

# TRADERS MAGAZINE

## **Fixed Income's Inflection Point: Transparency, Volume, and Data Are Forcing a Once-in-a-Generation Shift**

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For decades, fixed income markets operated in largely the same way. Pricing was opaque, workflows were manual, and both the buy- and sell-side relied on processes that changed little over time. The conditions that supported that stability have shifted.

Higher interest rates, the growth of retail-oriented products, portfolio trading, and systematic market making, improved transparency and data availability are reshaping how bonds are priced, evaluated, and executed. These forces are pushing the market toward an inflection point: firms that modernize will gain a meaningful advantage, while those holding onto older workflows will struggle to compete in an environment defined by greater transparency and higher volumes.

### Transparency in Fixed Income Is Accelerating

A major driver of change in fixed income is the rapid increase in transparency. Higher interest rates have pushed more investors back into bonds, increasing demand for ETFs, SMAs, and other retail-oriented products. Systematic market makers are streaming pricing on many thousands of securities daily, portfolio trading and ATS volumes have grown exponentially. These dynamics result in a significant increase in trading, which both produces more data and requires more accurate and timely pricing. As trading activity grows and a high volume of data enters the market, the opacity that shaped large parts of fixed income for decades is beginning to break down.

TRACE and MSRB data reflect this increase in activity, with year-over-year trading volumes rising by approximately 17% in corporate bonds and decreasing by only 1.1% in municipal bonds respectively, pointing to a market with more observable transactions and pricing inputs.

At the same time, demand for fixed income exposure continues to expand, with fixed income ETF assets under management seeing \$426 billion of inflows in 2025, according to Fidelity, further contributing to higher trading frequency and greater price visibility.

More volume means more observable trades, more quotes, and more data points to evaluate. Market participants can no longer rely on stale information or broad pricing ranges. Transparency is no longer aspirational. It is becoming a core market feature and will only continue to expand.

### Information Asymmetry Is Collapsing, and the Old Model No Longer Works

Historically, both buy- and sell-side participants operated successfully in an environment with limited transparency. Strong results could be generated from a relatively small number of trades, often supported by wide spreads and limited information.

That dynamic is changing. When both sides of the market have access to considerably more data — and more firms begin using real-time pricing — the economics that supported that older model begin to disappear.

Firms that once relied on information gaps now need to compete on speed, data quality, and execution. In a market with fewer mispriced opportunities, older workflows cannot deliver the same outcomes. The structural changes underway are making it increasingly difficult to generate meaningful profits from a small number of trades.

### The Buy-Side Is Moving Toward Higher-Frequency, Data-Driven Decisions

On the buy-side, this shift is most visible in day-to-day portfolio decisions. Optimizing portfolios now requires ongoing, higher-frequency adjustments based on accurate, intraday pricing and current market conditions. Managing SMAs, ETFs, and other vehicles that trade more actively creates a level of volume and complexity that manual processes cannot support.

Electronic trading is no longer a gradual shift. Recent data shows electronic fixed income trading volumes increasing by approximately 44% year-over-year, alongside sharp increases in protocol usage, including RFQ volumes rising by 109% and click-to-trade activity increasing by 81%, indicating that scalable, protocol-driven execution is becoming the default across buy-side workflows.

With more data available, the buy-side has a real opportunity to generate additional alpha through better execution and more precise portfolio construction. But that advantage is only available to firms that can process and act on real-time information at scale. Those relying on outdated systems or infrequent price checks will struggle to compete with firms that have already modernized their workflows.

### The Sell-Side Is Facing an RFQ Volume That Human Teams Cannot Manage

Meanwhile, the sell-side is experiencing a different but equally significant pressure: the sheer number of RFQs. Some large desks now receive close to 100,000 RFQs a day, a volume no team can handle manually. At the same time, fee compression means each trade generates less revenue, forcing desks to respond to more inquiries while still maintaining accurate pricing and proper risk controls.

A recent market analysis from Dataintel estimated that global RFQ platform usage for fixed income reached \$2.7 billion in 2024 and is projected to reach \$7.7 billion by 2033.

The role of automation is not to replace human judgment, but to ensure it is applied where it has the most impact rather than consumed by tasks that technology can process more efficiently.

### Early Adopters Are Pulling Ahead, Creating Market-Wide Momentum

Firms that have already adopted data-driven workflows and automation are seeing clear performance and operational benefits. They can put cash to work faster, manage portfolios more effectively, and respond to market conditions with greater precision. Over time, their workflows strengthen further as predictive tools become more integrated and trusted.

As these outcomes become more visible, they are influencing the broader market. Firms recognize that early adopters are not simply adding new tools, but achieving measurably better results. This creates competitive pressure. As performance gaps widen, maintaining legacy workflows becomes more difficult to justify.

### 2026 Will Mark a Clear Divide Between Modern and Legacy Fixed Income Firms

Fixed income markets do not often experience rapid operational change, but the pressures shaping the market today are structural. Greater transparency, higher volumes, and better data are redefining how pricing and trading must function. Firms

that adopt automation, real-time insight, and scalable workflows will be positioned for stronger performance, while those that hold onto older processes will face increasing challenges.

As the industry moves into 2026, the question is no longer whether fixed income is approaching an inflection point. The shift is already underway. The more immediate question is whether each firm is prepared to operate in the market that is emerging.