

FEBRUARY 2026

FIXED INCOME EXPERT NETWORK REPORT

Fixed income set for **volatile** 2026

04
BLOCKCHAIN
IN FIXED INCOME
MARKETS

08
APPROACHING
LIQUIDITY RISK
IN FIXED INCOME
MARKETS

10
2026 OUTLOOK

valantic



Research
by
acuti management
intelligence

Contents

- 04** Section 1: Blockchain in fixed income markets
- 08** Section 2: Approaching liquidity risk in fixed income markets
- 10** Section 3: 2026 outlook
- 14** Section 4: Sentiment

Intro

This edition of the valantic FSA Fixed Income Expert Network report finds firms looking ahead to 2026 and expecting a strong year for the market. The volatility that markets experienced in 2025 looks set to continue into this year, bringing opportunities for firms in the network.

However, many of the challenges that emerged in 2025 remain. Liquidity risk, for example, is likely to present challenges to firms as markets move quickly in response to unpredictable geopolitical events and policy decisions. We take a look at how firms are adapting to such scenarios.

In addition, we profile blockchain technology – which, after years of hype, is coming of age in the market. Expectations are high that it will become a meaningful part of market structure over the next five years.

We also explore technology budgets in 2026 and where firms are planning to invest, as well as an analysis of algo deployment for fixed income trading.

This report is based on a survey of the Acuiti and valantic FSA Fixed Income Expert Network, a group of senior fixed income executives across the buy and sell-side. Each quarter, members of the network suggest topics and questions and complete an anonymous survey. This report is based on the findings of that survey.



A stylized, handwritten signature in black ink, appearing to be 'A. Browning'.

Andy Browning

Head of Electronic
Trading, valantic FSA

SECTION 1

Blockchain in fixed income markets

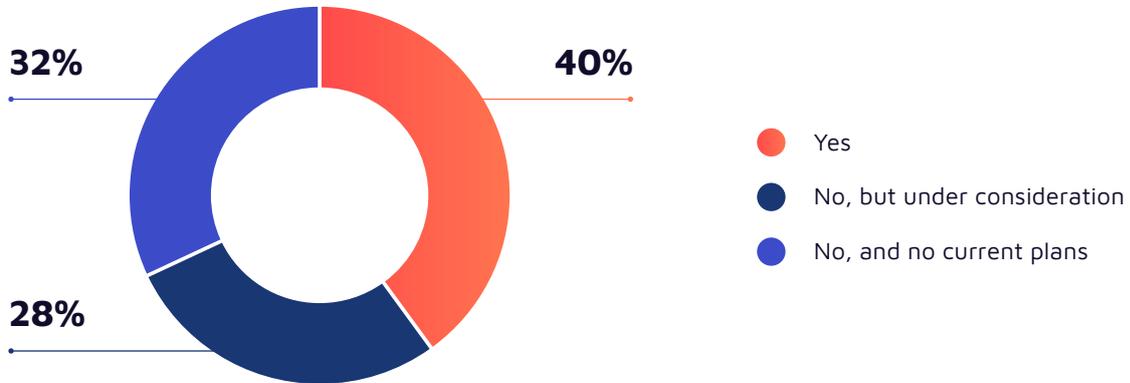
The application of blockchain or distributed ledger technology (DLT) is moving from theoretical to practical in institutional fixed income markets. Several initiatives have been launched by firms in the market and adoption is likely to accelerate in 2026. This quarter, we asked members of the valantic FSA Fixed Income Expect Network for their views on the evolution of DLT in fixed income.

This included the current status of their firm with regards to adoption and their outlook for use cases and growth of DLT in fixed income. Fixed income is seen by many as one of the most applicable asset classes within capital markets for blockchain adoption, owing to its relatively lower trading volumes compared

with equities or listed derivatives. The applicability of bond issuances to tokenisation and smart contracts also lend it to the technology. As a result, one of the earliest pilots for DLT in institutional capital markets was in fixed income. This happened when the European Investment Bank issued a digital bond in 2021, the first in a regular series of issuances.

Since then, other sovereigns and supranationals such as the World Bank have issued instruments onto blockchain. DTCC has partnered with the Candon Network to enable tokenisation of US Treasuries, while UniCredit has also issued tokenised structured notes on the blockchain. It is clear that momentum is growing in the market.

