acuiti management intelligence

The SGX Global Market Sentiment Index Report

A barometer for the global derivatives industry

Q1 2025

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Introduction

Welcome to the Q1 2025 SGX Global Market Sentiment Index Report, a quarterly benchmark of business sentiment across the global derivatives market.

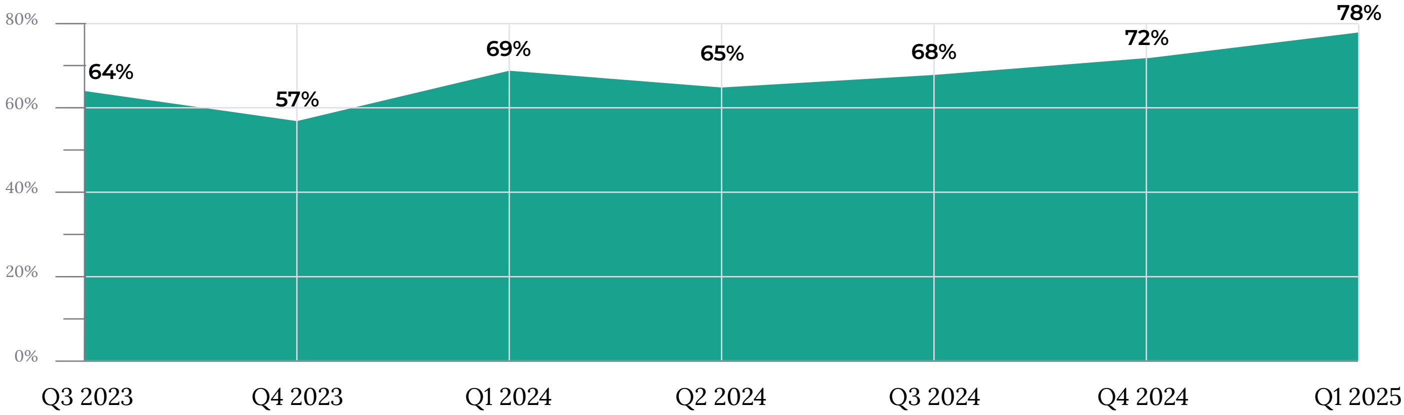
Each quarter, Acuiti polls members of its network of senior executives on their outlook for the next three months, to compile the benchmark and this report.

This quarter, we find soaring business confidence among the global derivatives market as the second Trump presidency looks set to lead to deregulation and volatile markets.

In addition, we profile how firms across the market are impacted by volatility and the steps that they are taking to mitigate risk and capitalise on opportunities.

Methodology: Data within this report is based on surveys of Acuiti's Expert Networks, comprising 561 senior executives from across the global market. Acuiti's Expert Networks consist of company type-focused networks covering proprietary trading, clearing, asset management, hedge funds and sell-side execution. Each quarter, Acuiti surveys the networks on a range of topics including their outlook for the coming three months. The sentiment index is calculated as the percentage of respondents that are optimistic for the three months ahead. The overall score represents the average across all company types. Data for this quarter's report was collected between 6 January and 21 February. Respondents in this quarter's report were from APAC (17%), Europe (53%), US and Canada (23%), ROW (7%). Respondents were from asset managers (16%), hedge funds (19%), proprietary trading firms (26%), FCMs (18%) and sell-side execution desks (22%).

The SGX Global Market Sentiment Index



Business confidence across the derivatives market soared this quarter as senior industry executives look ahead to positive trading conditions under the second term of President Donald Trump and volume records were posted on major exchanges.

Overall positive industry sentiment reached a reading of 78 on the SGX Global Market Sentiment Index, a barometer of sentiment across the derivatives industry.

