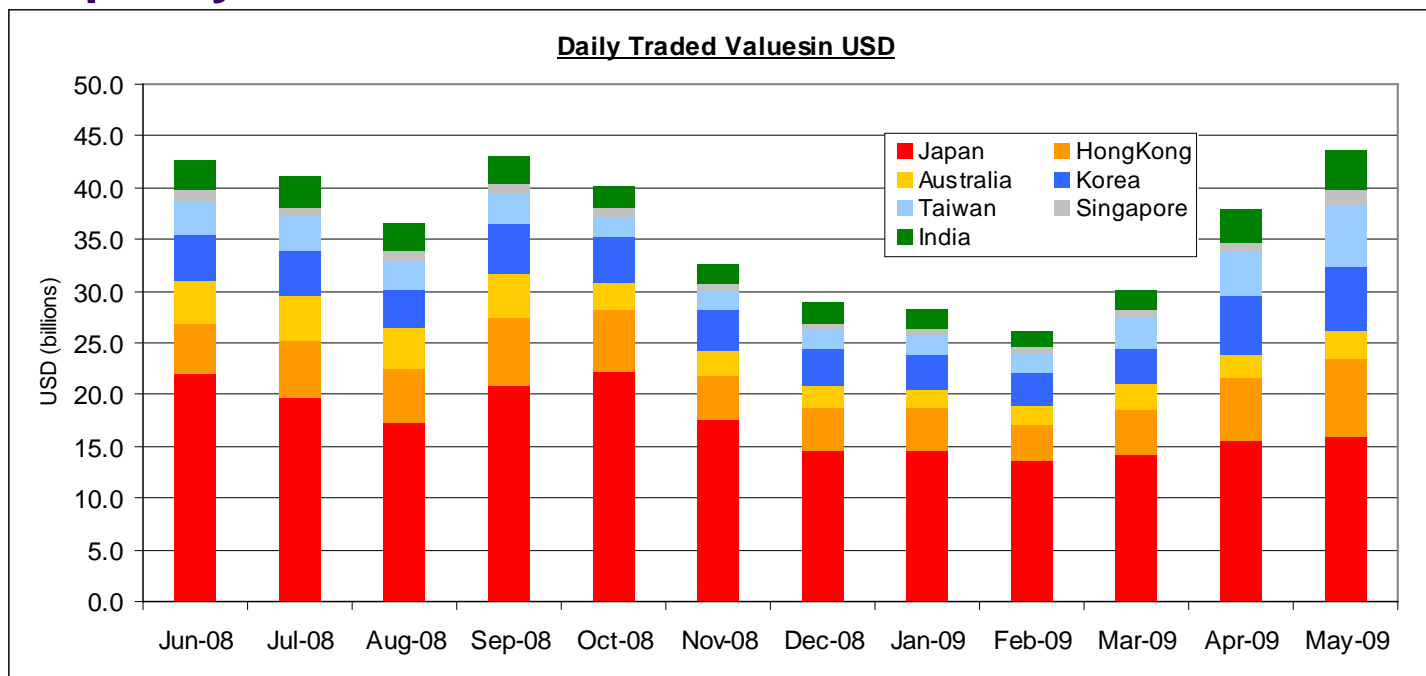
Equity Execution Services, Asia Pacific, Director
Societe Generale

Volatility



- At the height of the crisis the violent daily price moves peaked in October, this can be quantified by looking at the **Average Annualised 10 Day Historic Volatility which peaked in October at 91% (5.7% per day) up just under three times from 36% (equivalent to a 2.2% move per day) pre-crisis in June.**
- **Correlation has increased** between all markets showing similar levels of **volatility in Emerging and Developed markets alike are clustered around the 48% level.**