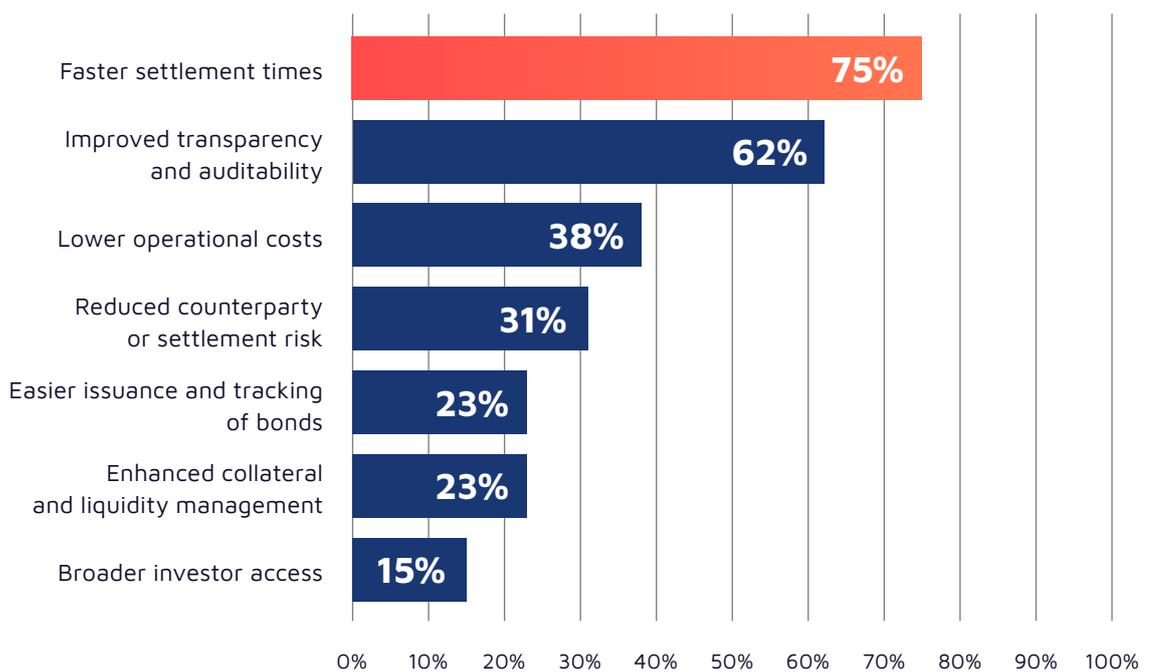
HAS YOUR INSTITUTION PARTICIPATED IN ANY **BLOCKCHAIN-BASED FIXED INCOME PROJECTS** OR PILOTS?



Overall, 40% of the network had participated in blockchain-based initiatives, with a further 28% considering doing so. This growing adoption is explained by the benefits that DLT could bring to

fixed income markets. Overall, 75% of respondents said that they expected the technology to bring faster settlement times, while 62% thought it would enable improved transparency.

WHAT POTENTIAL BENEFITS DO YOU SEE FROM **APPLYING BLOCKCHAIN/DLT** IN FIXED INCOME MARKETS?



