

SPECIAL REPORT

Online brokers have given investors everything from new products to new technology to new friends in the past year. Now they're cutting prices.

Newest Trading Play: Screen Savings

by Theresa W. Carey

The bear market in stocks ended a year ago, but a lot of online traders and investors apparently didn't get the memo. They cut back on equity transactions in 2009—despite the 23.5% surge in the Standard & Poor's 500—and instead demanded more products and services. They got them. More bonds, options, foreign exchange, commodities and mutual and exchange-traded fund offerings; more social networks to combine their talents; more education to wean themselves further from full-service brokerages and more smartphone applications to stay in contact with their portfolios 24/7.

But more than anything, they've started to get a break on prices. Commissions on stock transactions dropped at most big firms like Charles Schwab, E*Trade and Fidelity. TD Ameritrade has—so far—kept itself out of the fray, except for 30 days of free trading for new customers (through June 30). Others took a similar route. E*Trade just announced that new clients who deposit at least \$2,000 will have commissions charged during their first 60 days of trading rebated for up to 500 stock or options transactions. Rather than imposing a time limit, OptionsHouse gives new customers 100 free trades after they fund an account.

In Barron's 15th annual ranking of online brokers, we found no sign that the pace of innovation was slowing down. New products are proliferating. Investors can now work out complicated options straddles, place orders virtually instantaneously and put their money to work in Singapore or Germany while hedging their bets in dollars or euros or exchange-traded funds.

To make sense of all these new opportunities, online investors increasingly rely on each other. When TradeKing launched its social-networking community in 2005, we were, we have to admit, skeptical. But now, with traders and investors talking things over on a variety of online stages, from Twitter to closed groups, it's apparent that the communities are an established—and accepted—part of the investing diorama.

"The social-media component for the active trader is something we're seeing more and more," says James McGovern, a vice president at financial industry research firm Corporate Insight. "Schwab has its community, as does Zecco, TradeKing, Trade-Station and thinkorswim—and that shows no sign of going away. I



Barron's Graphics

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How *Barron's* Ranks 22 Leading Online Brokers

Our ratings range across eight different categories and are assigned rankings from zero (lowest) to five stars (highest) and any point in between. These scores are then totaled and averaged to arrive at an overall position. Be warned: A high-ranking broker may not be the one that best suits your individual trading needs.

Broker	Trade Experience	Trading Technology	Useability	Range Of Offerings	Research Amenities	Portfolio Analysis & Report	Customer Service & Education	Costs	Total	Stars
thinkorswim	4.7	4.9	4.2	4.6	4.9	4.6	4.8	2.7	35.4	4.5
MB Trading	4.7	4.8	4.5	4.0	4.7	4.6	4.2	3.4	34.9	4.5
Interactive Brokers	4.4	4.7	3.4	4.5	4.0	3.3	3.8	4.2	32.3	4.0
TradeStation Securities	4.6	4.8	3.9	3.6	4.5	3.6	4.1	2.9	32.0	4.0
optionsXpress	4.4	3.8	4.3	4.4	4.6	4.2	4.4	1.9	32.0	4.0
Fidelity Investments	4.2	4.4	4.0	4.0	4.7	4.1	4.4	1.9	31.7	4.0
TradeKing	4.1	3.1	4.4	3.7	4.1	4.0	4.2	3.0	30.6	4.0
tradeMONSTER	4.3	4.2	3.8	3.0	4.0	3.4	4.4	2.8	29.9	4.0
OptionsHouse	4.3	2.7	3.6	3.1	4.0	4.2	4.1	3.7	29.7	4.0
TD AMERITRADE	3.9	4.0	3.8	4.1	4.4	4.1	4.2	1.1	29.6	4.0
E*TRADE Securities	4.1	3.7	3.7	3.8	4.5	3.8	4.3	1.5	29.4	4.0
ChoiceTrade	4.2	4.2	3.6	3.2	2.9	3.4	3.7	2.9	28.1	3.5
Muriel Siebert	3.8	3.5	3.4	4.4	3.5	3.6	3.8	0.6	26.6	3.5
Lightspeed Trading	4.0	3.4	3.8	1.8	2.6	3.0	3.1	4.5	26.2	3.5
Charles Schwab	3.0	2.9	2.9	3.7	3.8	2.9	4.0	1.8	25.0	3.0
Scottrade	3.3	2.9	3.1	3.2	3.6	2.6	3.7	1.8	24.2	3.0
Zecco	2.9	1.6	2.5	3.3	3.5	2.8	3.1	3.9	23.6	3.0
SogoTrade	3.7	1.6	2.8	1.7	3.1	2.8	2.7	3.3	21.7	3.0
Terra Nova	3.3	3.2	3.1	2.2	2.3	1.7	2.3	2.9	21.0	2.5
Just2Trade	2.5	1.8	2.4	2.2	2.7	2.7	1.5	4.1	19.9	2.5
Firstrade	2.8	0.7	2.9	3.0	2.4	1.9	3.3	2.2	19.2	2.5
Cobra Trading	3.3	2.1	2.9	2.1	1.4	2.2	1.9	2.4	18.3	2.5

