Relentless Thirst for Information Drives Steady Growth of the Market Data Industry

The market data industry grew 5.6% in 2019, driven by seemingly insatiable appetite for data to identify trading signals, more precisely assess risk, and create smarter and more efficient operations.

Capital markets institutions continue to find ways to use market data, from portfolio construction and trade execution algorithms to managing risk, monitoring regulatory compliance and making downstream operations more efficient. In 2019, global spend on Financial Market Data/Analysis grew to $32 billion, an increase of 5.6%, building on the 5-year CAGR of 4%. The “Big Data” culture that permeates the industry drives the relentless pursuit of data as the source for advanced artificial intelligence used in nearly all areas of capital markets. Pricing data enables the analytics to identify strong correlations to market movements for alpha generation, while market data also empowers the automation necessary to improve efficiency of operations and lower costs. As a result, budgets for data acquisition and analytics have grown steadily, if unspectacularly, in recent years.

Providers of financial data across the globe benefitted from this spending, earning 48% from the Americas, 33% from EMEA and 19% from Asia, with each segment up from 2018 more than 5%. This continues the trend of the past ten years that has seen a shift in market share from EMEA to Asia and to the Americas (chart below). Institutions in China, Hong Kong, Korea and India have all been spending on data consistently more each year since 2010, a reflection of their growing market activity and influence in capital markets.

![Global Market Data Revenue – Geographic Breakdown – 2015-19 Trending](image-url)
Investing strategies that are migrating from active to passive has influenced the way market data is applied to trading desks. Spending for data on traditional equity and fixed income segments has slowed, instead being applied to derivative products such as commodities and energy. Firms that trade the most equities and bonds consume large quantities of market data, but since there are few “new” data sets for those frequently traded products, growth of data in those segments has slowed. Conversely, because fewer firms actively trade commodities and energy, many have not used related data sets extensively in the past, purchasing more data now to support more extensive trading and operations in those products.

Global Market Data/Analysis Revenue – By Segment – 2015-19 Trending

Assessing the use of data by business areas within an institution, Investment Management consumes the most market data—spending $9.8 billion—31% of the total market and more than twice as large as the next biggest segment (Fixed Income Sales & Trading). As strategies grow more dependent on analytics, the Investment Management segment demands more data inside its models in the race to win the trading game. Spending has grown consistently in recent years but is challenged by the increase in passive strategies now prevalent across all markets. The Investment Management space grew 5.2% in 2019, and will remain strong over the near-term, driven by demand for more valuation data and by continued regulatory mandates.

Providers offer several distinct data products to service the needs of capital markets institutions. Real-time and Trading Data products remain dominant, comprising 40.7% of the market at $13 billion. Predictably, growth of this product continues to slow, as the active trading styles most highly dependent on real-time data are deployed less frequently in favor of more popular passive strategies. Not surprisingly, Bloomberg and Refinitiv continue to be the top providers of Real-time and Trading data, their solutions regarded as ‘must-haves’ to those residing on trading desks.
In a market as large and as mature as is that for financial data, the positioning of competitors changes very slowly on the macro-scale, as entrenched leaders such as Bloomberg, Refinitiv, FactSet, Moody’s, S&P and ICE all retain their core positions in each sector. Solutions in these segments are naturally ‘sticky’, leading providers to accept growth caused by the ‘rising tide’ more than by replacing a competitor’s solution, which takes much longer to achieve.

Because replacing entrenched market data solutions is so difficult, providers looking to penetrate target segments do so through inorganic means, seeking immediate relevance and achieving new synergies through partnership with, or acquisition of, established solutions. Recent transactions involving LSEG and Refinitiv, Moody’s and BvD, Morningstar and Pitchbook, and FactSet’s collaborations in 2018 with Microsoft and Quantopian offered synergies and success that we are now beginning to see in new market segments.

In sum, proven market data retains its luster and value to trading firms, generating steady demand for all market data sets. In an industry that has now become an integral part of all areas of capital markets business, the ability of market data to enable quick and measurable improvements across all business areas drives users to increase budgets for years to come.

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