Bond traders predict data science/AI use explosion in 2026

The DESK's Corporate Bond Liquidity Access Survey, supported by LTX, finds trading desks are on the cusp of change.

Introduction

Buy-side traders see 2026 as a turning point in their use of artificial intelligence (AI) for trading corporate bonds. There has been a clear and continuing increase in the use of AI and data science more broadly, year-on-year, to support liquidity and price formation.

To better understand this trajectory, we surveyed 43 buy-side trading desks to examine how they currently access liquidity, the degree to which that access has evolved, and the role that electronic trading, data science, and AI now play in optimising outcomes. By comparing these findings against results from 2024, we traced the pace of change and identified the drivers most likely to accelerate adoption over the coming years. As the quantity and quality of available information grows, the value of data and analytics tools grows. When that is applied to the challenges of trading, we see how these technologies can deliver results.

At present the volume of electronic trading on platforms continues to grow, so we assessed why and how traders were engaging in e-trading. We also see increasingly larger sizes being traded electronically suggesting that this is the natural path for buy-side traders to follow. Nevertheless, we

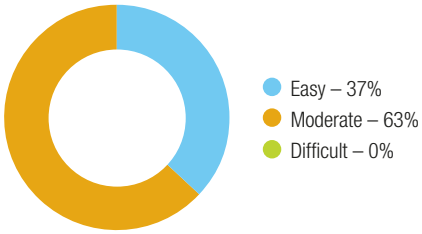
found in our research that trading in size is still the greatest challenge for the buy side, although price optimisation is coming more into focus, particularly for traders working on high yield and emerging market portfolios.

Traders confirm that e-trading contributes tighter, consistent pricing, with improved efficient access to two-way liquidity and a better pre-trade liquidity picture. With the advent of a tipping point for newer AI and data-science models poised to reshape pre-trade decision-making, this evolution is not a distant prospect but one set to accelerate within the next 12–24 months.

How to find a trade

Initially, we asked traders about their current access to liquidity and compared that with the make up of instruments they trade for IG, HY and EM bonds.

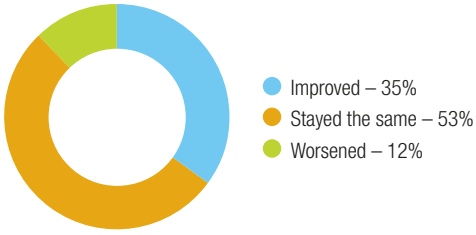
Fig 1: How would you describe your ability to access corporate bond liquidity currently?



Traders largely described their ability to access corporate bond liquidity as either 'moderate' (63%) or 'easy' (37%), with none of them describing access to corporate bond liquidity as difficult (Fig 1).

The majority believed that liquidity access had not changed over the year, but a significant minority had seen an improvement, and a smaller significant minority had seen in worsen (Fig 2).

Fig 2: How has your access to corporate bond liquidity changed this year?



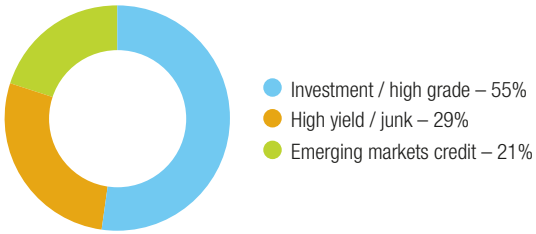
Looking only at those who saw worse liquidity, there was an interesting correlation with size traded electronically; they only trade smaller trades electronically on a frequent basis and never use it for larger sized trades.

'Difficulty' is relative to instruments traded

Assessing which execution objectives were most difficult to achieve, 49% of traders reported 'size' as being the greatest challenge. Price was seen as the greatest challenge for 26% of respondents and 26% of respondents also saw 'both size and price' as being equally challenging to achieve.

Given the tight bid ask spreads seen in the corporate bond market, and the lower number of respondents who found price to be an issue in 2024 (Fig 4). We analysed these results in order to assess which type of traders were finding 'price' to be a challenge.

