

True Market Colour, Contextualised: The Future of Data Is Now

Matthew Hodgson

The way financial institutions consume data is changing – and thanks to cutting edge AI technology, the market is now on the cusp of a generational shift, writes Matthew Hodgson, CEO of Mosaic Smart Data. The ability to derive true market colour from previously raw, unstructured information has become a reality. In this article, Mr. Hodgson describes what's driving this evolution.

Quality over price

The demand for market data from financial institutions is booming, with the market growing 12.4% in 2023 to a record \$42.0 billion.[1]

This growth is set to continue as global markets move towards increased transparency, with initiatives like the European consolidated tape helping to drive expectations and increase data demand.

Investment in data is clearly on a roll – but at the same time, the vast majority of respondents to a recent Greenwich study said they select their data providers based on overall data quality rather than price. This trend hints at the growing focus on the usefulness of the data being provided rather than just the cost of one vendor's offering over another and is perhaps rooted in the sheer volume of data institutions now have available to them.

The challenge, therefore, clearly isn't a lack of data. FIMs and other large financial institutions sit on a wealth of untapped data from the markets they facilitate, but typically struggle to convert this raw information into a standardised format and contextualise it to provide true market colour and, most importantly, derive actionable insights from it. Typically, the front office has to ask the data department to provide information in spreadsheets which is slow to access and cumbersome and provides little insight. For many firms, this situation has now become untenable as markets become ever-more data-driven.

What do firms need – and where can they get it?

When it comes to data-driven insights, the basic needs for most market participants include understanding the liquidity of different financial securities, the types of market participant buying or selling each security (including who might be interested in future issues), and their performance relative to overall market flows.

In fixed income markets this is a lucrative business dominated by a small number of niche data providers. However, CSDs are sitting on vast data assets, which could be commercialised to meet this demand and generate new revenue streams. The complication is that each CSD's data assets typically reside across multiple silos, with varying quality and in different data formats, and their data consists of settlement instructions intended for back-office use. The result is that, in isolation, each CSD's data provides a unique but restricted view of the market.

Power in numbers

The solution to this challenge and the path to enabling CSDs to commercialise their data assets and bring a smarter data offering to the industry lies in collaboration and leveraging specialised, AI-driven analytics technology.

By aggregating settlement data from multiple CSDs on a platform that is able to cleanse, enrich and normalise it, an unparalleled and indispensable view of market activity can be created. This standardisation of data can deliver numerous benefits to the market as a whole, such as driving growth in liquidity – after all, capital markets are increasingly global and therefore require global standards for data.

Once standardised, AI-driven advanced analytics can then be applied to data sets to provide automated insights and market commentary. This type of offering marks a new era for data in capital markets, providing trading institutions with standardised and contextualised information that takes market insight to the next level.

Leveraging comprehensive, high quality transaction data from best-in-class providers and running it through proven analytics models gives participants the insights at their fingertips to truly understand market behaviour and make more informed trading decisions.

The result for market participants is access to a highly intuitive, user-friendly platform that unlocks new depths of understanding in the markets, products and instruments of their choice. This enables them to enhance their trading models, build informed market strategies, strengthen their investment and research intelligence and improve post-trade analysis and reporting. The future of data is now.

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