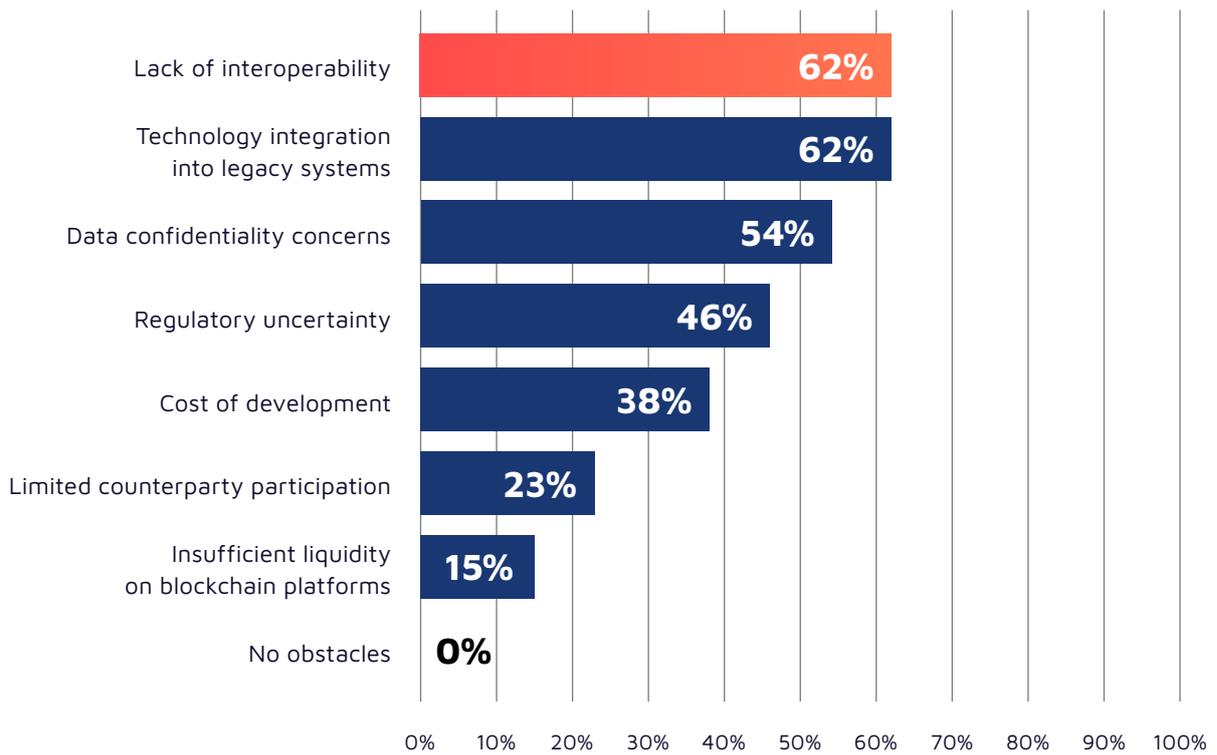
However, there remain significant challenges to greater adoption. The most commonly cited obstacles were interoperability, integration with legacy systems, data confidentiality and regulatory uncertainty.

Interoperability is a particularly acute challenge as the market forges ahead with various different projects and pilots. Without common standards, DLT risks fragmenting markets into isolated “ledger islands”, undermining the very

efficiency gains it promises. Similarly, integrating distributed ledgers with existing processes and workflows remains complex, especially for institutions operating across jurisdictions and asset classes.

Data confidentiality also looms large. Fixed income markets rely heavily on bilateral relationships and private data. Any DLT architecture must therefore support selective disclosure and permissioned access, rather than full transparency.

WHAT DO YOU CONSIDER THE MAIN OBSTACLES TO ADOPTION OF BLOCKCHAIN IN FIXED INCOME MARKETS?



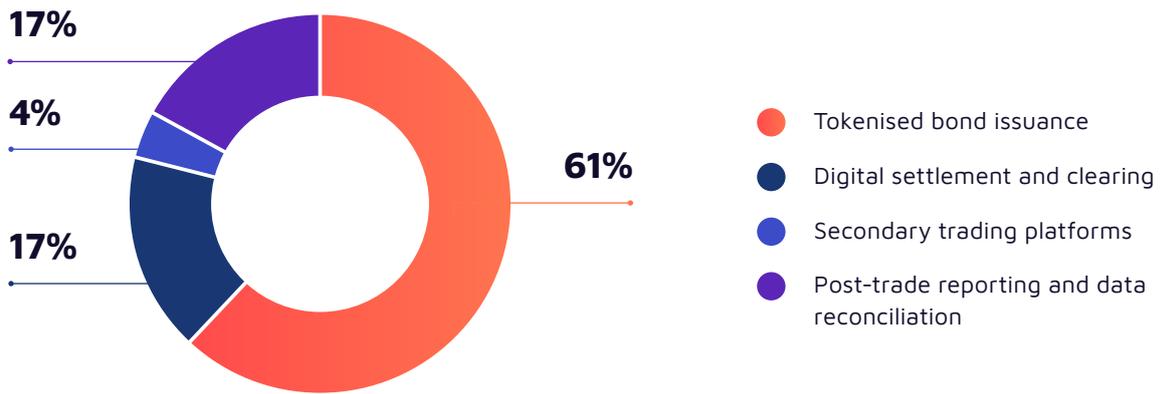
Among potential use cases, tokenised bond issuance was cited by respondents as the area most likely to reach mainstream adoption first.