All data regarding fees and costs based on an account with \$100,000 in assets. Interest rates and margin fees as of Feb. 16, 2010. Stock commissions based on a block of 500 shares. Options commissions based on a trade of 10 contracts. Source: *Barron's* Online Broker Survey, data effective 2/16/10

imagine other firms that are thinking of doing it will go there.”

Many investors who used to look to financial advisors for hand-holding now seek knowledge elsewhere. TD Ameritrade and Scottrade last year beefed up educational resources, always a strength for thinkorswim. Newcomer tradeMonster hosted more than 200 Webinars and 30 live events. McGovern says, “In tough market times, that’s when people start looking for help, hitting the books and going back to basics.”

Of course, they’re able to tap into these resources via a dizzying array of new technology that now extends to mobile trading. Several brokers launched sophisticated iPhone and BlackBerry applications that enable streaming real-time quotes, and even complex options-order entry.

A number of online brokers improved their rankings over *Barron's* 2009 survey by updating their Websites and making key features more accessible. In preparing this ranking, we investigated the offerings, operations and pricing of 22 online brokers this year, looking for the characteristics that set each apart.

We evaluated these rivals across eight categories. Among them: the types of tradable investments; the quality and ease-of-use of screeners that help you choose stocks, options or funds; and the site’s startup process, overall functionality and potential for customization. We recently mentioned to brokers that a reader had asked for an automated-trading journal, and to our surprise, several added this feature in time for our review.

We also looked at how trades can be placed with each broker, such as whether an order can be submitted from a graph or a mobile device. The quality of education offerings and customer service were examined. In reviewing costs, we considered not only stock and option commissions, but the interest rate charged for margin debt and fees for other types of transactions and activities.

Although *Barron's* names a No. 1 broker, that doesn’t mean it’s the right pick for your style of investing, so we also name leaders in four other categories—long-term investing, options trading, international investing and high-frequency trading. We also display the lowest- and highest-cost brokers for those who trade

a few times a month or several times a day.

Without further ado, then, here are the top online brokers of 2010. A table showing the numerical scores of all 22 outfits appears on page 30, and reviews of all 22, plus additional data, are at Barrons.com.

Thinkorswim (www.thinkorswim.com) once again dazzled, earning 4½ stars. Last year, we worried about the pace of innovation following the firm’s takeover by TD Ameritrade, but thinkorswim’s president, Tom Sosnoff, put those fears to rest. Sosnoff says that thinkorswim still operates as a separate broker-dealer from TD Ameritrade, mainly because the two brokers have different clearing operations.

Though the platform has a wide variety of tools, there are no added fees beyond commissions, which fall in the middle of the pack. Thinkorswim added free access to Gainskeeper, a cost-basis and tax-accounting tool, last November; it handles not only stock and options transactions but futures and foreign exchange. You’ll find live broadcasts from the S&P 500 pit as well as Shadlow Trader, and a live feed from CNBC.

One interesting new feature, rolled out in mid-January, is thinkOnDemand, which uses online retailing giant Amazon.com's cloud technology. It's analogous to Nasdaq's Market Replay feature but takes it several steps further. ThinkOnDemand saves every price tick in every options contract available as well as every listed equity and allows you to stream historical data as though it's happening in real time. This permits customers to practice their trading strategies against real data. Loading and buffering the data can take 1-2 minutes; Sosnoff says most of the traders using this feature launch it after the market closes to practice trading or to check on how an order was filled. Charting functionality was added at the end of February.

Another new thinkorswim feature is Prodigio, which offers drag-and-drop trading-model tools with back-testing capabilities. Prodigio can run either inside the thinkorswim platform, or it can be launched independently. A menu on the left side of the screen allows access to tools such as trade actions, type of data, logical operators, technical analysis studies, candlestick patterns, and mathematical equations. Using the Java-based system, you connect the selected tools to create your trading model. Once you've developed a model that you want to use, you can connect it to your thinkorswim account and generate orders. It's an amazing piece of technology, but not for an amateur or the timid.