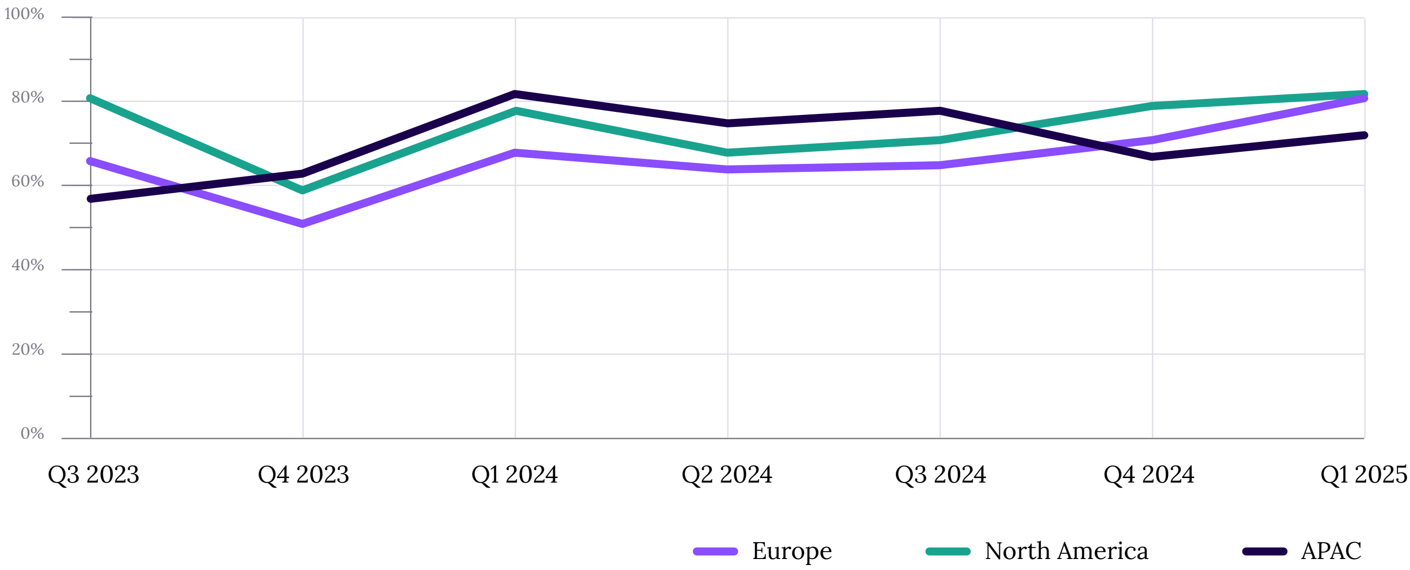
This increase was driven by the sell-side where business confidence from both clearing and execution-focused executives rose to record levels. Proprietary trading firms and hedge funds also posted sentiment increases. Asset managers, however, saw declines in confidence.

The start of the new Presidential term in the US was the main reason behind the increasing sentiment as firms look ahead to higher-for-longer interest rates and market volatility.

Spirits were also lifted by elevated volumes as markets repositioned in the wake of the new administration's threat of tariffs and unpredictable approach to foreign policy.

