As FX E-Trading Growth Cools, Competition Among Venues Heats Up

June 26, 2018

Executive Summary:



Greenwich Associates has been tracking the growth of electronic trading since it began. The growth trend across asset classes has been fairly consistent over the past decade—upward. But in foreign exchange (FX), we noted a pause in 2014, speculating that e-trading might have plateaued.

The proportion of users and volume trading electronically have remained steady for the last four years, and FX e-trading appears to have reached an equilibrium level. This raises some important questions for market participants. Does this plateau, in fact, represent an equilibrium level for electronification in FX markets? If not, what might restart increased electronification? If it does, what are the implications for e-trading venues now that their focus is shifting from competing with voice to competing against other platforms?

Methodology:

From August to November 2017, Greenwich Associates interviewed 2,358 FX investors globally to learn about their use of electronic trading, including use of platforms, use of algorithms and other trading behaviors.

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