Liquidity

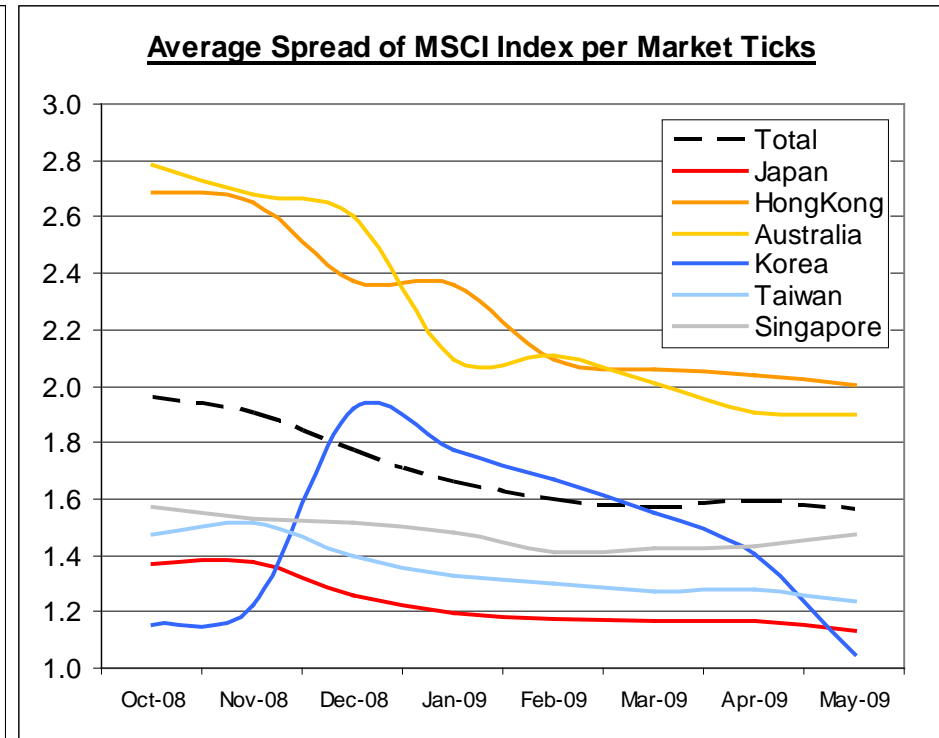
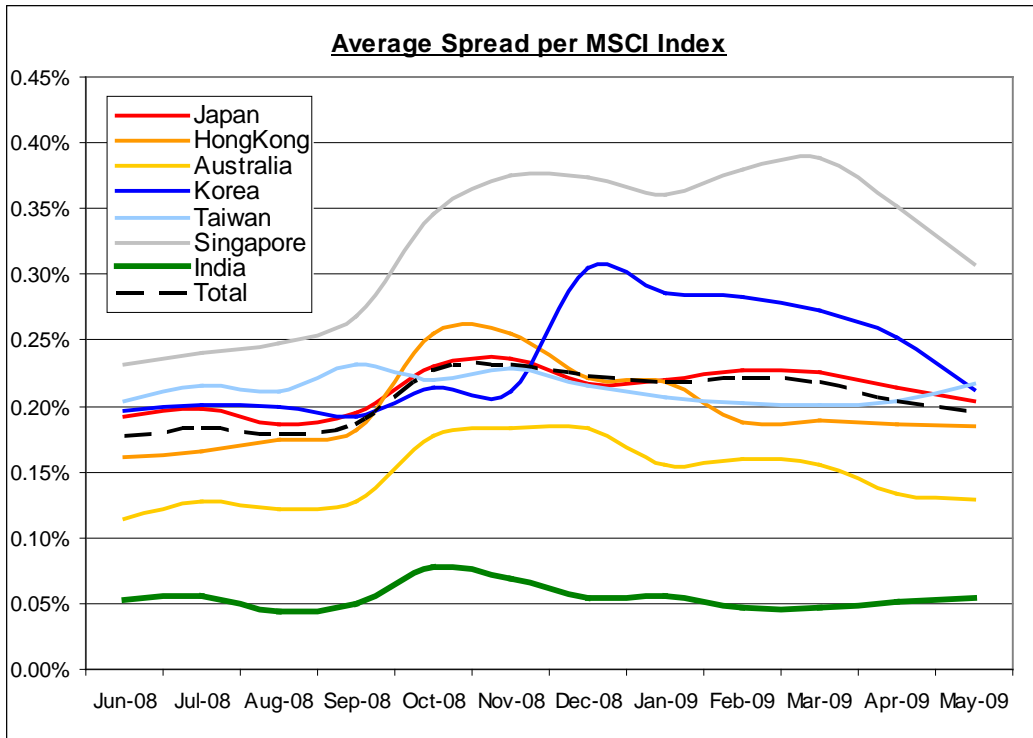


Source : Bloomberg & Societe General

% Change in USD Value Traded		
	Q1 '09 vs Q2 '09	Q3 '08 vs Q2 '09
Total	43%	-3%
Developed	26%	-13%
Emerging	96%	44%
Australia	22%	-40%
Japan	11%	-18%
Hong Kong	70%	17%
India	89%	24%
Singapore	93%	30%
Korea	81%	40%
Taiwan	124%	66%