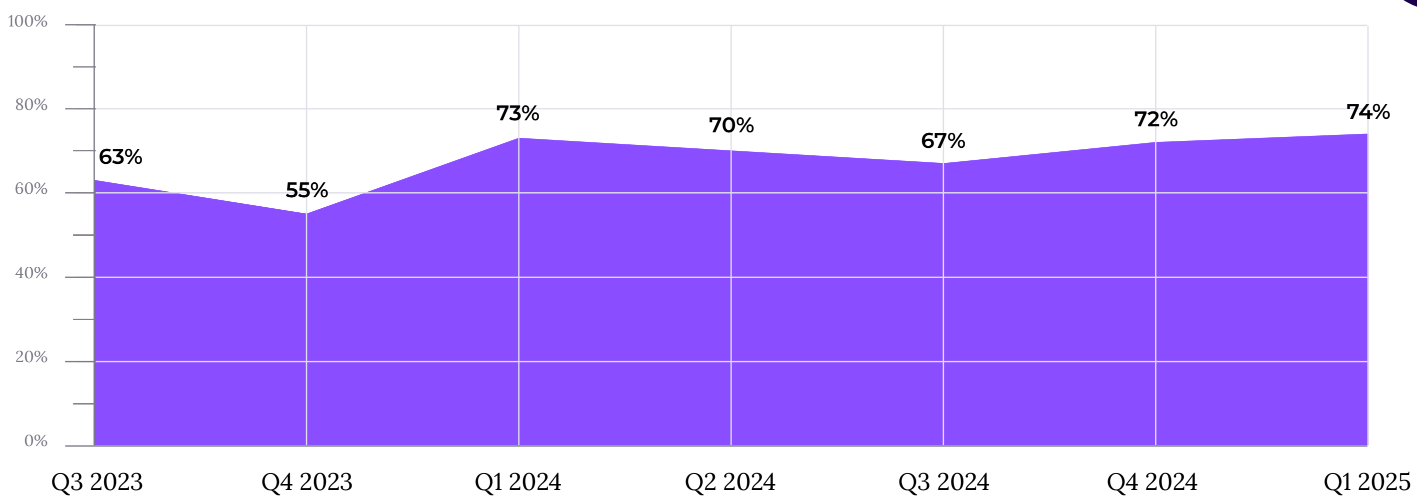
Regionally, confidence was driven by increases in North America and Europe, while the outlook in APAC was more cautious. Overall, the index for respondents in APAC sat at 72, only a marginal increase on last quarter's level of 67. The North American index meanwhile was at 82. The positive sentiment was also driven by a strong trading performance for most firms in the derivatives market as volumes rose in line with elevated global risk. Overall, these are good times for the global derivatives markets – uncertainty creates opportunities and the need to hedge. At the same time, volatility continues to be an ever-present feature of global markets as the world adjusts to the new administration and its policies.