Survey respondents placed issuance well ahead of digital settlement, post-trade reporting and secondary market trading.

Issuance lends itself well both to blockchain settlement and the development of smart contracts and blockchain applicability can be structured within existing legal and regulatory

frameworks. At the other end of the spectrum, secondary market trading requires deep liquidity, standardised market practices and interoperability across venues and custodians.

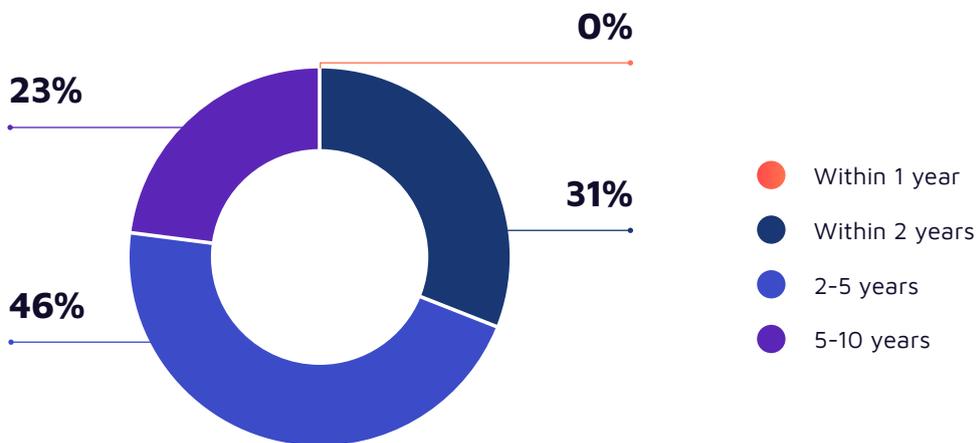
WHICH BLOCKCHAIN USE CASE DO YOU BELIEVE WILL REACH MAINSTREAM ADOPTION FIRST IN FIXED INCOME?



The network is generally bullish on the timeline for meaningful adoption of DLT in institutional fixed income markets.

Over three-quarters of respondents said that they thought this will happen within the next five years.

IN YOUR OPINION, WHAT IS THE LIKELY TIME FRAME FOR MEANINGFUL ADOPTION (BEYOND PILOT SCALE) IN INSTITUTIONAL FIXED INCOME MARKETS?



SECTION 2

Approaching liquidity risk in fixed income markets

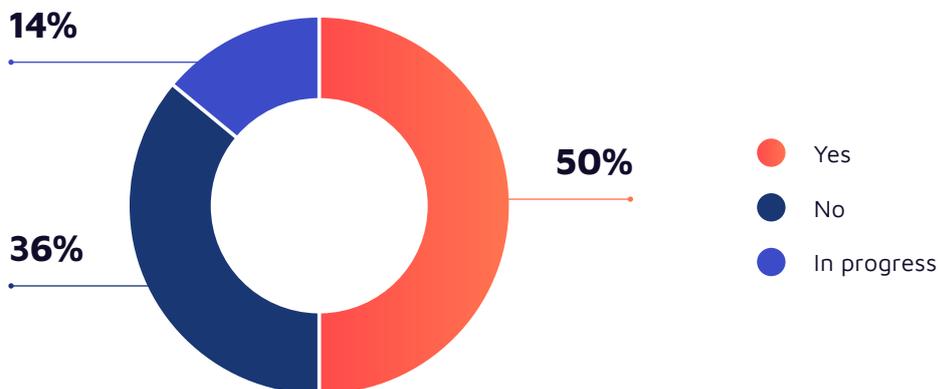
The last Fixed Income Expert Network Insight Report found liquidity risk to be the top risk identified by network members. This issue, we look deeper into how firms are mitigating it.

Liquidity risk has been heightened as a concern for institutional fixed income markets in the wake of outbreaks of extreme volatility over the past three years – from the Silicon Valley

Bank crisis in 2023 to the market gyrations around the “Liberation Day” tariff announcement last year, with particularly concerning movements in US Treasuries.