Fig 3: Notional value traded

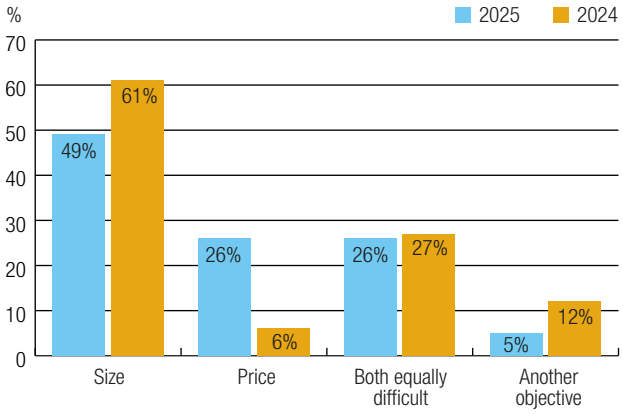


While the overall picture of notional traded was split 55% IG, 29% HY and 21% EM, the notional traded was markedly different for firms depending upon the liquidity challenge they faced (Fig 3).

The overall assets traded for firms who found 'both price and size' most challenging had a relatively even split, with 40% of flow and investment grade, 40% of their flow in high yield and 45% in emerging markets credit.

Traders who reported 'size' as being the greatest challenge typically had an order flow with the majority in investment grade credit (67%), and a minority of activity in high yield (25%) and emerging markets credit (22%).

Fig 4: Which of these execution objectives are most difficult to achieve?



Traders who found 'price' the most difficult execution objective typically had 48% of flow in investment grade, with 38% in high yield and 20% in emerging markets credit.

This implies that traders with an even mix of different credit types are typically finding liquidity more challenging across multiple dynamics, while a higher mix of high yield credit trading makes price the bigger issue. A larger proportion of investment grade trading is likely to make size more challenging.

This correlates with the far tighter bid-ask spreads we see in IG trading, and the larger average trade sizes reflecting the greater penetration of e-trading. Analysis by LTX of TRACE data, shows that the quantity of large (US$5M+) IG trades increased by 21.9% year-over-year (Jan-Aug 2024 vs. Jan-Aug 2025), from 180k trades to 220k trades.

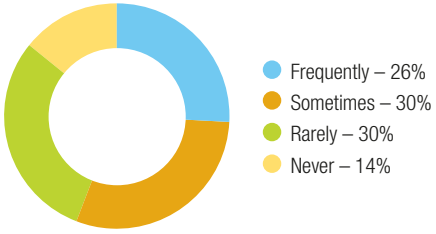
Compared to 2024, 35% of respondents said the access to liquidity had improved in the corporate bond market over the previous year. For 53% of respondents, liquidity access had stayed the same, and for 12% it had worsened.

Respondents noting an 'other' response flagged that 'illiquid' instruments outside of the credit category, such as loan, mortgage-backed securities and municipal bonds were a greater issue.

Techniques for improving access to liquidity

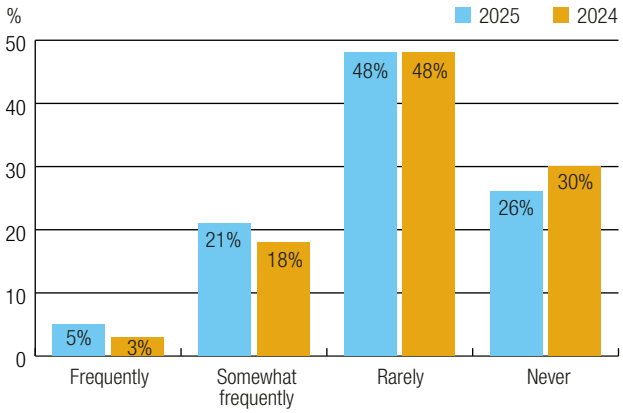
In total, 86% of firms said they use data science with some frequency to find natural counterparties to trade with, and just 14% of respondents reported that they never do. Breaking the usage down, 30% said they 'sometimes' use data science, 30% said they 'rarely' do and 26%, more than one quarter, said they 'frequently' use it (Fig 5).