Regional optimism



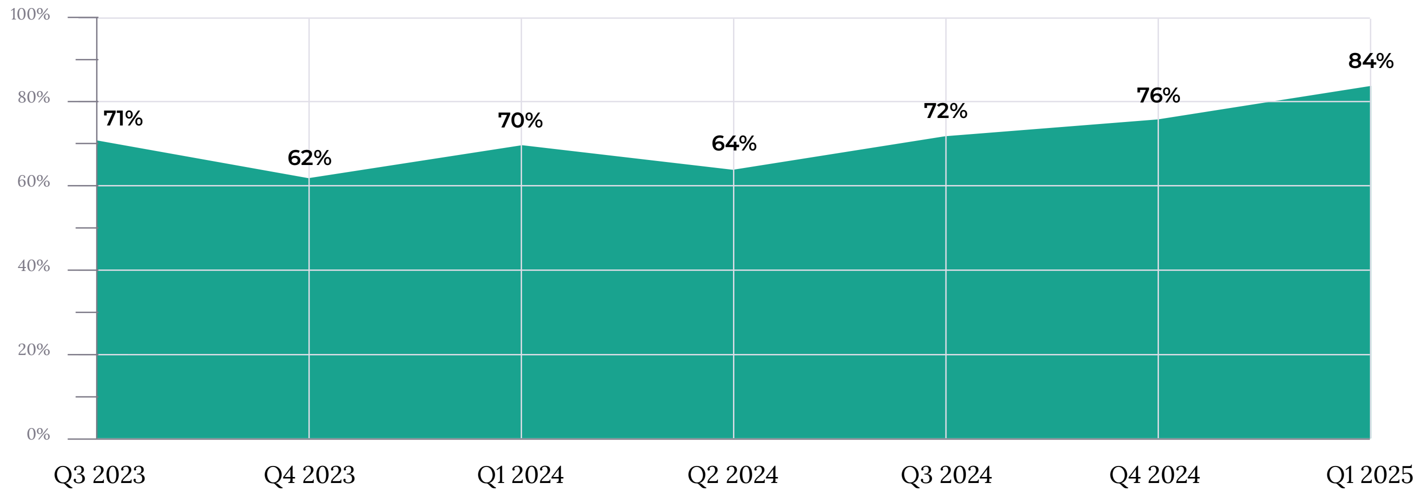
Segment analysis

HEDGE FUNDS



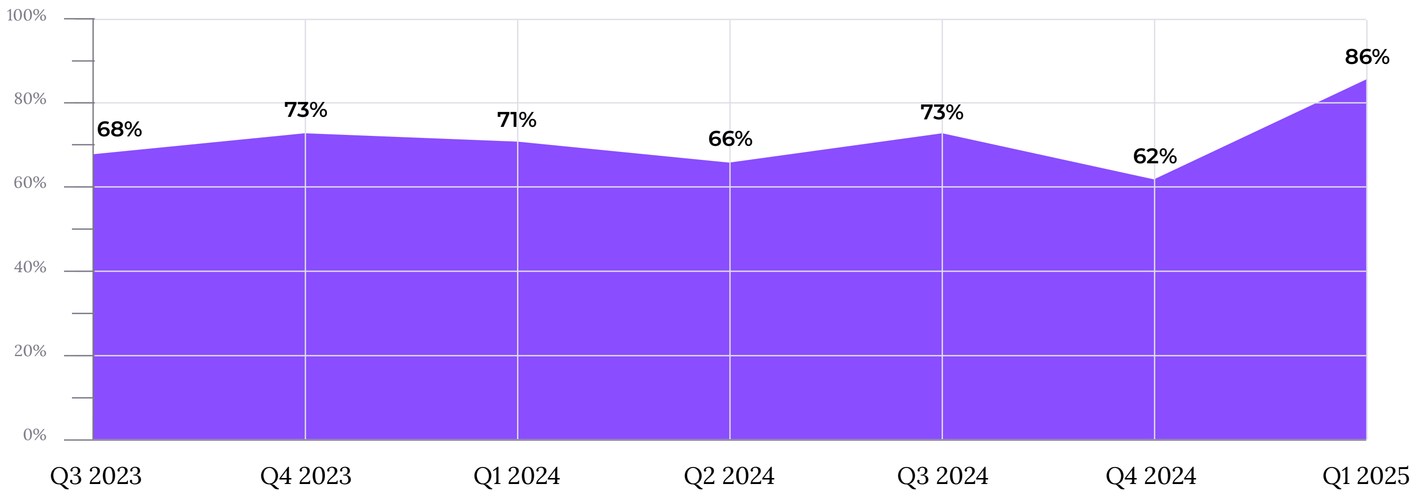
Business confidence among hedge funds remained strong this quarter increasing two points to 74. Optimism was marginally higher among systematic funds than discretionary funds, with many CTAs anticipating a strong business performance over the next three months. Hedge funds in Asia were significantly less optimistic than their peers in Europe and the US. Several hedge funds cited anticipated short-term volatility emanating from the new US administration as a key reason for their optimism. Others pointed to increased volumes coming into derivatives markets as investors look to hedge funds to navigate uncertain global markets and provide uncorrelated returns.

