UBS: Time Up for Bond Traders?
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UBS is testing a software to make its corporate-debt trading business more efficient. Do traders have to worry about their jobs?

While the trading of equities today is mainly electronic, corporate debt by contrast is stuck predominantly in the old world. Traders are using their phones or messaging services to carry out the deals that total $8 trillion in volume.

UBS, Switzerland’s largest bank, has decided to move the business into the new digital world, according to a report by «Bloomberg». The bank is testing a software for the pricing of U.S. corporate debt.

Machine-Learning

The bank recently enlisted the help of Gokul Chebiyam. He previously had founded a company that specializes in the generation of artificial knowledge – so-called machine learning – in bond trading.

UBS hopes to achieve efficiency gains and lower cost in the debt market thanks to Chebiyam’s know-how. The pricing of bonds is highly time consuming and computers are able to digest huge amounts of data to come up with the best prices for the product.

An Industry-Wide Trend

Old-school traders may find this development unsettling. But Gary Rapp, a UBS bond specialist, told «Bloomberg» that humans will still be required to carry out bigger bond orders. The software will primarily be used to execute smaller transactions up as much as $5 million.

Rival investment banks are also working on the automation of bond trading. Goldman Sachs for instance developed a technology allowing investors to trade U.S. corporate debt without ever having to communicate with a trader.