Half of the firms in the network had a formal, documented liquidity risk management framework specific to fixed income while a further 14% were implementing one.

DOES YOUR FIRM HAVE A **FORMAL, DOCUMENTED LIQUIDITY RISK MANAGEMENT FRAMEWORK** FOR FIXED INCOME?



Members of the network had a wide range of responses in terms of how frequently they performed formal stress tests, with the most common frequency being monthly. When

asked which metrics were most important for monitoring fixed income liquidity, respondents most commonly cited the traditional measures of bid-ask spreads and market depth.

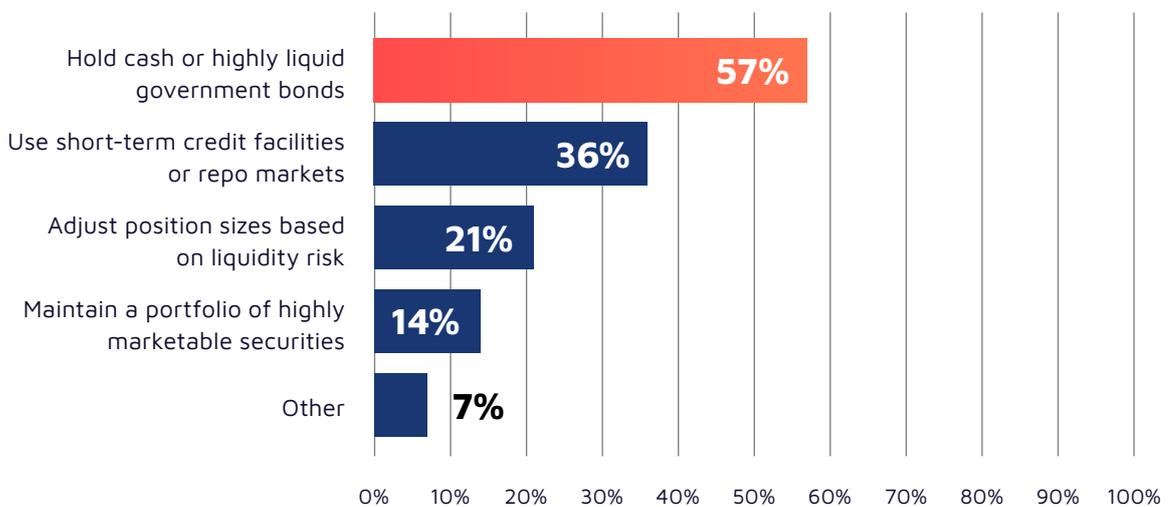
WHAT ARE THE KEY METRICS YOU USE TO MONITOR FIXED INCOME LIQUIDITY?

- 1 Bid-ask spread
- 2 Market depth
- 3 Average daily trading volume
- 4 Time-to-liquidate
- 5 Dealer inventory levels

Of those firms that had evolved the use of trading protocols to manage liquidity risk over the past three years, most had increased their usage of electronic all-to-all trading platforms.

A majority of firms held cash or HQLA back in order to maintain liquidity buffers, while just over a third looked to repo markets for their liquidity management.

HOW DO YOU MAINTAIN LIQUIDITY BUFFERS TO MITIGATE POTENTIAL FUNDING OR MARKET SHOCKS?





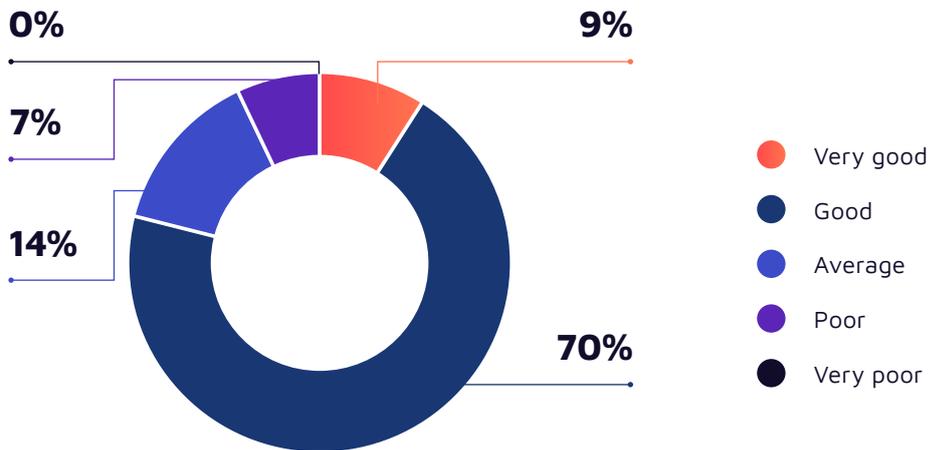
SECTION 3

2026 outlook

Last year was generally a strong one for fixed income markets as volatility drove volumes across global markets. Members of the Expert