SELL-SIDE EXECUTION



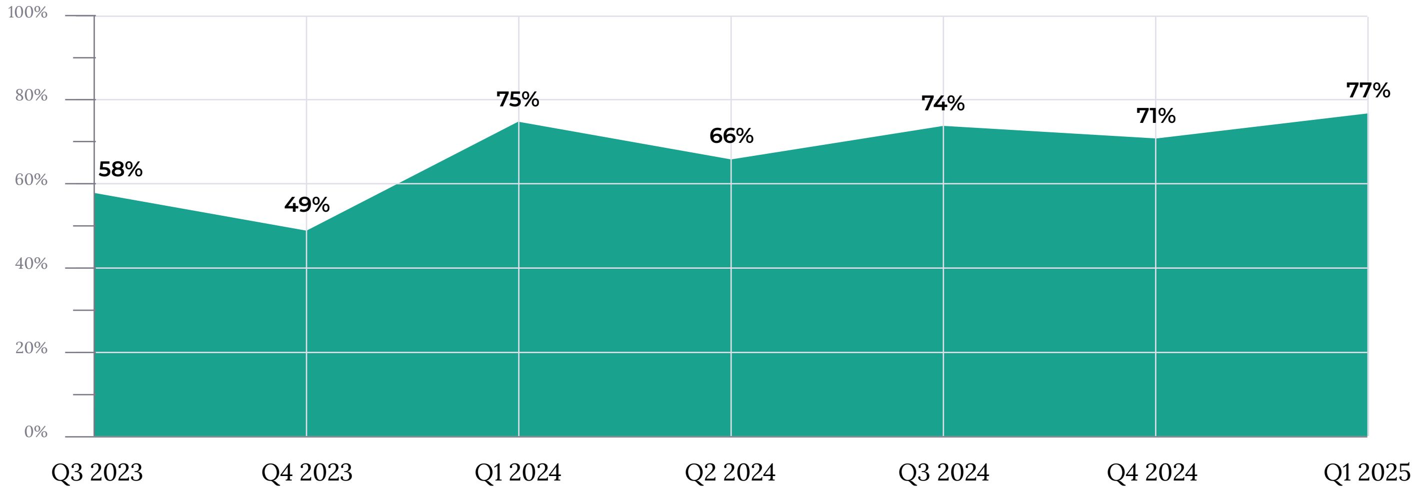
Optimism among sell-side execution desks rose this quarter as the expected volatility and deregulation coming from the new US administration is likely to provide a boost to revenues in the short- to medium-term. Sentiment improved across the board, but was notably higher among Tier 1 and 2 banks compared with brokers. This reflects in part the expected deregulation coming from the US, which will disproportionately benefit larger banks who expect to see lower capital rules under the new US administration. The same trend was seen in the sell-side clearing sector suggesting that larger firms are likely to disproportionately benefit in the new normal of global uncertainty.

SELL-SIDE CLEARING



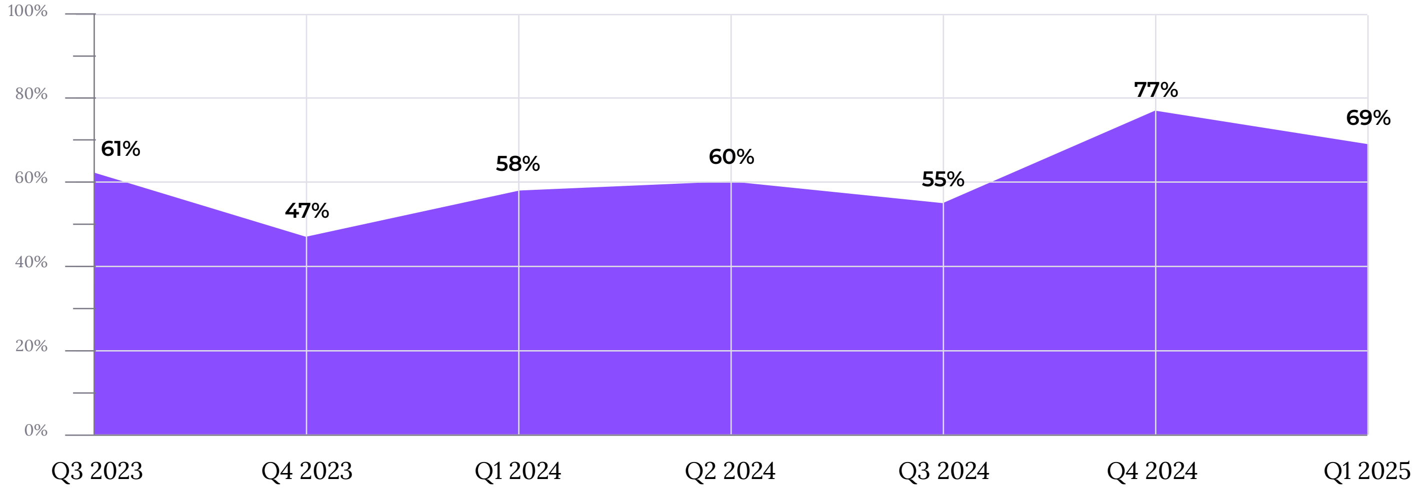
Business confidence among sell-side clearing firms leapt to record highs this quarter posting a reading of 86 – up 24 points on last quarter and driven by expectations of higher rates in the US, increased volatility and deregulation. Sentiment was significantly higher among multi-national banks and international non-bank FCMs compared with regional banks and brokers with limited clearing operations. This provides further indications that current market conditions and the geopolitical environment are likely to benefit larger firms in the market. Non-bank FCMs also pointed to a growing client base from clients looking to increase the number of clearing relationships to improve their operational resilience.

