RECOMMENDER SYSTEM FOR CORPORATE BOND TRADING

MOTIVATION AND GOAL

In corporate bond trading, one of the key issues from the dealer’s perspective is to effectively close positions they entered by pairing the available bonds (open position) with clients who will eventually take over that position. This should be performed swiftly to “minimize the associated market risk and balance sheet costs” (Wright et al. (2018)). Therefore, rapid identification of potential clients who might be interested in the open position is of great importance. Considering the fact that a typical dealer may have access to a large pool of clients, developing a data driven “recommender system” which will help the dealer prioritize the order in which he/she contacts the potential clients is expected to greatly improve this process. There has been interest in employing machine learning methods towards achieving this goal. In this project, we aim at developing a recommender system using machine learning methods that will not only help pair the current clients with the open positions but also allow for making recommendations for a new client. This will be achieved by considering the new client’s past behavior as well as specific characteristics and associate the new client with the most similar existing clients. In that regard, we expect to explore both clustering and classification methods that will be tested using real data.

REFERENCES


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