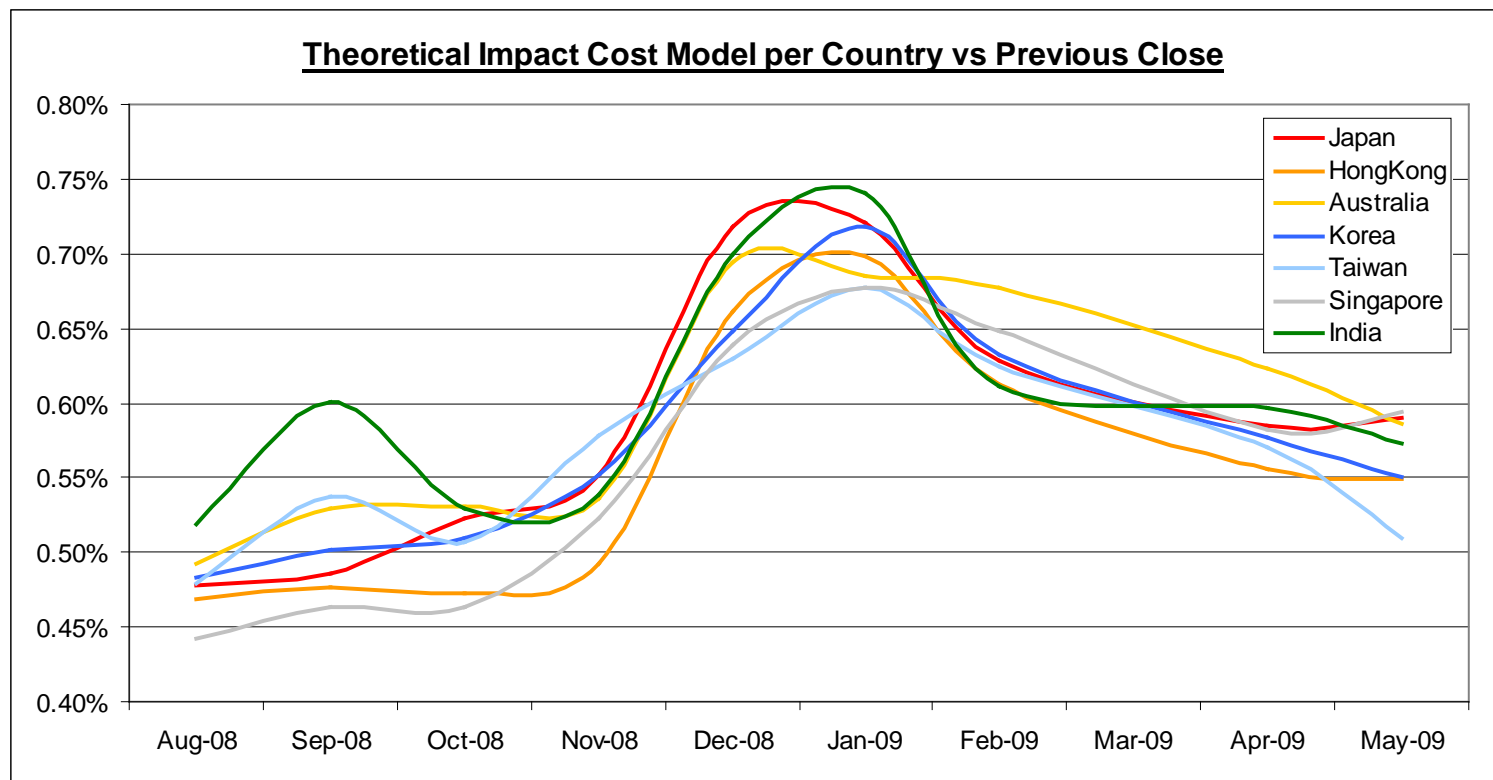
- Q2 has seen an increase of 43% nominal traded in Asia Pac but is still 3% lower than pre-crisis levels
- Volumes in Emerging Markets have seen a 96% increase in the value traded between Q1 and Q2 2009, now trading 44% more per day than pre-crisis.