PROPRIETARY TRADING FIRMS



Proprietary trading firms were more positive this quarter than last quarter with increasing confidence seen across all regions. Proprietary trading firms in Asia bucked the regional trend seen among other company segments in their positive outlook for the next three months. Revenues among proprietary trading firms are more volume-driven than in other company types and 2025 started strongly in this respect, a key factor behind the rise in sentiment. Sentiment was highest among ultra-low latency firms, all of whom were optimistic about the coming three months. This compared with 69% that deployed more manual trading strategies.

ASSET MANAGERS

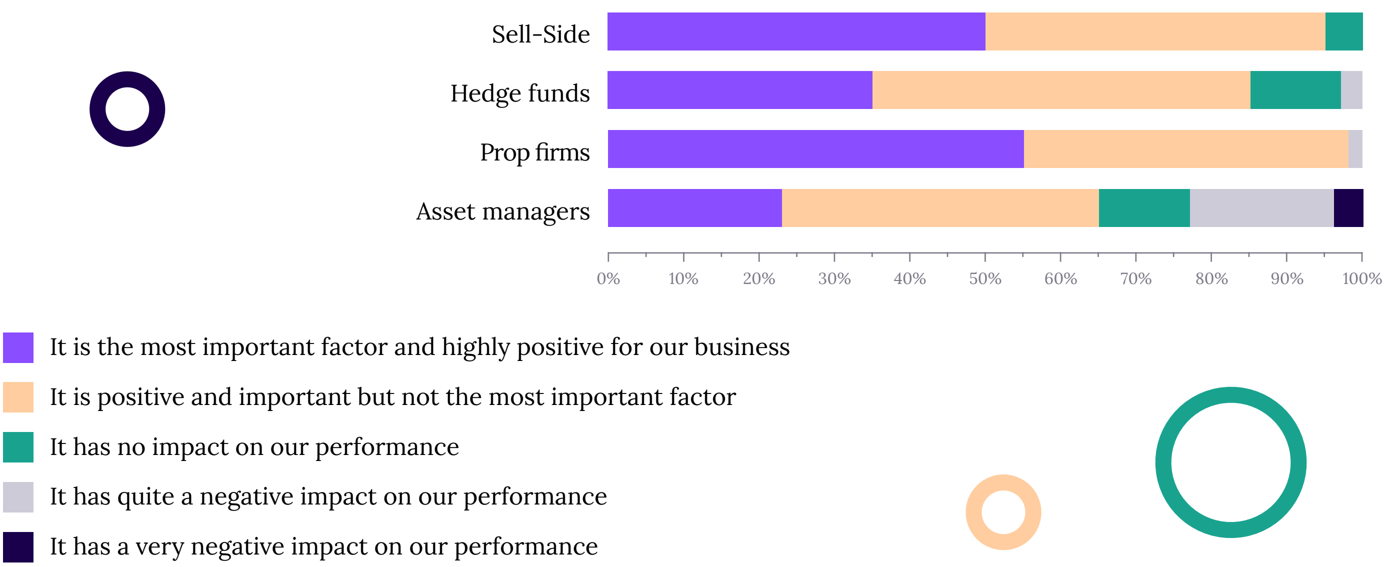


Asset managers bucked the trend of increased optimism this quarter with an 8-point decline to a reading of 69. Sentiment was lower among the larger firms with AUMs of more than $500bn than at smaller asset managers. Regionally sentiment among asset management firms was significantly higher in the US than in Asia and Europe. Asset managers pointed to market and political uncertainty as the reason behind drops in optimism with the backlash against ESG-investing a particular concern for firms in Europe. While market volatility can drive demand for asset managers, by increasing the requirement for active investment, asset managers typically favour less volatile market conditions.