Fig 5: How often do you use data science to find natural counterparties to trade with?



The use of other AI tools beyond those for counterparty selection in the trading workflow reflects a lower frequency of use, with just under half 'rarely' using them, and less than a third using them 'frequently' or 'somewhat frequently'. It can be assumed that buyside firms are at varying stages in their AI adoption processes. Some remain in the assessment phase, evaluating potential use cases and risks, others are in active onboarding, integrating AI tools into their workflows. At the same time, certain firms are restricted by internal policies from deploying AI on the trading desk, limiting their ability to experiment or implement the technology in live trading environments.

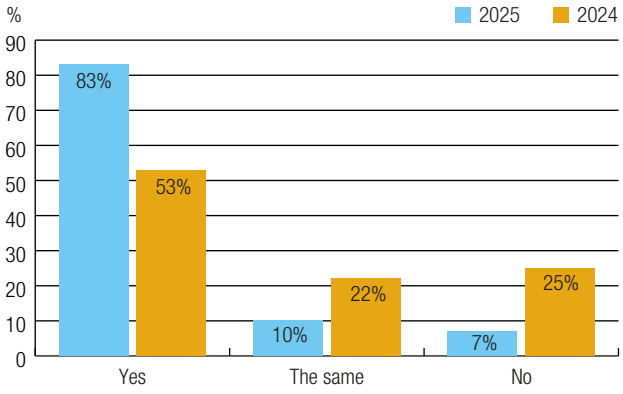
Fig 6: To what extent do you currently leverage AI tools in your corporate bond trading workflows?



However, relative to the results from 2024, there has been a gradual increase in the adoption of AI tools (Fig 6).

With over a quarter of firms engaging in the use of AI already in their trading workflow, and nearly three quarters seeing limited-to-no-use, our research suggests this is about to change – dramatically. Despite the gradual adoption of AI tools over the last couple of years, the most striking development is in the expected upcoming increased use of these tools, with a massive 83% of respondents expecting to use AI tools more frequently over the next year (Fig 7).

Fig 7: Do you expect to use AI tools more frequently in the coming year?



In comparison with 2024 results, this represents a huge shift to greater AI adoption, with expectations to use the tools more up 57% from last year. It suggests that we are at a tipping point in AI use. Beyond the quarter-plus of buy-side desks who report using AI tools 'frequently' or 'somewhat frequently', a vast majority expect to begin or increase their usage in 2026.

Whether this will stem from significantly increased use by frequent and infrequent users, or adoption by those not engaged currently, remains to be seen.

While AI enthusiasm has increased, cynicism in the technology seems to have dropped as well – the percentage of respondents who said they won't use AI in the coming year decreased by 72% since last year. This could be due to more buy side desks realising the competitive risks in not embracing the new technology or firms rethinking policies that initially prevented the use of AI tools on the desk.

Electronic trading in 2025

Electronic trading has become more frequently used for smaller trades in 2025, with 90% of respondents frequently using it for trades under US$1 million in size up from 70% in 2024. For trades of US$1-5 million, 40% now use it frequently up from 24% last year (Fig 8).

Frequency of e-trading drops for trades of US$5-10 million, with only 12% of respondents frequently trading orders of this size. However, that number is up from 3% last year. Similarly, only 6% of firms now trade orders on US$10 million+ electronically on a frequent basis where none previously did.

The proportion of respondents 'never' trading orders on US$10 million+ electronically has increased since last year from 70% to 79%. The implication is that the process of electronification is leading to an increased frequency of e-trading for those orders that can be electronified, but those which cannot are staying firmly in voice/chat trading.

As part of our analysis of buy-side traders' e-trading experiences, we assessed the effect of electronic trading on both liquidity access and the cost on liquidity, using the proxy of a bid-ask spread.

Bid-ask spreads were primarily seen as being tighter, more consistent, and being available for larger-sized trades as a consequence of e-trading, with quotes being more responsive (Fig 9).

Fig 8: How often do you use electronic trading for credit?

