



Optimising time-sensitive trading using automation.

The Guardians of New Zealand Superannuation

CASE STUDY

BLOOMBERG PROFESSIONAL SERVICES

Bloomberg

The Guardians of New Zealand Superannuation

Location

Auckland, New Zealand

Industry

Fund management

Customer profile

- The Guardians of New Zealand Superannuation (the Guardians) is the Crown entity charged with managing the NZ Super Fund. The Guardians invest government contributions – and returns generated from these investments – to grow the size of the NZ Super Fund over time.
- The Government uses the Fund to save now in order to help pay for the future cost of providing universal superannuation. In this way, the Fund helps smooth the cost of superannuation between today's taxpayers and future generations.
- The Guardians have a second mandate covering The Venture Capital Fund (known as the Elevate Fund), which was established to increase the venture capital available to New Zealand entities and help develop New Zealand's venture capital markets.

Business situation

The Guardians trade global sovereign bonds via independent brokers, however manual workflows were impacting both productivity and performance. The fund manager was looking for an automated solution to support trading across time zones and to optimize execution.

Bloomberg solutions

- Bloomberg Rule Builder (RBLD)

Results

Bloomberg enhanced its Rule Builder (RBLD) tool, incorporating a timed release function and an order rerun feature, to ensure that trades were executed across time zones at specific times. The Guardians are now successfully using this automated product to trade internationally.

Automation to improve execution

The Guardians of New Zealand Superannuation (the Guardians), which manages the NZ Super Fund, invests in a range of government securities across Asia, Europe and America.

As part of this mandate, the Guardians trade monthly, with a strategy to buy and sell bonds as near to market close as possible. However, to reach markets in different time zones, the Guardians had to leave orders with brokers to execute trades manually overnight.

The Guardians needed to find an automated solution to trade these bonds outside New Zealand trading hours and to improve overall efficiency. The fund manager also wanted to reduce its reliance on individual brokers, using automation to send trades to multiple brokers simultaneously – and achieve best execution.

Trading across time zones

The Guardians' NZ Super Fund follows a simple optimisation methodology, targeting multiple duration buckets of bonds across 20 countries. However, this approach resulted in more than 150 individual bond trades executed each time, which became complex when using manual workflows in a time-sensitive trading process.

The challenge of executing trades manually was exacerbated by the need to trade at market close across time zones. Every month, the Guardians had to line up external brokers ahead of time and send them a spreadsheet with trades to execute overnight. The post-trade process of allocating and booking the trades was also manual.

In 2019, the Guardians approached Bloomberg in search of an automated solution to execute bonds. Bloomberg was already building a solution within Rule Builder (RBLD) to help clients in Asia-Pacific (APAC) access markets outside of their time zone.

This led Bloomberg and the Guardians to collaborate on a version of RBLD that would incorporate this functionality. The goal was to use automation to trade bonds more efficiently across time zones, boosting both productivity and trade performance for the Guardians.

Automation that adapts to the market

Bloomberg worked with the Guardians to create a tool that would fit its specific needs, which they beta tested for a few months in parallel to their existing methodology. This worked well to ensure an optimised workflow as the new tool was introduced broadly in early 2023.

“We used to have to give our trader at least one day’s notice to trade. Now it’s a snap decision.”

—Bob Xia

Portfolio Manager, NZ Super Fund

The result is an enhanced RBLD offering that enables the Guardians to create a set of rules that act as parameters to govern automated trading. Most importantly, instead of having to brief their brokers days in advance, the Guardians can set up trades to fit their requirements. “We used to have to give our broker at least one day’s notice to trade. Now it’s a snap decision,” explains Bob Xia, Portfolio Manager, NZ Super Fund.

To ensure that trades can be executed without a manual workflow, Bloomberg has also introduced an order rerun feature to RBLD, which was expanded to include the timed release functionality. This means that if a trade isn’t executed because a parameter hasn’t been met, the system will attempt to trade again up to five times, relaxing the execution parameters on subsequent attempts according to the rules set by the trader. This acts as an “insurance policy” where the likelihood of execution is increased.

Bloomberg has also incorporated post-trade workflows into RBLD. “The post-trade process is much more streamlined,” Xia says. “Before, the broker would send recounts to you and we would allocate the trades the next morning. With Rule Builder it’s auto-booked. This has sped up the booking process.” This frees up portfolio managers’ time to focus on higher value tasks.

But the benefits of automation go beyond timing and the mechanics of execution. RBLD has opened up the possibilities of trading for the Guardians, which has also improved trading performance. Rather than sending all trades to one dealer or a subset of dealers, individual dealers can be selected per line item. This enables the Guardians to leverage requests-for-quote (RFQs) and execute each trade at the best available price.

Boosting productivity and trade performance

“We have better execution and also increased transparency of the market. Now we are able to collect the data, which gives us more confidence in the integrity of the price we achieved, and it’s much easier to work out who is better at doing what at what time.”

–Bob Xia

Portfolio Manager, NZ Super Fund

The Guardians are the first Bloomberg client in Asia-Pacific to have adapted and used the RBLD tool for overnight trading. Timed release has made the Guardians’ trading process more efficient, avoiding the need for external traders to work overnight.

Crucially, RBLD also provides the Guardians with increased access to liquidity. Instead of trading with only one or two brokers, the Guardians are now able to leverage liquidity across the different asset classes.

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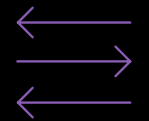
Xia has found that this data has delivered some unexpected benefits. “It opens up more opportunities to refine trading strategies,” he explains. “Rather than trading everything at market close, we can spread that across the whole day as the system can do that on your behalf.”

Now RBLD’s enhanced function is giving the Guardians the capability – and confidence – to move away from the constraints of their original trading model.

Key insights



Bloomberg Rule Builder now has a timed release function to enable automated trading across time zones.



The order rerun feature attempts to execute trades up to five times by relaxing trade parameters when a line item isn't executed according to the rules set by the trader.



Choosing dealers per line item is improving liquidity access and boosting trade performance.



Automation of the post-trade process is freeing up portfolio managers to focus on innovation elsewhere.



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