Approaches to volatility

After a decade of relative calm following the financial crisis and ongoing Central Bank support of markets, volatility returned with a bang in the late 2010s and has been a permanent feature of markets in the first half of the 2020s. Considering the actions of the new US administration in its first weeks in office, the market is expecting significant volatility across multiple asset classes over the next four years.

To what extent is volatility a driver of revenues for your derivatives trading business?

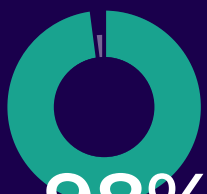


This quarter, we take a look at how different company segments are impacted by volatility and the changes that they are planning to make in expectation of the market environment ahead.

There were stark differences between company types in terms of the impact of volatility on their revenues. For the sell-side, whose business tends to be based on agency services and is driven by both volumes and the need for clients to hedge and trade derivatives markets, volatility was highly positive with 95% of respondents citing it as either the most important or an important factor in their revenues.

This was a similar picture for prop firms, who typically trade in and out of the market intra-day and whose performance is based on the ability to ride short-term market moves. In this segment, 98% of firms said that volatility was beneficial to their business.

For the buy-side, the picture is more nuanced. Hedge funds benefited from volatility, particularly those running systematic strategies. For some, with a longer-term outlook, short-term market moves had minimal impact.



98%

of **proprietary trading** firms said that volatility was a key driver of revenues at their business

compared with

65%

of **asset management** executives

For asset managers in the network, the view was more negative. While some pursue strategies that benefit from volatility, few of these saw it as the most important factor in their revenues. And for almost a quarter, volatility was a negative factor.

This is changing as asset managers increasingly adopt quantitative trading strategies. However, for most, recent and anticipated future market conditions pose a challenge to their ability to optimise their trading strategies.

What are the primary challenges your firm has faced due to market volatility over the past three years?

	Sell-side	Hedge funds	Prop firms	Asset managers
1	Increased margin requirements	Increased margin requirements	Increased margin requirements	Liquidity issues
2	Risk management issues	Significant intra-day trading losses	Liquidity issues	Increased margin requirements
3	Liquidity issues	Liquidity issues	Risk management issues	Risk management issues
4	Significant intra-day trading losses	Risk management issues	Liquidity issues	Significant intra-day trading losses
5	Execution delays	Execution delays	Market access issues	Market access issues

When it came to the challenges that firms had faced over the past three years as a result of the market volatility, there were greater similarities between company segments.

Increased margin requirements were a key challenge for all company types. Margins collected by clearing-houses tend to be highly pro-cyclical with significant increases in levels during market volatility, particularly in areas such as energy markets.

82% of **sell-side executives** plan to invest in automation to mitigate the impact of volatility

Most firms also reported risk management issues as large volumes and sharp intra-day market moves put pressure on risk management systems, which still tend not to offer real-time views of total exposures, especially within more complex, larger firms.

Liquidity also remains challenging during market volatility, particularly for asset managers who often need to exit and adjust larger positions. Hedge funds also reported significant intra-day losses to be a challenge.

Across company types, firms reported that they had diversified trading instruments and reduced position sizes. Hedge funds and asset managers said that they had also increased their use of hedging while proprietary trading firms have focused more on shorter term trades to manage their overall exposure to volatility.

What changes do you anticipate making to your trading strategies in the next 12 months due to recent market trends?

	Sell-side	Hedge funds	Prop firms	Asset managers
1	Increasing the use of technology/ automation	Adopting new risk management frameworks	Increasing the use of technology/ automation	Adopting new risk management frameworks
2	Adopting new risk management frameworks	Increasing the use of technology/ automation	Expanding into new derivative instruments	Increasing the use of technology/ automation
3	Expanding into new derivative instruments	Expanding into new derivative instruments	Increasing exposure to high-volatility markets	Reducing exposure to high-volatility markets

In response to recent market trends, firms are turning to automation and technology. This is particularly important for the sell-side – 82% of whom said that they were deploying this strategy as they seek to boost capacity and risk management.

Firms were also adopting new risk management frameworks and expanding into new instruments. Proprietary trading firms were seeking to capitalise on the opportunity by increasing their exposures to high-volatility markets.

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