

# How to use Depth of Book to find your trade size



Most bonds can be purchased in the secondary market for minimums & increments of \$1,000 par value\*. Why is it then that secondary market search results pages display higher minimum quantities? What do you do if you will not meet the minimum?

**Secondary Market Search Result Example**

Download Data to Spreadsheet

Action	Description	Coupon	Maturity Date	Rating		Bid		Ask		Depth of Book	3rd Party
				Moody's	S&P	Yield	Price Qty(min)	Yield to Worst	Yield to Maturity		
Buy	UNITED STATES TREAS SER AD-2027 4.12500% 09/30/2027 NTS NOTE	4.125	09/30/2027	AAA	--	3.771	101.511 50,000(400)	101.547 50,000(400)	3.763	3.763	101

Top of Book / Best Price

## The search results page shows the best price for a bond

The secondary market search results page displays bonds with prices and quantities set by broker/dealers. The example we see to the left (1) shows us that a dealer has 50,000 (or \$50,000,000 par value) of a US Treasury Note available for purchase at a price of 101.547% par value, or \$1,015.47 per bond. The reason that this price is displaying on the search results page is because it is the best price. (The best price is also known as Top of Book.) However, we also see that a minimum of 400 bonds (or \$400,000 par value) must be purchased in order to buy at that price.

## Depth of Book shows the same bond available at different prices and potentially different (lower) quantities

The Depth of Book column sometimes displays a book icon. When this icon is showing, it means that other broker/dealers are offering the same bond at different prices and at potentially different minimum / total quantities. If you will not meet the minimum for that price, select the book icon to view the Depth of Book page. Review available offers and try to locate an offer with a quantity minimum that you will be able to meet.

## Buying in bulk can sometimes mean a better price

If you wanted to get the best price for your favorite coffee to brew at home, you might consider ordering in bulk from a wholesale store. While you end up buying more coffee, the per unit cost is often less. The same can be said when it comes to buying bonds. The best (or "Top of Book") price available is usually for the bonds bought in bulk!

Looking again at the example to the left (2), we see that there is a difference of \$0.07 per bond (101.554 - 101.547 = 0.007) between the Top of Book Ask Price, where 400 bonds would have to be purchased, and depth, where a minimum of 1 bond would have to be purchased.

## Place the order correctly by selecting the correct Action link

After locating the best price within Depth of Book for the quantity you are ready to trade, it is important to select the corresponding "Buy" or "Sell" button for that row (3). Doing so will prefill the trade ticket with the corresponding price, resulting in a greater likelihood that your order will be filled!

## The Treasury trade ticket will pre-populate the best price available for you

Skip the hassle of searching through Depth of Book! If you have a secondary Treasury picked out and are on the trade ticket, then the Price field automatically updates the Price field for you using 'Auto Fill' capability, based on the Quantity you are looking to trade!

## Depth of Book Example

**Fidelity | Depth of book and recent trades**

UNITED STATES TREAS SER AD-2027 4.12500% 09/30/2027 NTS NOTE

As of 1/10/2023, 8:50:40 PM ET

Depth of book   Recent trades

More Quotes - Depth of Book

A comprehensive view offering alternative choices — select a new price

Action	Bid Prices			Ask Prices			Action
	Bid Yield	Qty(min)	Bid Price (Sell)	Ask Price (Buy)	Qty(min)	Ask Yield	
Sell	3.771	50000(400)	101.511	101.547	50000(400)	3.763	Buy
Sell	3.772	7408(1)	101.507	101.551	15000(250)	3.762	Buy
Sell	3.772	15000(250)	101.507	101.554	7141(1)	3.761	Buy
Sell	3.777	5000(10)	101.484	101.570	5000(10)	3.757	Buy
Sell	3.792	25000(1)	101.421	101.601	40000(1)	3.750	Buy

Screenshots are for illustrative purposes only.

\* Municipal bonds generally default to minimums and increments of \$5,000.

Past performance is no guarantee of future results. Investing involves risk, including risk of loss. References to individual securities are for illustrative purposes only, and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.