Thinkorswim offers great customer service and a wide array of educational offerings. You can access the tools via its downloadable-software platform, and most are also available on the Web. Many of these powers have been pushed through to the thinkorswim platform for TD Ameritrade customers, which we'll discuss later.

MB Trading (www.mbtrading.com), just a whisker behind thinkorswim in total points, also earned 4½ stars. It got there by spiffing up the platform that we so appreciated last year, renaming it MBT Desktop and adding an excellent Web platform, MBT Web 2.0, to the mix. It also released an upgraded software application, MBT Desktop Pro, which features an easily customizable charting application. The charting functionality in the Pro platform allows you to write your own custom indicators, and overlay those on your chart.

Another feature, MBT World, is accessible from all of the firm's trading platforms and includes a social-networking feature, plus Webinars about MBT prod-

Choose Your Weapon

With a few exceptions, online brokers position themselves to attract different types of clients. By *Barron's* reckoning, Fidelity was tops for those seeking long-term investments; thinkorswim was best for options traders; Interactive Brokers for international plays and MB Trading for very active traders.

BEST FOR LONG-TERM INVESTING Stars

Fidelity Investments	4.5
Charles Schwab	4.0
optionsXpress	4.0
TD AMERITRADE	4.0
E*TRADE Securities	4.0
Muriel Siebert	4.0

BEST FOR FREQUENT TRADERS Stars

MB Trading	4.5
Lightspeed Trading	4.5
Interactive Brokers	4.5
ChoiceTrade	4.0
TradeStation Securities	4.0
thinkorswim	4.0

BEST FOR OPTIONS TRADERS Stars

thinkorswim	4.5
tradeMONSTER	4.5
MB Trading	4.5
optionsXpress	4.5
OptionsHouse	4.0
TradeKing	4.0
TradeStation Securities	4.0

BEST FOR INTERNATIONAL TRADERS Stars

Interactive Brokers	4.5
ChoiceTrade	4.0
E*TRADE Securities	4.0
optionsXpress (futures)	4.0
MB Trading (foreign exchange)	4.0
TradeStation Securities	4.0

Every Little Bit Helps These Days

Many of the bigger online brokers have begun to cut commissions or offer other incentives or rebates to win over investors and traders still wary about the risk in stocks. If you only trade, say, six stocks or so a month, Zecco is the cheapest choice, while Muriel Siebert would run you the most. For those trading hundreds of shares each month, Lightspeed comes out on top; Siebert is the priciest here, too.

Occasional Trader's Monthly Broker Costs*

LOWEST	
Zecco	\$19.00
Lightspeed Trading	21.88
Interactive Brokers	29.00
HIGHEST	
Muriel Siebert	\$149.70
TD AMERITRADE	94.92
E*TRADE Securities	94.92
AVERAGE (22 firms)	\$62.15

Frequent Trader's Monthly Broker Costs**

LOWEST	
Lightspeed Trading	\$779
Interactive Brokers	991
Just2Trade	1,081
HIGHEST	
Muriel Siebert	\$4,564
TD AMERITRADE	2,961
Scottrade	2,831
AVERAGE (22 firms)	\$2,070

*Occasional trader: 6 stock trades and 2 options trades per month. **Frequent trader: 100 stock trades, 100 options trades plus \$30,000 margin debt. Source: *Barron's* Online Broker Durvey, data effective 2/16/10

ucts and partner products, not to mention a Wiki with frequently asked questions about MB Trading. Within the community feature is a link for submitting ideas that customers can vote on.

One intriguing offering in the MBT suite is its alerts. You can write custom-alert scripts with hundreds of possibilities, including technical and fundamental indicators. When an alert goes off, you can reset the trigger quickly and get back to your trading. You can also set up alerts so that the details of what triggers them are hidden—so you can trade or even sell them to other MBT customers.

MBT's basket-trading functionality lets

you create a group of orders and execute them simultaneously. The group of trades can be closed as a basket, or closed individually. The Advanced Options Strategist has 64 strategies built in, and you can create your own. Each strategy is illustrated with a graph and an explanation of the basics, as well as its risk/reward characteristics. After you've selected an underlying stock and a strategy, the tool figures out the appropriate way to implement the plan. You can set different default-volume quantities for stocks, futures, and options orders. Your order-entry screen will display these defaults, depending on what you're trading.