Network expect these conditions to continue, with 79% believing that 2026 will be a strong year for their business.

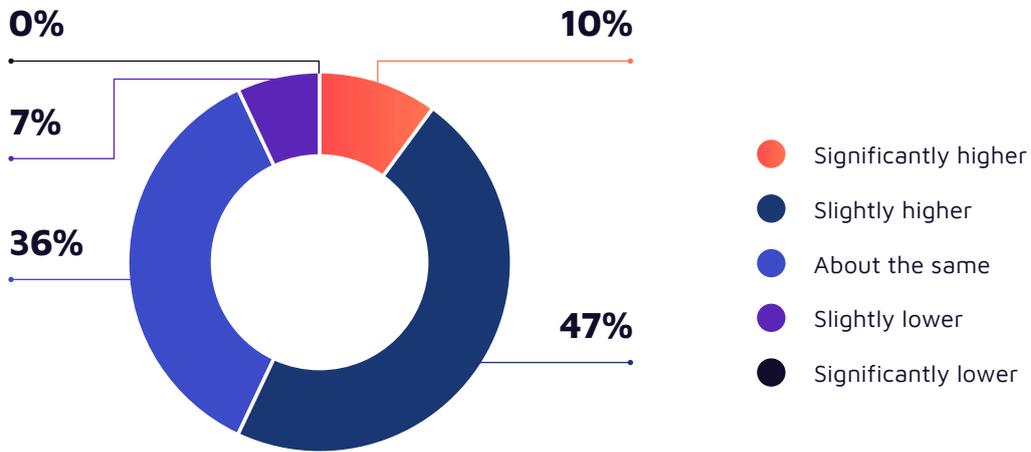
LOOKING AHEAD TO 2026, HOW STRONG A YEAR DO YOU EXPECT IT TO BE FOR YOUR FIXED INCOME BUSINESS?



This confidence is feeding through to some extent into technology budgets. Over half of the network are expecting their budget for

investment in fixed income to be slightly or significantly higher than an average year in 2026.

