Retail Trading:
From the fringes to the center of financial markets

SURVEY 2026

Horizon Trading Solutions

Table of contents

Introduction

Retail trading is a critical part of capital markets. The everyday investor is a sizeable chunk of the market and for the most part these individual traders provide stability. Their strategy is often longer term, the opposite of many different types of institutional traders who in comparison enter and exit positions much more frequently. At the same time, this group has its own distinct patterns, interacting with liquidity dynamics of financial markets, with some corners of the retail trading community developing a herd mentality. In other words, retail has disrupted the traditional dynamics of financial markets.

The GameStop short squeeze of 2021 was the first time the market saw the power of retail participants. Since then, institutional traders have had to more carefully monitor retail trading sentiment. Retail is not limited to equities, though. More recent bouts of trading volatility in precious metals, for example, have been partly fueled by everyday investors piling into gold and silver. The wants and needs of this part of the market – such as retail-friendly investment products – is actively shaping market dynamics.

The importance of retail is only set to grow. US retail investors make up a significant amount of activity in their home market and that is expected to continue. In Europe, retail trading is more nascent.

But both the UK and EU have made growing retail participation a priority. The UK government has nudged retail investment into equities through reforms of the tax-free Individual Savings Account (ISA) while the EU aims to grow the investor base through its hallmark Savings and Investments Union (SIU) initiative.

To better understand retail's growing importance in financial markets, Horizon conducted a survey of 150 institutional investors in the US and UK between late January and early February 2026 to get the market's views about retail trading. In this paper, we explore the ways institutional market participants have adapted to the rise of retail and expectations for how retail is set to shape financial markets in the coming years.

CHAPTER 1

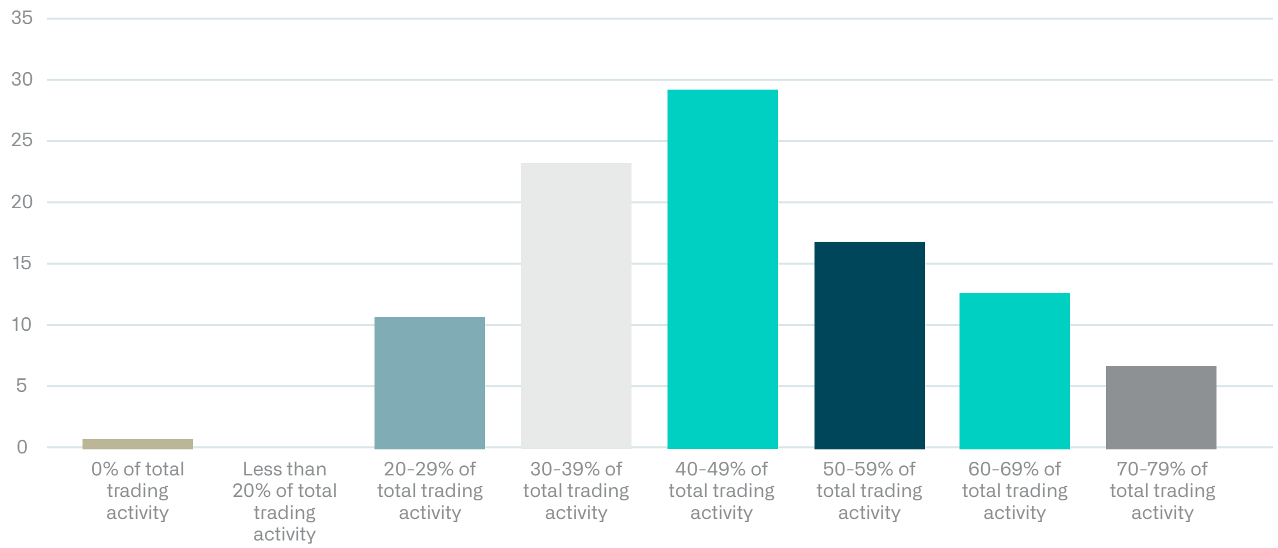
The impact of retail

There is no concrete number to show how much capital markets activity is attributed to retail. Their trades often get mixed in with larger institutional orders, but most estimates put retail trading in the US at around 20% to 35% of all activity.

Historically this activity has taken place in markets considered more suitable for retail, such as equities and structured products. Spot cryptocurrencies are primarily the domain of retail traders, although there are signs this might be changing. In more recent years, everyday investors have become more sophisticated.
Market operators like the CME Group have created new financial instruments tailored specifically to non-professional traders, such as micro futures contracts. Its cross-town rival, Cboe has made attracting retail to trade options a core part of their strategy. Zero-dated options, a popular retail trade, now makes up 50% of S&P 500 options trading.

With up to one in three trades coming from everyday investors and across a variety of asset classes, retail flow is now directly or indirectly impacting institutional trades. Nearly two-thirds of those surveyed said at least 40% of their activity now involves retail flow. In contrast, only 1% said retail activity touched less than 20% of their trades.

