Crisil Coalition Greenwich

Bond investor demand for automation and APIs grows

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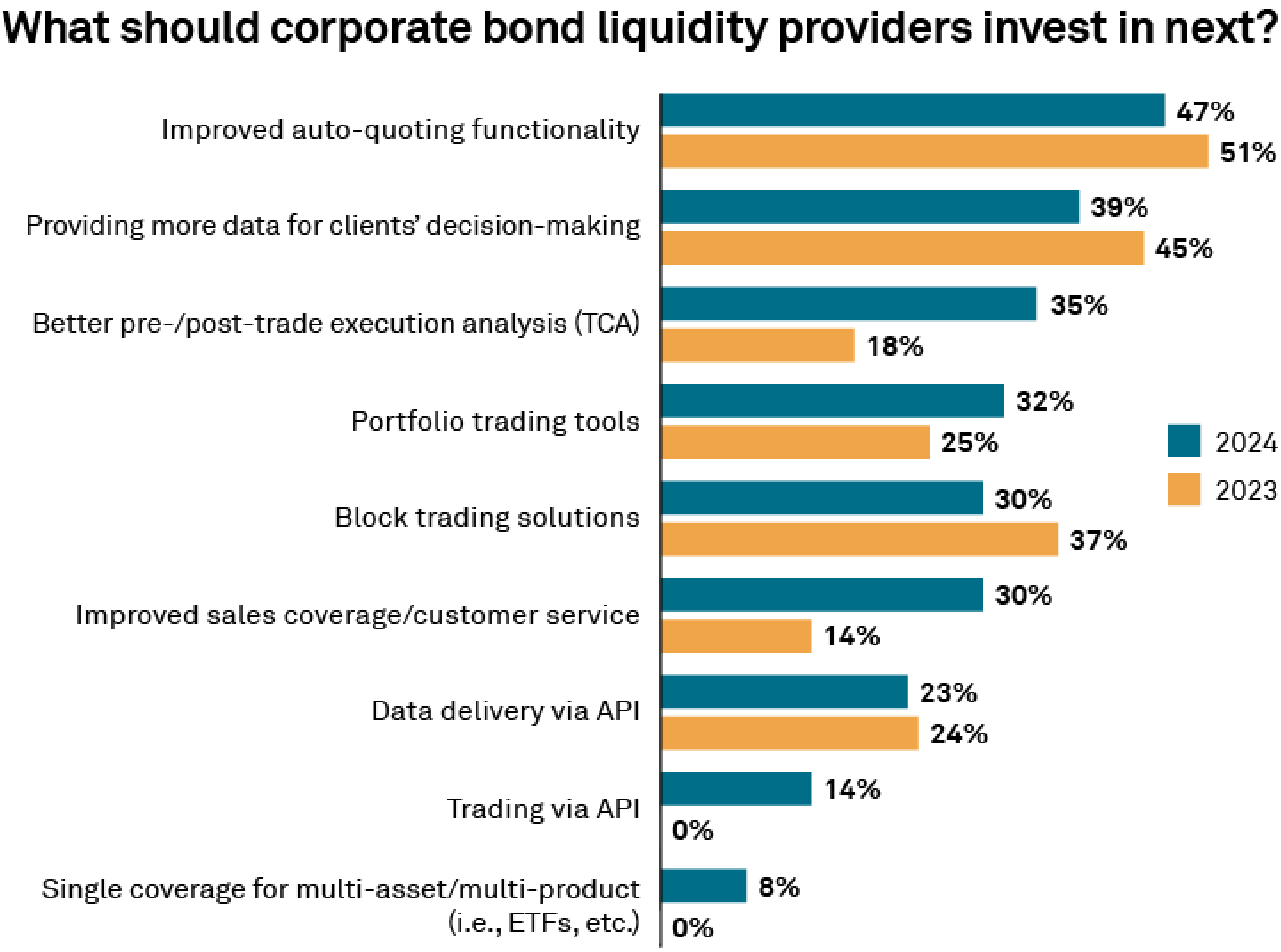
For the corporate bond market, the last decade was about the growth of electronic trading. The buy side wants the next to be about automation. In December 2024 and January 2025, we asked 67 buy-side corporate bond traders in the United States and Europe what they'd like bond dealers to invest in next. An overwhelming theme arose: increased automation supported by more data and more APIs.



Note: Based on 51 respondents in 2023 and 67 respondents in 2024. Trading via API and Single-coverage options were only asked in 2024.
Source: Coalition Greenwich Voice of Client – 2023 and 2024 Fixed-Income Market Structure & Technology Study

More data

Several of last year's big themes remained top-of-mind for the long-only, multi-strategy, systematic, and other managers in our study. The buy side wants their dealers to continue investing in auto-quoting, expanding the universe of covered names beyond liquid investment-grade bonds into high yield and emerging markets. More data to help with execution decisions remained the second biggest ask, a reminder that the market color the buy side continues to crave now comes not only from phone calls and Instant Bloombergs (IBs), but pricing, execution and other trading data as well. These top two asks came from both U.S.- and EU/U.K.-based managers.

Continuing with the data theme, demand for transaction cost analysis (TCA) grew notably from last year, cited by over a third of our respondents, up from 18%. TCA for the corporate bond market is finally bridging the gap from art to science, with benchmark prices and historical execution quality data more readily available. The buy side appreciates the unique perspective of their dealers and wants them to share more of what they know as they work to quantify execution quality.

The TCA request is also a close cousin of "data for decision-making." Reliable TCA is critical to execution automation—a huge growth area in the year ahead—with algorithms only able to choose the right dealers for an order if they can understand past performance.

Trading solutions

Demand for portfolio trading solutions grew, which is no surprise given the huge uptick of portfolio trading activity in 2024—76% in volume terms year over year. Block trading solutions don't necessarily equate to fully electronic execution, but instead, to workflow improvements that don't require manually entering what was discussed over the phone. Votes for this category dropped slightly from last year, but we wonder if this is less about a lack of interest and more because the buy side likes the improvements they've seen in recent months.

APIs for automation

While interest in trading and consuming data via API is still relatively small, we see the requests here as a sign of things to come. EMS adoption remains relatively limited despite tremendous innovation and competition between providers over the past few years. But such organic changes take years, and the more common that API-ready front ends become on buy-side desks, the more API access will be required. Why work across multiple windows when you can manage your whole world in one?

Interestingly, votes for dealer-provided trading and data APIs were more frequent from our European participants. Thirty-two percent voted for data APIs compared to 12% in the U.S., and for trading APIs, 15% vs. 9%, respectively. The European bond market has long been more electronic than the U.S. (largely because of geographic and language diversity) but has historically moved more slowly toward new trading protocols such as all-to-all and portfolio trading. Perhaps the European bond market's role as fast follower will now allow investors to skip the point-and-click step of electronification and move directly to APIs.

A relationship business

Last but not least: Sales coverage still matters. Thirty percent of respondents are hoping for sales coverage improvements over only 14% last year. As a point of reference, over half of equity investors in our recent study pointed to getting proper sales coverage as their biggest pain point—a sign that coverage remains critical even as markets embrace e-trading and automation.

Notably, very few are hoping for a single point of contact across related products (8%). In other words, while ETFs and derivatives are increasingly important to the corporate bond market, buy-side traders prefer to work with product than asset class specialists. So, while dealers work hard to improve their e-trading efficiencies, they must also ensure they're adjusting their sales approach to match today's world, meeting each client where they want to be.

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