As financial markets evolved, most global exchanges transitioned to fully electronic models; In contrast, the NYSE has maintained its status as one of the only listings exchanges with an active trading floor. The NYSE applies a unique market model that combines electronic trading technology with human judgment through the efforts of its Designated Market Makers (DMMs). Market makers are responsible for maintaining fair and orderly markets by holding securities to facilitate trading, ensuring there is a buyer for every seller and a seller for every buyer.

As a result, there are less dramatic price movements in the trades that follow, and investors trading NYSE-listed securities are more likely to get a fair and accurate price when trading both in the open and once continuous trading begins. When facilitating the open of trading for NYSE-listed securities, DMMs consistently deliver the best price discovery with 35% less volatility on average at the open and 39% less at the close, when compared to other U.S. exchanges.*

While most equity markets have market makers, the DMMs operating from the floor of the NYSE are the only market makers that have formal requirements to maintain high quality markets for the listed companies in their purview and for investors.

On any given trading day, NYSE DMMs closely monitor the markets, analyzing trading conditions, macroeconomic news and industry-specific intelligence in the securities they’re responsible for and use their own capital to provide liquidity. By deploying capital in critical moments, DMMs can minimize market imbalances, create pricing efficiency and dampen volatility.

DMMs also play a crucial role during the market open and close - the most active times in the trading day. They support NYSE’s unique market opening and closing processes by committing capital to satisfy market orders before continuous trading begins and at the end of the trading day. Their role in this process helps to establish an opening price for each security that is consistent with investor supply and demand. This is accomplished by ensuring that all market orders are executed, in contrast to exchanges with fully automated opening and closing processes.

“The NYSE’s market quality provides a valuable service to the investing public and our network of public companies,” says Barry. “The benefits of our model are particularly highlighted during times of market unrest, as we saw after Brexit and the U.S. presidential election. In both situations, the experienced NYSE Designated Market Makers were ready and able to fulfill their obligations to the market by providing depth, liquidity and accurate price discovery from a centralized point of sale.”

The two case studies below illustrate the impact of NYSE’s market model on opening prices for publicly traded securities during times of market volatility; in both studies, NYSE-listed companies receive significantly more accurate opening prices than companies listed on an all-electronic exchange.