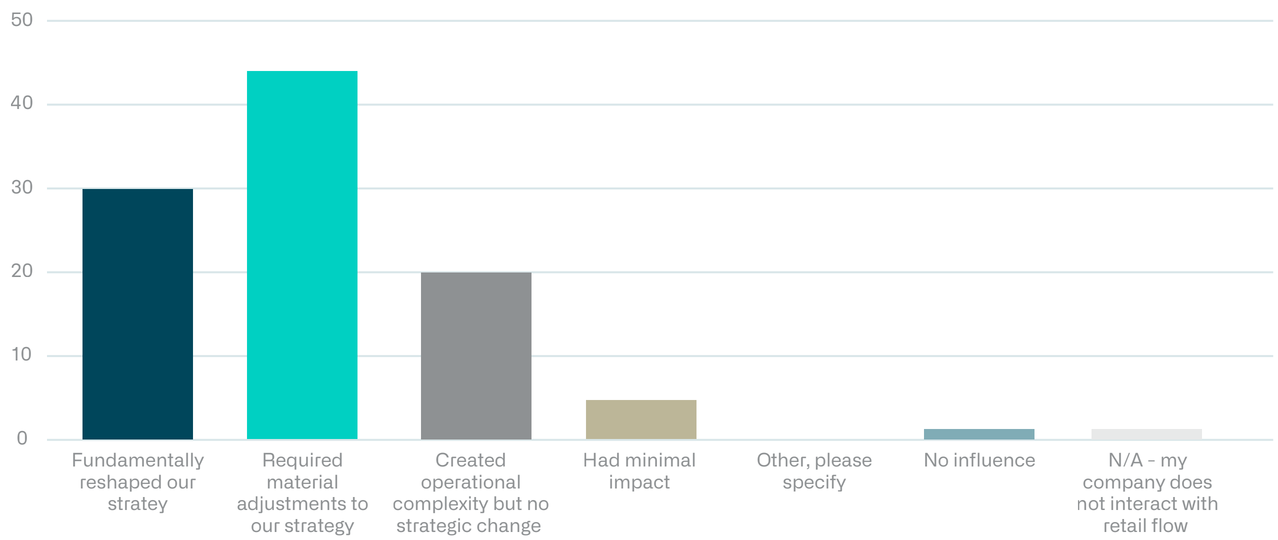
What proportion of your total trading activity now involves retail flow (directly or indirectly)?



With retail flow mixing with close to half of activity, execution desks need to manage trades that are now a blend of institutional and retail orders. Retail flow in calm markets is often easy to execute. It is usually small and fairly balanced. But there are episodes where it becomes one-directional such as when retail traders band together around so-called meme stocks.

The GameStop short squeeze was the first time retail traders had such an outsized influence on markets, severely impacting several large institutional funds and retail brokers. In the five years since, the entrance of a strong, coordinated and influential retail trading segment has pushed trading desks to adapt and, in some cases, change their execution strategy. Close to three-quarters of respondents said the increase in retail trading has required making adjustments to their strategy. Nearly a third said it fundamentally changed how they execute.

How has the growth of retail trading influenced your execution strategy over the past five years ?

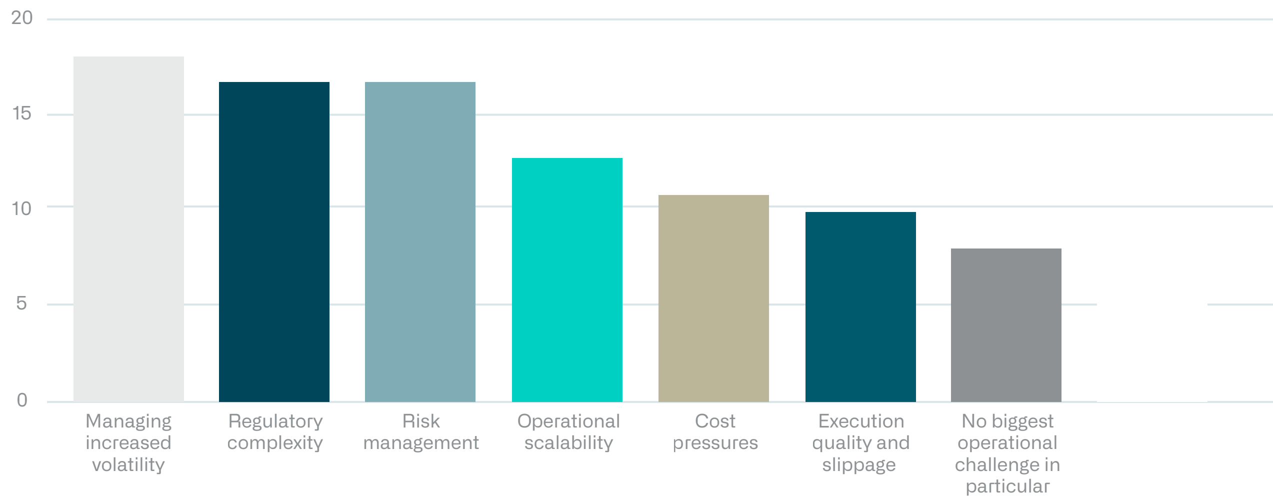


These adjustments have come from adapting to fast-moving markets and rapidly changing popular sentiment. Institutions want clearer signals on investor sentiment and the next potential meme stock. Exchanges, as an extension of their market data offering, now scrape popular retail investor forums.