Spreads



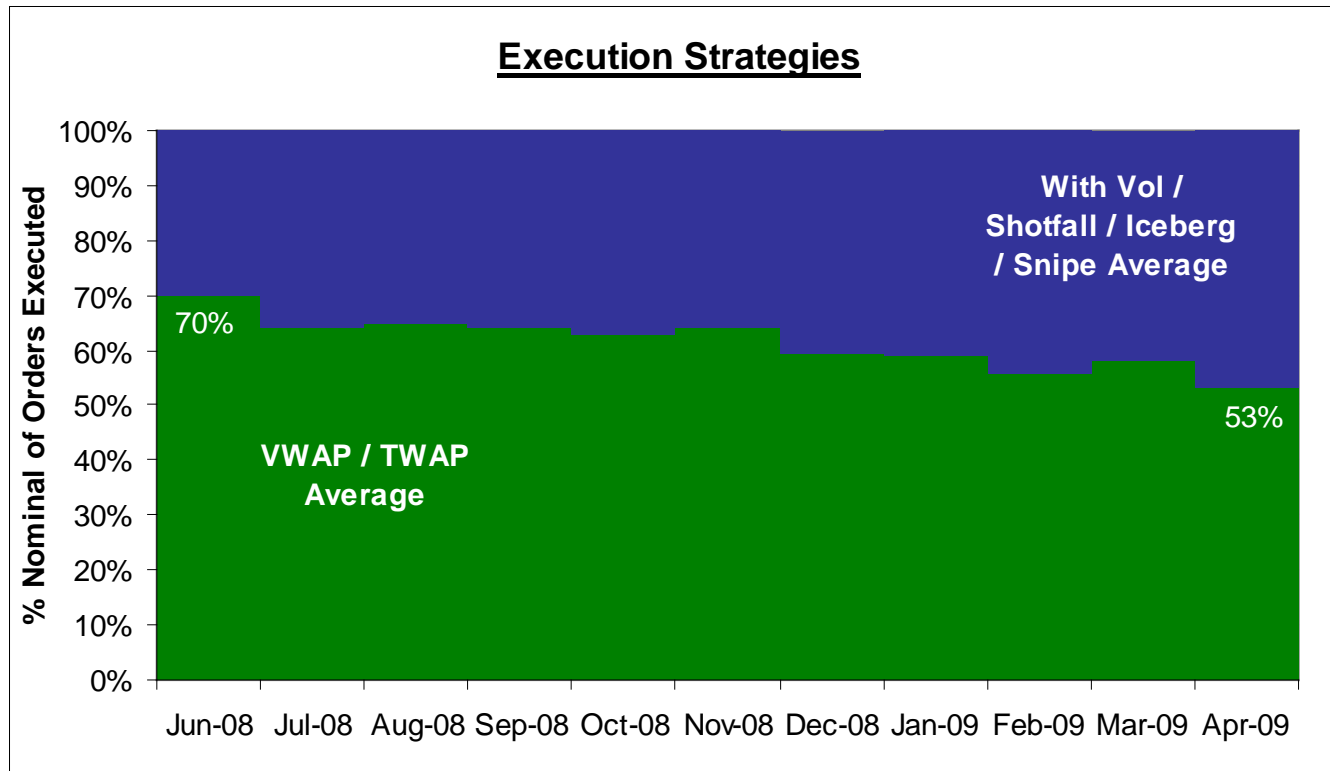
- Spreads across the region were very quick to increase at the start of the crisis peaking in November at 23.3bps up 31% but have been slow in tighten. **Spreads currently average 19.5bps up 10% from June 2008 when the averaged 17.8bps.**
- The worst affected markets have been **Singapore and Korea** where spreads are still **33% and 9%** higher but dropped sharply in May
- Market structure is still the key determining factor impacting market spreads with the **average spread in Asia Pac being 1.6 ticks**

Theoretical Impact Costs per Market



- The chart shows the estimated cost to **execute an order with a fixed nominal which in June 2008 represented 8% of ADV**. The chart tracks the change in estimated Impact Cost versus the Previous Close to execute the same nominal order given the changed market conditions. Theoretical Impact Cost is a function of **Volatility, Spread and Liquidity**.
- The **increases in Volatility & Spreads combined with lowered Liquidity saw Total Impact Cost more than 50%** but is showing real signs of recovery and stability as Volatility and Spreads fall from their highs and liquidity returns.

Benchmark Selection



- The increased volatility of traded prices and unpredictability of liquidity has seen the **% of orders traded as VWAP drop from 70% to just over 53%** as buy side traders look to **minimise price uncertainty and get trades done more actively** rather than spreading and order out over the day.