When we talked up the idea of a trading journal to log activity, MB Trading came back with its new Lightwave platform. Lightwave's opening screen shows trading pressure for every asset class you can trade at MB Trading, and includes a variety of stock and options scanners. You can use any of the MB Trading platforms with a single login, and switch among them as you please. We would love to see the Lightwave features integrated into the Web and Desktop applications.

"Our main objective is to continue to be a low-cost provider in all major asset classes that offers solid customer support and software solutions for everyone from beginners to advanced traders," president David Lipsett says. MB Trading seems to be meeting its objective.

Below are the nine online brokers who earned a very respectable four stars, together with both their pluses and minuses.

Interactive Brokers (www.interactive-brokers.com)

Pros: It still leads the pack in access to global markets, with access to bourses in 17 countries on five continents, and cost-consciousness. Consulting outfit Transaction Auditing Group showed that IB customers enjoyed quite a bit of price improvement—a 31-cent advantage per 100 shares and 21-cent advantage per options contract—compared with the industry average over the second half of 2009. Its trading platform, Traders WorkStation, was enhanced with added portfolio analysis and risk-management tools, plus expanded access to real-time streaming news. Short sellers can tap a wide array of items, and customers can now trade in multiple currencies as well. Education offerings are wide-ranging and well-written. The mobile applications are very usable and offer streaming data.

Cons: Although improved, TWS is still not an intuitive platform to use. The learning curve is steep. This is a broker more geared toward professional traders, so buy-and-hold investors should steer clear.

TradeStation (www.tradestation.com)

Pros: The go-to broker for those who develop their own trading systems, though competition in this field is heating up. On top of all the modeling functionality built into TradeStation's platform, the firm added ways to test slippage (the difference between the expected price of a trade, and the price at which it actually got executed) to their models. Slippage is a major factor for those trading foreign exchange, as the spread changes

quickly in volatile markets. The ability to create your own parameters when testing an idea is implemented well on this platform. A new feature is Radar Screen, which is a real-time opportunity scanning tool. TradeStation Support center offers a lot of educational information, and the recently launched Strategy Network allows strategists to sell subscriptions to their calculations. As TradeStation Vice President Janette Perez says, "You cannot outgrow our platform." For new accounts opened by March 31, TradeStation will waive monthly platform fees for four months.

Cons: It's a lot of technology, and not for the casual trader. A platform fee of \$99.95 per month is charged for those who trade below certain levels. Bonds can only be traded with a live broker.

OptionsXpress (www.optionsexpress.com)

Pros: OptionsXpress underwent a site redesign that cleaned up navigation considerably. The firm allows its customers to trade a wide variety of financial products in a single account. The suite of tools has been consolidated into "hubs," so that they're much easier to find and use. In addition, optionsXpress rolled out a variety of streaming tools and data, including streaming options chains and customizable charts. You can enter and modify an order from a chart, which is a function many technical traders want. The mobile application, OX Mobile, is well designed, with streaming real-time data, charts, and watch lists, and stock, options, and futures trading. CEO David Fisher says, "We found that customers are doing significantly more trading through these phone-based apps than we thought possible." Portfolio margining calculations help traders who hedge their positions keep their margin costs down. You can see how much price improvement you got on a particular order when you look at your order status screen, which is a nice touch.

Cons: One of the few brokers left with tiered pricing; \$14.95 per trade puts them near the top of the stock commissions list.

Fidelity (www.fidelity.com)

Pros: Fidelity continues to offer a stable platform with a wide variety of products that can be traded online. It made a number of changes to its pricing structure last month, eliminating the tiered commission structure, and offering 25 BlackRock exchange-traded funds at no fee. A nicely laid-out and informative Stock Research Center was introduced last fall, along

with an international trading center that lets customers trade in 12 overseas markets and eight currencies. The Fixed Income Investments center is an excellent place to learn about, and choose, bonds for your portfolio. Active Trader Pro (ATP), Fidelity's downloadable software platform, received charting enhancements that include customization options. ATP also updated its options features, and now includes an Option Pairing Summary, with the ability to view options based on underlying security, strategy or expiration. Overall this is a very deep offering with numerous portfolio analysis tools.

Cons: The tools are divided across several platforms. To make the most of Fidelity's offerings, you'll have to use both Active Trader Pro and the Website.