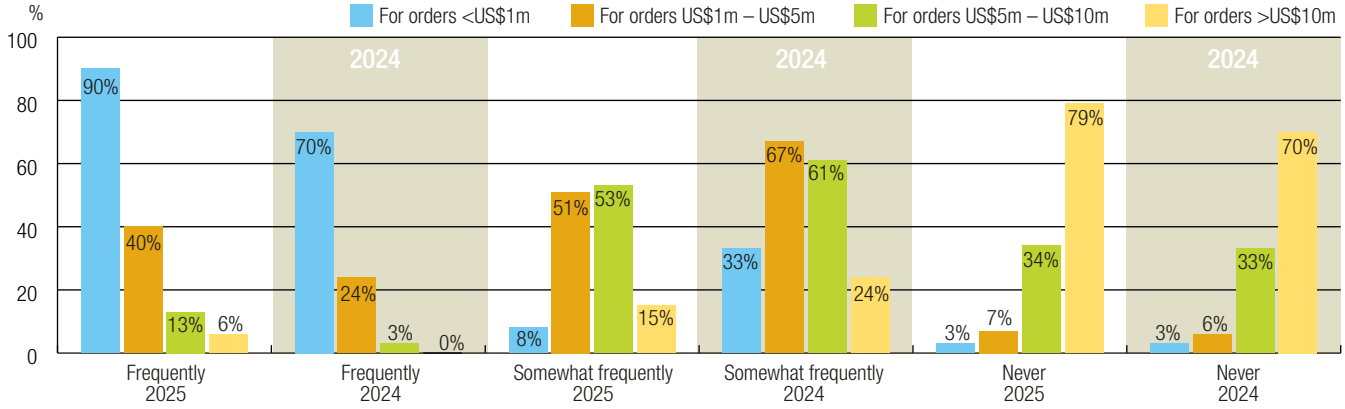


Fig 9: How has spread quality been impacted by e-trading this year? (ranked)

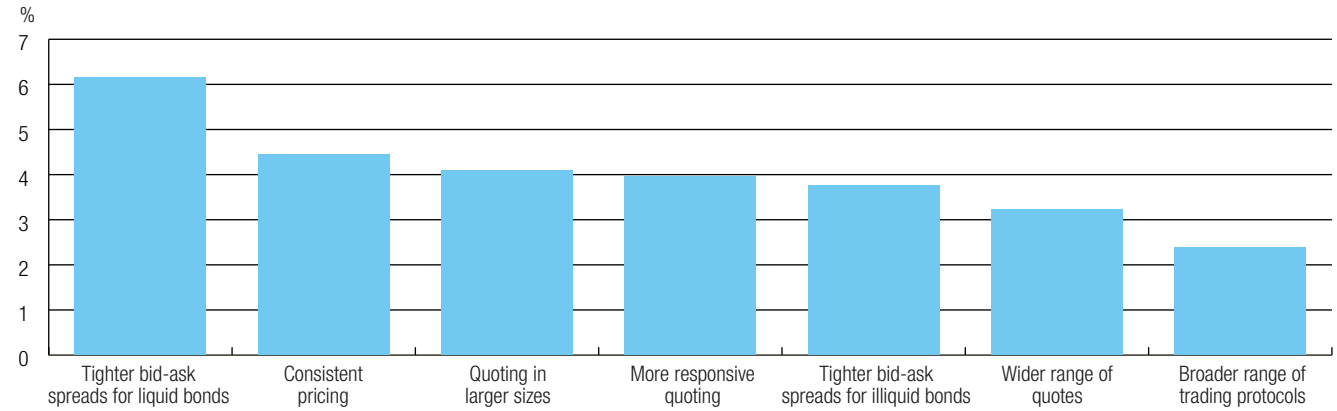
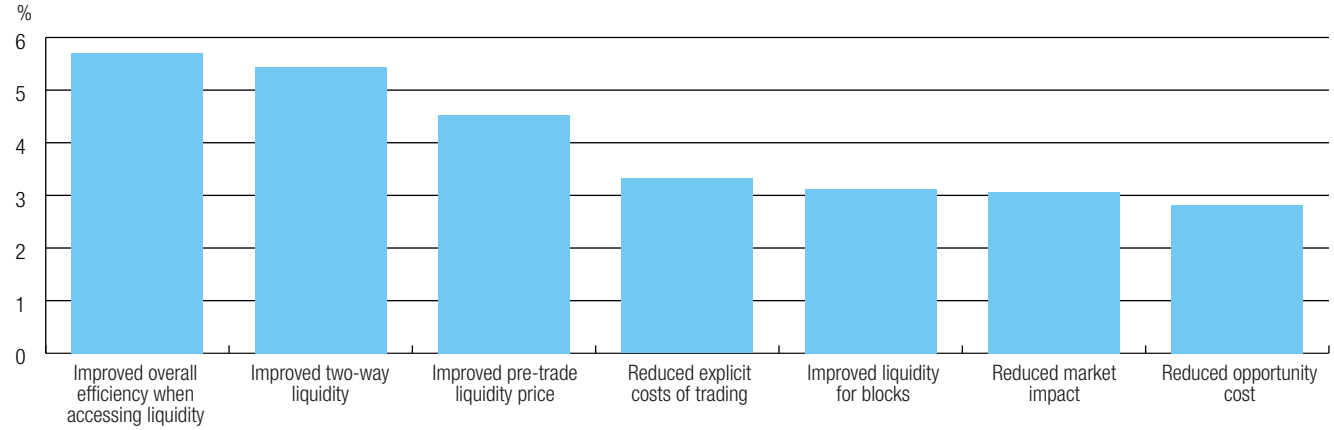


