

EXCHANGE INVEST

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IS BLUE OCEAN THE TIDE TOWARDS 24 HOUR TRADING?

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Is Blue Ocean the tide Towards 24 hour trading?

By Patrick L Young

As I have mentioned en passant several times recently, there's a new mega growth platform in the 'hood, Blue Ocean Technologies ("BOT"). Their numbers have gone from nothing to substantial and rising fast in only a market glance more than a New York minute.

If Blue Ocean isn't on your radar right now, maybe you like me are fed up with trawling user oblivious FINRA files but the smart money has twigged "BOT" ATS is on a roll and shows no sign of slowing in growth terms, quite the opposite in fact. Thus, obviously, the good folks of New York are responding...

The Brussels Bugle mentions above there's an application on the go from 24 Exchange, the Steve Cohen-backed entity seeking a licence to conduct 24-hour trading run by Dimitri Galinov who previously founded Fastmatch and intends to use MEMX technology. Actually, I am not sure DG's 24 Exchange is the threat here. It's the Blue Ocean market which is just fascinating - it's regulated, up, running, and growing with alacrity. It also signed in January to upgrade to MEMX technology.

(Blue Ocean BTW was discussed in our [IPO-VID 138: Exchanging Investments - Tom Caldwell, April 9th](#)).

Blue Ocean Technologies is a fascinating business, run by Bryan Hyndman who has the esteemed pedigree of leading roles at Brut and Nasdaq on his c.v.

So, Blue Ocean turned the ATS concept a little on its head. The usual exchange connections are there - brokers linking to the platform BUT the flow was inverted insofar as it comes from Asia (predominantly retail at first). That inspired JPX to buy 5% (EI 2731 August 9th, 2023) in the wake of a significant investment by Urbana Corp previously.

The deal looks frankly to be inspired in every round of funding as Blue Ocean is ticking up on the US volume stock volume charts.

Moreover, with T+1 arriving imminently, Blue Ocean is in a mega sweet spot. Its trading starts in the US night time and runs through to the next morning with trades then fed to the US tape ahead of the next morning's opening. So...hey presto, all that talk of narrow windows to settle stock traded in the US markets evaporates as customers trade their local Asian market hours and then have another day to settle essentially at the end of your own trading window.

Major Asian brokers are already on the platform as well as leading US names with hefty footprints in the region such as IBKR. Business appears brisk and growing in various South East Asian entrepots such as Japan and South Korea as investors' appetite for US listed assets is being satiated by Blue Ocean offering a panoply of US listed names... Indeed dealing reflects that with a broad range of names being traded on a regular basis.

Thus, it's probably no coincidence that the folks who pore over US data a lot more than I, are starting to think what a revolution Blue Ocean may be creating. (Am I the only person who ponders the tedious centralisation and other peculiarities of US stock volume data where FINRA takes a lot of data and produces it into almost unintelligible user unfriendly streams?)

The stat folks within NYSE swiftly realized that what was a big fat 'nothingburger' of volume in recent times and is now a pool of seething fast growing liquidity...is very exciting.

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Moreover, right now it's 'just' doing old fashioned client matching (imagine what a little liquidity provision might be able to add to the party). When / whether Exchange 24 gets licensed is broadly irrelevant methinks, the first mover Blue Ocean is fizzing and that's getting the discussion going on whether 24 hour trading ought to be a thing.

On the actual continuous 24 hour thing... I am not so convinced, even at the 'superliquid' levels across e.g. US stocks. There's a latent demand for trading in instruments across the day but it's not 24 hours a day. AKA Blue Ocean runs 2000 to 0400 EST Sunday to Thursday which dovetails well with e.g. Tokyo and Seoul/Busan but is early for Bangkok and Hong Kong to name just a few markets through the region. Maybe there's an extra hour to be squeezed after hours in the US or so but I don't see significant demand to be continuous until Asia opens. Of course, once Asia gets going it can be pretty continuous as Japan closes around London opening time... so there's actually a window for a pause rather than a pure 24 hour market.

As to weekends... I am really not convinced. True, NYSE was open on Saturdays until September 29th 1952 and Tokyo had Saturday morning sessions (apart from the 2nd & 3rd Saturdays of the month) until January 31st 1989. However, the biggest issue is the Sunday effect. True you can trade crypto all weekend long but that has been IMHO a huge problem - the illiquidity of Sundays can lead to remarkable dislocations (and manipulations).

However, the debate is open and it's a fascinating one. In a world where American listed stock content is the only one with global currency (the ubiquity of dollar pricing is also a point to ponder here...as I have in meetings for some time with advisory clients!).

The US listed brand is creating demand across Asia for NMS listed stocks, thanks to user friendly timing on a platform that works from America to export the market to the world through the usual brokers. Moreover, it's a broad based demand, several thousand NMS stocks are trading every month on Blue Ocean ATS.

Of course, then there comes a vast amount of devil detail work and all manner of interesting impacts, e.g. on those who publish their results after hours... There's a vast range of opportunities here, I am not quite sure it's quite going to be the cohesive 24*5 platform many anticipate.

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