TradeKing (www.tradeking.com)

Pros: The firm is still the king in integrated community resources on its trading platform. Expanded education resources include a variety of Webinars, an updated edition of the Options Playbook, 13 "all-star" trading bloggers, and an area called "The Rookies Corner" in the online-learning center. TradeKing also went into the fixed-income market with vigor, launching a bond-screening tool and an interactive table of fixed-income investments that shows users a snapshot of the entire marketplace, and what yields are available in various time frames. Other enhanced tools include deeper quote pages, more options data, and much-enhanced stock screeners. The new Trading Dashboard brings the Trader Network community resources right into the TradeKing platform, and is nicely customizable. You can set up a trading journal at TradeKing through the Trader Network as well.

Cons: There is some portfolio analysis functionality that is not available unless you use the Trader Network. You can't select a tax lot online when closing a position.

TradeMonster (www.trademonster.com)

Pro: This online broker has created a very useful and customizable platform, especially for options traders. The recently launched TradeCycle illustrates the steps a disciplined trader should follow when choosing a trade. The folks at tradeMonster consider this cycle a key to proactive investing. The steps all use key functions of the tradeMonster platform, such as research tools, strategy-selection tools, ways to test strategies and exit planning. The charting features are enhanced frequently, and include streaming implied volatility for every expiration and strike price, displayed against a 30-day average.

Trade-Monster maintains its own volatility database, which is a key component in choosing an appropriate options strategy. TradeMonster also added a trading journal in time for this review, which allows you to create an entry that captures the values for several indices, plus the underlying price and implied volatility, at the point an order is filled. You can attach notes to it and keep track of what you were thinking when you got into that trade. TradeMonster added mobile access in the last year as well. The firm has low margin rates.

Cons: Cannot select a tax lot when closing a position.

OptionsHouse (www.optionshouse.com)

Pros: The site is packed with tools for options traders, and it has added some for stock traders, too. The core of the Options-House platform is its risk viewer. President George Ruhana says, "We really want people to understand the risk associated with their positions." He notes that a customer may have a position that is suitable on the basis of his margin but inappropriate for the size of his account. The potential effects of a change in the market on your positions, and your overall portfolio, are nicely laid out and understandable. Ruhana acknowledges that a lot of his customers have accounts elsewhere, and bring assets to OptionsHouse for its options-related tools and low stock commissions. Clients place approximately 100 trades per year. The firm launched

a mobile-Web application in October 2009 that handles trades, order management, and portfolio management. An iPhone-specific app is planned for later this year.

Cons: Very options-centric, as the name would suggest. A change in options commissions from flat-rate to per-contract went into effect in December.

TD Ameritrade (www.tdameritrade.com)

Pros: This is one of the places you can still go for "one-stop shopping" and is benefiting from its takeover of thinkorswim. The toolset available to TD Ameritrade customers was much enhanced by the launch of thinkorswim from TD Ameritrade last year. Anyone interested in higher-level options data, research, and charting should be moving over to the thinkorswim platform. On the Website, one of the key strengths of having a TD Ameritrade account is the wide range of third-party research that's built into the platform and easily available, from outfits like Credit Suisse, S&P, Market Edge, Ford Equity, First Call, Vickers Insider Trading and Morningstar. The order entry "snap ticket" was updated this year to include streaming quotes and mini-charts. The Website built in a bit of community function by displaying the symbols and news articles that have been most viewed by the client base that day. We expect to see the technology continue to be enhanced with thinkorswim tools. Single-stock futures, futures, and futures options will be added in the next few months.

Cons: Not engaging in the "price wars," which is a mixed blessing. Stock transactions remain at \$9.99, and options fees are near the top of the list. Many tools segregated on separate platforms.

E*Trade (www.etrade.com)

Pros: E*Trade is another one-stop shopping destination, and features terrific mobile-trading applications. The broker has enhanced a number of services, including fixed income, research, retirement planning, active trader and advice-based tools. It's also implemented some navigation improvements, allowing for greater site customization and focused on better customer service. Mobile Pro for the iPhone is one of the best mobile-trading apps we've seen, and includes streaming video and options quotes. As the year goes on, E*Trade plans to improve its mobile applications further; the firm is being rewarded by a huge increase in trades placed via mobile devices. Portfolio margining is in beta test and should be available by summer.

Cons: The Website could still use some streamlining, as navigation is occasionally confusing. Too much segregation of toolkits on different platforms.

What's still to come? More investment opportunities; more mobile applications; more integration of various tools onto a single site; and more education to support those intrepid investors who've sworn off full-service brokers. Oh yes, there's likely to be some more price cutting as well. ■