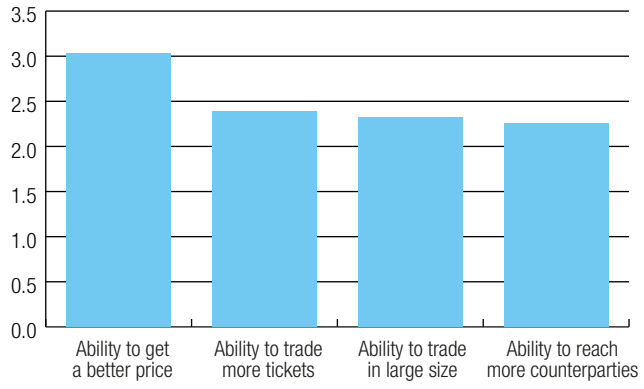
Fig 10: How do you rank e-trading currently for improving liquidity quality today?



From a liquidity access perspective, greater efficiency in accessing liquidity and improving access to bids and offers simultaneously are most improved by e-trading today, followed by the pre-trade liquidity picture (Fig 10).

The ability to get a better price is the primary incentive for increasing electronic trading activity, followed by the increased potential turnover achieved by trading more tickets (Fig 11).

Fig 11: Rank these factors as drivers for potentially increasing your use of e-trading



Conclusion

While we see access to liquidity in corporate bond markets is largely improving for asset managers, that is far from universal. Depending upon the instrument traded, different liquidity challenges exist. What is clear is that the buy side is turning to data science and AI to close those gaps, and 2026 is set to mark a turning point. A significant share of desks plan to ramp up their use of artificial intelligence in the year ahead, positioning it as a catalyst for how liquidity is sourced and accessed.

We already see the positive impact of electronic trading, which is being used more frequently for those trades that can be electronified. Getting a tighter bid-ask spread is the primary motivator for using e-trading in credit and so we can deduce that pricing could improve for larger trades when executed electronically. That scratches the itch for buy-side traders – size is the most difficult objective to achieve for most of them, skewed towards IG trading.

As buy-side desks continue to seek more cost-effective means of executing, innovations in AI have the potential to support more e-trading, including for large size orders.

Further, there is longer term potential to strengthen market structure through the use of new technology, broadening the universe of bonds investors can assess, uncovering new counterparties, and improving liquidity while reducing costs.

While we will wait to see the impact of increased AI adoption next year, the sooner market participants begin to embrace new approaches, the faster these market advantages will materialise. ■