



Odeon Increases Trading, Research as Broker Margins Diminish

By John Detrixhe

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Odeon Capital Group LLC, a broker dealer and investment bank started in May 2009, has started trading bank loans and increased its corporate and structured research as the gap between the cost to buy and sell securities becomes narrower and less profitable.

The firm, which also brokers securities including distressed debt, corporate bonds, equities, securitized products and mortgages, added seven employees to its sales and trading staff and two to its research group since June, the New York- based company said today in a statement. That brings the total for sales, trading and research to 47, the statement said.

Odeon is seeking to diversify as the bid-ask spread for fixed-income securities has diminished after widening in 2008 amid the worst financial crisis since the Great Depression.

Brokers make money from the difference in price between the buyer and seller, making a tighter spread less profitable.

“You have to make your revenue either from spread or volume, and obviously you want to have both,” Mathew Van Alstyne, a managing partner at Odeon, said in a telephone interview. “That’s one of the reasons we continue to add people and continue to extend into different product areas is to try to become more diversified so we can be important to our clients in multiple areas.”

The bid-ask spread for junk bonds, rated below Baa3 by Moody’s Investors Service and lower than BBB- by Standard & Poor’s, has tightened to between 125 to 250 basis points from about 500 basis points to 1,000 basis points in the fall of 2008, according to Jefferies & Co. A basis point is 0.01 percentage point.

Derek Rose, who previously ran asset-backed securities and commercial-mortgage securities trading at Southwest Securities Inc., joined Odeon this month as senior vice president of sales and trading, according to the statement. Other recent hires include Matthew O’Callaghan, formerly of Hudson Ridge Trading & Research LLC, as a senior bank loan trader; and Joel Luton, previously director of research at APS Financial Corp., to be managing director, research, the statement said.