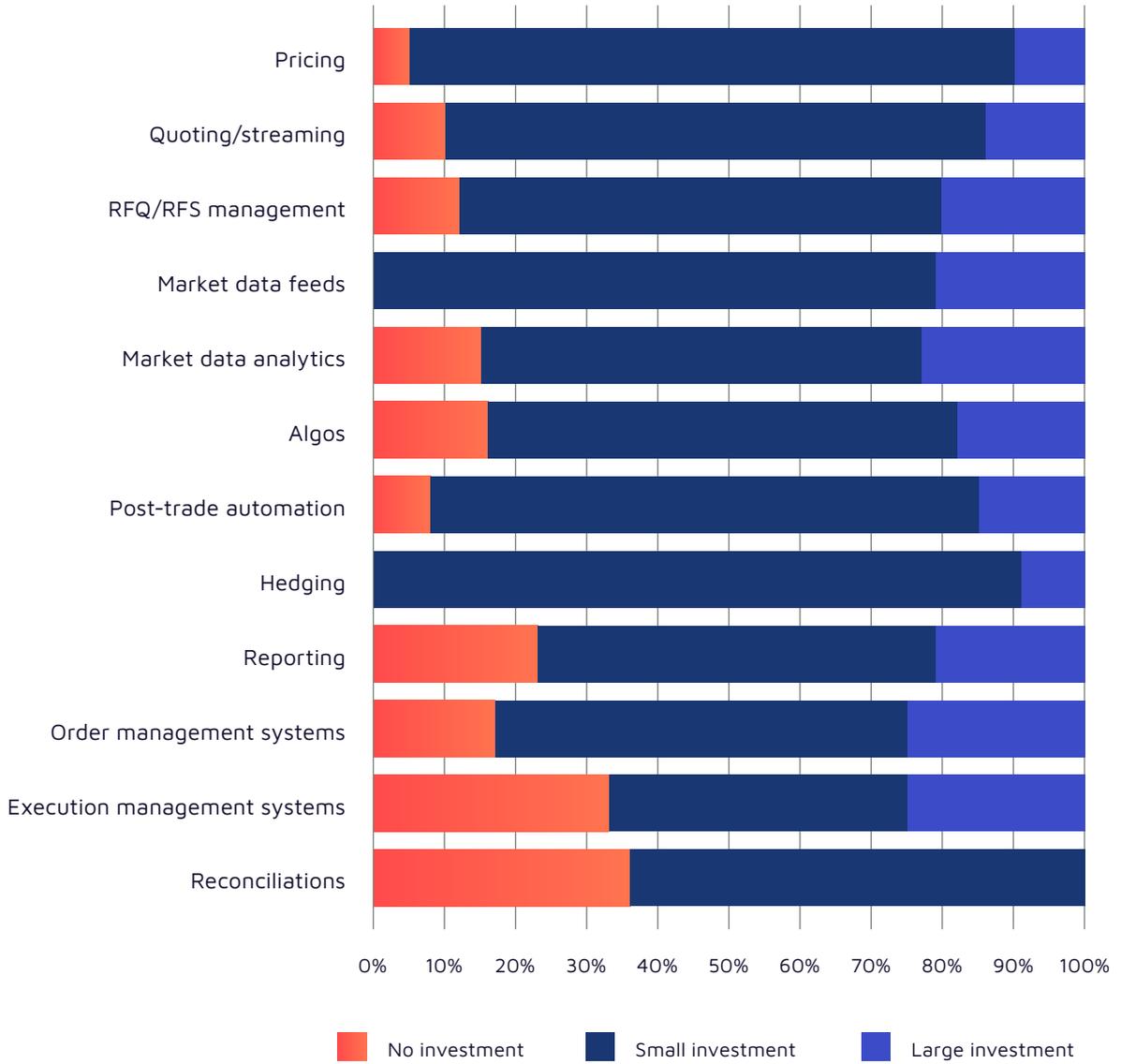
COMPARED TO AN AVERAGE YEAR, **HOW BIG DO YOU EXPECT YOUR TECHNOLOGY BUDGET FOR FIXED INCOME TO BE IN 2026?**



When it came to where firms were investing, across almost all categories, the majority of respondents plan small rather than large investments, suggesting a focus on optimisation and scaling of existing capabilities rather than wholesale system replacement.

Pricing, quoting, RFQ/RFS management, market data, OMS/EMS and algos were the areas that attracted the highest levels of planned spend, reflecting a focus on execution quality and automation as fixed income markets continue to become more electronic.

WHERE ARE YOU **PLANNING TO INVEST IN 2026** WITH REGARDS TO TECHNOLOGY?

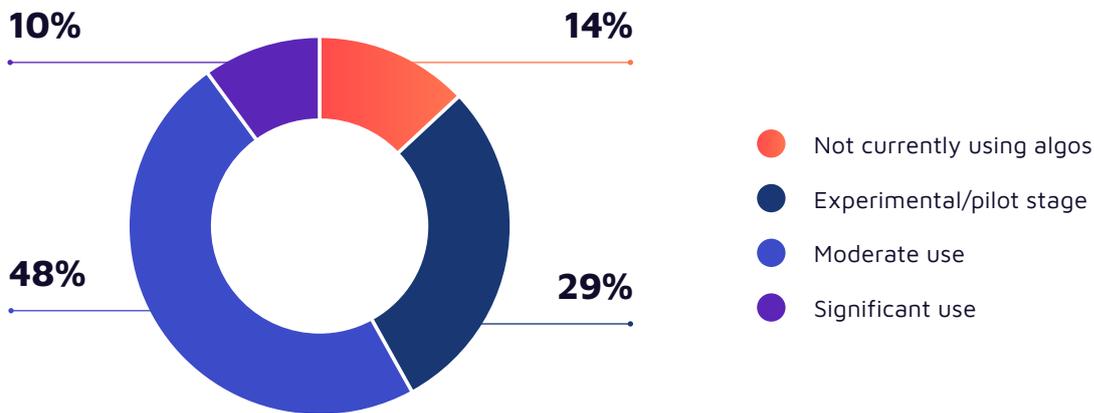


Algo adoption in **fixed income**

Algorithmic trading is an increasingly important component of execution in institutional fixed income markets. Therefore it

is little surprise that a significant majority of the network are planning investments in algos in 2026.

