Algorithmic Trading - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

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Report description:

 The Algorithmic Trading Market was valued at USD 14.42 billion in the current year and is expected to register a CAGR of 8.53%, reaching USD 23.74 billion in five years. Traders have traditionally used market surveillance technology to keep track of their trading operations and investment portfolios. Applications with built-in intelligence, like algorithmic trading, can explore the market for various opportunities based on the yield and other parameters the user specifies.

 Key Highlights
-The need for the algorithmic trading industry is anticipated to be driven by favorable governmental rules, rising demand for quick, reliable, and efficient order execution, increasing demand for market surveillance, and declining transaction costs. Large brokerage firms and institutional investors use algorithmic trading to reduce the expenses of bulk trading. Additionally, it is anticipated that the development of artificial intelligence (AI) and financial service algorithms will create attractive market expansion opportunities. A rise in the demand for cloud-based solutions is also anticipated to support the growth of the algorithmic trading market.
-The technological revolution has altered how one can interact with the world and do business. But, far from reaching maturity, the revolution continues to unfold, revealing even more disruptive technologies and approaches capable of disrupting entire industries and spawning significantly new business models. Advanced and intelligent trading systems have evolved with markets and technological advances in recent years. These systems have become increasingly popular in recent years as they enable different levels of automated trading.
-Since the introduction of matching engines in modern exchanges, algorithmic trading has been used globally. By removing human restrictions, such technological advancements have enhanced the capacity of markets to process orders and trades. As a result, the studied market's timeline shifted from seconds to milliseconds, and market surveillance was transferred from the trading pit to computers. Whether conducted by a government or an exchange, market surveillance safeguards market integrity

and protects participants from unethical behavior.

-While algorithmic trading has its advantages, it can also amplify the negative trends in the market studied by causing crashes (so-called "flash crashes") and immediate loss of liquidity. The instant loss of liquidity can restrain market growth.

-The COVID-19 pandemic led to increased dependence on technologies owing to the global lockdowns. The volatile market conditions, high trading volume, and drive for rapid digital transformation to cope with the remote working environment have all contributed to the uptick in algorithmic trading.

Algorithmic Trading Market Trends

On-cloud Deployment Segment is expected to drive the Market Growth

- Cloud technologies provide ways to automate processes and efficiently store and maintain data. In addition, cloud-based trading offers the benefits of remote servers to process trades. This reduces onsite IT infrastructure costs and augments the cloud's power to test and model trades.
- In the age of cloud deployment, cloud-based algorithmic trading platforms are projected to play a crucial role in the growth of the market, owing to various benefits, such as obtaining maximum profits, as cloud-based trading solutions enable traders to automate their trading process, easy trade data maintenance, scalability, cost-effectiveness, and effective management.
- Cloud-based trading works on the cloud computing model, which uses networks of remote servers generally accessed over the internet to manage, store, and process data. Attributed to the convenience of the cloud, traders can deploy algorithmic trading in the cloud to check new trading strategies, backtest, and run-time series analysis while executing trades.
- It is well known that most stock transactions are automated in significant stock markets using applications or bots implementing a trading strategy. Recently, an emerging trend in the financial services industry has been the movement of trading solutions, like algorithmic trading solutions, to the cloud. More and more traders have been using algorithmic trading solutions based on the cloud for the past few years.
- One of the significant benefits of the cloud is business agility, leveraging the ability to easily and quickly access technology and continuous innovation provided by cloud service providers, along with a pay-as-you-go model, which enables a trader to experiment and pilot new technologies and solutions without high upfront investments. More specifically, there are various use cases and benefits for capital markets firms extending their on-premises solutions to the cloud or building cloud-native solutions. According to Flexera Software, As of 2023, 72 percent of the enterprise respondents indicated that they had deployed a hybrid cloud in their organization.

North America is Expected to Hold Significant Market Share

- North America is expected to have the most significant market share in the market studied. The main drivers of market growth throughout the forecast period are the rising investments in trading technologies (such as blockchain), the growing presence of algorithmic trading suppliers, and the expanding government backing for international trading in the region.
- As algorithmic trading strategies, including high-frequency trading (HFT), have grown more widespread in the US securities markets, the potential for these strategies to adversely impact market and firm stability has likewise increased.
- Modern technology is rapidly transforming the formats of conventional investment models by automating all associated trading procedures, enabling the development of a secure and effective ecosystem that will be accessible to all potential investors.
- The algorithmic trading market in North America operates within a regulatory framework governed by agencies such as the U.S. Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). These regulatory bodies have implemented rules and guidelines to ensure market integrity, fair practices, and risk management.

- Algorithmic trading has gained substantial traction among institutional investors, including asset management firms, hedge funds, and pension funds. These entities employ algorithmic trading strategies to enhance efficiency, optimize execution, and manage risk. The availability of sophisticated trading platforms and access to market data have facilitated the widespread adoption of algorithmic trading.

Algorithmic Trading Industry Overview

The algorithmic trading market is highly fragmented with the presence of major players like Thomson Reuters, Jump Trading LLC, Refinitiv Ltd, 63 Moons Technologies Limited, and Virtu Financial Inc. Players in the market are adopting strategies such as partnerships and acquisitions to enhance their product offerings and gain sustainable competitive advantage.

In June 2023, Virtu Financial launched Alert+, a new workflow solution available in POSIT Alert that enhances the features of POSIT Alert by providing automated routing to Virtu's Covert execution algorithm to seek non-displayed liquidity.

In October 2022, Multi Commodity Exchange of India Limited (MCX) partnered with 63 Moons Technologies for software technology services for three months to continue to experience seamless trading.

In October 2022, Refinitiv, an LSEG business, announced the introduction of a secure, personalized, and frictionless global digital onboarding solution to assist businesses in streamlining their approach to onboarding customers. Refinitiv's digital customer onboarding solution offers a fully configurable user interface, allowing organizations to provide the product application process that can be delivered via the web, mobile, and API.

Additional Benefits:

 - The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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