

Billy Hult, CEO
Tradeweb
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- Sonali Basek: Today, Tradeweb reported that 2023 was its 24th consecutive year of revenue growth and adjusted earnings per share for the quarter matched the average analyst estimate. The platform saw record volumes in January as well with total trading volumes topping \$42 trillion for the month. And Billy Hult is the CEO of Tradeweb and joins me now. Billy, you see your stock reaction and one question I have, do you think investors saw records in January at the end of last year and said, "This is as good as it's going to get."
- Billy Hult: First of all, Sonali, thanks so much for having me on the screen with you. I remember, I think I did my first CU interview with you last January, so I must've done a pretty good job to have gotten invited back and my goal is to keep getting invited back with you. So thanks very much. We had great earnings in the fourth quarter. We had a really great January. Our stock did really well in 2023, we were up almost 40%. So I think expectations for our performance are high. I think we keep executing that as a business. You guys were talking about the 10 year 390-410. The reality is we're at a real rate now at 4%, 410. I think that's great for our business. Government debt keeps growing. I think the central banks are playing a lesser role in the marketplace. I think that's good for the private sector and good for our business. And thanks very much.
- Sonali Basek: How do you think about where you're going to keep seeing volatility? On one hand, it makes for bumpy ride for investors, but we have seen really massive numbers come out from the non-banks of the world. If you head into 2024, where is that money going to keep coming from?
- Billy Hult: I think we're going to see the natural cadence of volatility in the rates market. I think we're still going to see some pretty significant volatility in the high yield market. I think the big interesting market that's waiting maybe for a lower rate environment is the mortgage market. It's been a sleepier market, obviously the last couple of years. But I think that market's really looking to take off as rates go lower into '24. That's going to be, from our perspective, a very interesting market to watch for.
- Sonali Basek: And we've been talking a lot about how all this volatility is, of course, great for you, for your rivals. One question I have. You have J.P. Morgan recently coming out saying from their electronic trading desk, one major concern they have is liquidity. To the extent liquidity is a concern, where are you most worried about it?

Billy Hult: I think liquidity is actually the most important thing. And it's really like what we describe as the search for liquidity. So Sonali, one of the things that we've been investing in a ton is what we call our AiEX functionality, which allows a little bit more of a machine learning approach, a more sophisticated approach to finding liquidity in the marketplace. No major areas of concern overall. I think, again, the high yield market probably I would highlight as the most important piece around liquidity. And maybe I would describe a little bit of the more off the run aspect of the treasury market where there's a need for more market makers in that space for that market to keep functioning the right way. But in general, the markets feel good. I think they're functioning really well. You can see the volumes in our business. I think that's showing how well the markets are functioning. And I think we're feeling pretty good about where we're going into '24.

Sonali Basek: How do you feel also, just the SEC is coming out with these rules, and of course the industry has contested them. This idea that hedge funds need to become dealers here in the treasury market, there's been a lot of concern about liquidity in the treasury market. Do you think that SEC made the right move here?

Billy Hult: I saw that this morning. I was going to maybe drop a note to our friend, Mr. Gensler, and maybe remind him maybe if he could not release that news right in the middle of our earnings call because I haven't quite had the perfect ability to digest all of that. I would say I think there's a high level of sensitivity around the issue that you just described, liquidity in the government bond market. I think all the grownups and the adults understand how important that market is. My instinct is there's also an understanding for how important the firms like Citadel and Virtu, Jane Street and Flow Traders are to the ecosystem. So my general feeling is however these rules wind up getting digested, these types of firms will continue to be extremely important players in the market. I think there's a high level of understanding that the government bond market is really the most important market around all of this in terms of how it functions.

Sonali Basek: Do you think that if we take the market maker pushback here, that these new rules really could impact liquidity at a time where we're seeing such massive issuance of new treasuries?

Billy Hult: I don't think so is my short answer on it. It remains to be seen. I know there's a lot of regulations that's in the mix around central clearing, around this latest news today. Again, I think the sensitivity and the understanding of how important this marketplace really is in terms of how it functions is too high level. And again, my instinct is these firms play too big of a role and they're here and they're real. And in a lot of ways, they're the more important players in the ecosystem.

Sonali Basek: Billy Hult, happy one year anniversary as Tradeweb CEO. Thank you for time.

Billy Hult: Thanks so much. Thank you very much. Always great to see you. Thank you.

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