HOW WOULD YOU DESCRIBE YOUR FIRM'S **CURRENT LEVEL OF ALGORITHMIC TRADING ADOPTION** FOR FIXED INCOME INSTRUMENTS (INCL EVERY THING FROM VWAP TO ADVANCED TRADING ALGOS)?



Firms in the network are using a wide range of algos, with market making algos the most popular among banks and execution algos such as VWAP and TWAP the most commonly used by the buy-side. Just over 20% of the network used fully automated trading algos, while over half used arbitrage algos.

When it came to the reasons for using algos in fixed income trading, improving execution efficiency and reducing market impact were the most commonly cited reasons. However, almost half of respondents said that they used them to improve trading

productivity, while around a third said that they enabled them to gain greater access to liquidity and lowered transaction costs.

In terms of the challenges firms faced in using algos in fixed income trading, three-quarters said that market fragmentation was a major challenge. Lack of reliable, high-quality market data was also a significant challenge. Firms were less concerned about potential information leakage and the costs and complexity of the technology, but these were still cited as challenges by around a quarter of the firms in the survey.

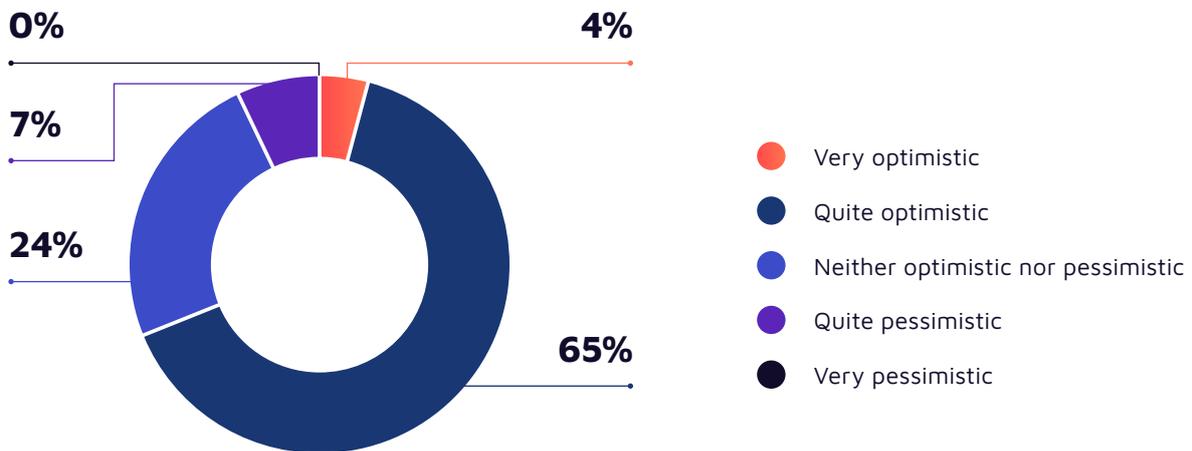
SECTION 4

Sentiment

Sentiment dropped back slightly this quarter but remained positive, with 69% of the network positive about the performance of their fixed income business over the next three months.

In addition to the slight drop in confidence overall, the percentage of network members that were very optimistic dropped from 17% to just 4%.

HOW OPTIMISTIC ARE YOU ABOUT THE PERFORMANCE OF YOUR FIXED INCOME BUSINESS OVER THE NEXT THREE MONTHS?





About us

valantic FSA automates the trading and transaction workflows at more than 100 firms in the Financial Services industry.

Our mission is to digitize, augment and evolve the value streams within our clients. This delivers new levels of efficiency, insight, and agility so that our clients can position themselves for maximum impact today and in the future.

Our deep industry expertise is used to assemble these systems from a broad range of proven components and next-generation technologies.

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