For example, the Intercontinental Exchange (ICE) launched a Reddit signals and sentiment tool, which turns millions of Reddit conversations into structured, actionable market signals. Execution systems have also grown better at breaking up large trades to take advantage of retail orders.

Despite all the headline disruption caused by retail traders – notably to hedge funds on the other side of short squeezes – they have been a net benefit for traders at tier 2 and 3 banks and institutional brokers. An overwhelming majority, 85% were positive about retail's impact on institutional flow.

What is the biggest operational challenge your firm faces as a consequence of the increase in retail trading flow?



Retail trades are seen as healthy "natural" flow. It is often investors who are taking a long-term view. In terms of price discovery, retail trades signal the positions of true buyers and sellers, the end risk holder. Even in shorter dated contracts, such as zero day to expiry options, retail is more likely to be taking a position rather than hedging an existing investment. In contrast, market-makers, another source of liquidity, are not risk holders, as they enter and exit positions within microseconds. While they play a critical role for market stability, institutional traders prefer to have their trades executed against other long-term risk holders.

Institutional traders are targeting this flow and, having made those structural changes, institutional desks are now better positioned to benefit from retail trading.

Retail's influence on price formation is strong and requires improved data and smarter technology to take advantage of it. For example, algo-powered smart order routing based on venue-level data can allow institutional traders to match against opposite direction retail flow across multiple asset types and venues.

The market is now well-accustomed to accommodating and seeking retail flow such as splitting large institutional orders to be executable against smaller retail trades. But further changes are on the way. As retail's importance grows, the market is moving to accommodate their demands. But a market increasingly shaped by retail traders and the efforts of traditional market operators to cater to their needs will introduce new challenges to overcome if institutional traders are to continue to benefit from retail flow.

CHAPTER 2

Influencing the future

Retail trading is expected to grow as government policy as well as new markets and contracts make investing more accessible to the average person. In Europe, retail trading has languished in comparison to the US, but the market could soon be given a boost.

The EU has made increasing retail investor access and confidence in capital markets a key priority in its revamped Savings and Investments Union.

The ultimate goal of the project is to help fund Europe's growth companies while delivering better returns for savers.

In the US, where retail trading is well-established, the rise of prediction markets could be another major boom. Predictions markets and event contracts started to take off in 2025, with neo and traditional exchanges launching new contracts.

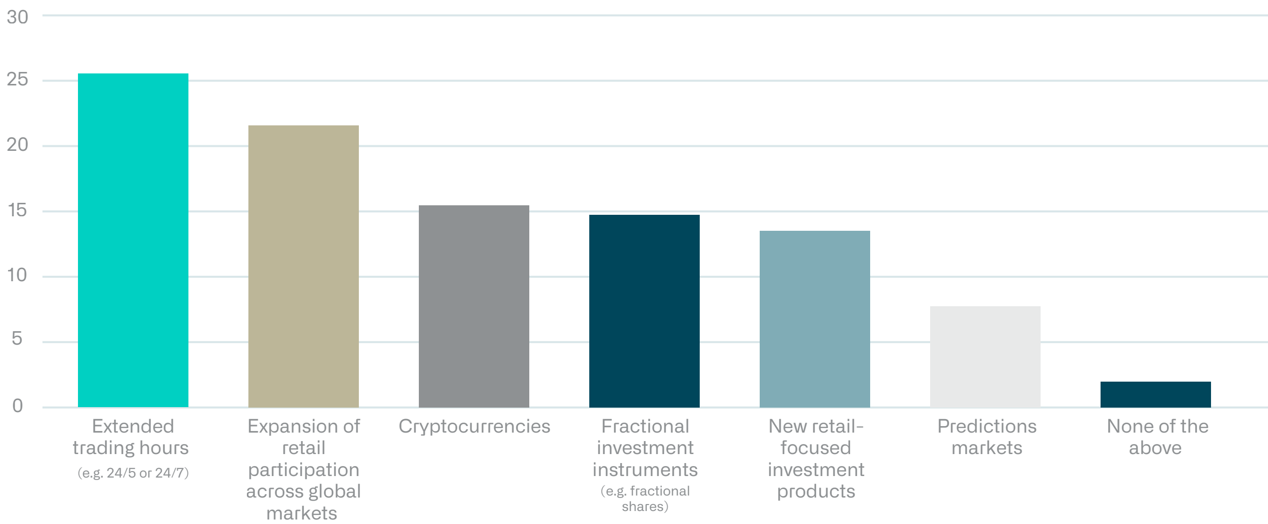
What retail wants is to link their investment and strategy as closely as possible to the world they see, understand and live in. Predictions markets are filling that hole.

Sylvain Thieullent

Retail's influence in capital markets is growing. Its biggest impact may however come from an initiative originally aimed at institutional traders that retail has taken up.

A quarter of institutional traders said extended trading hours is the most influential retail driven initiative. This was followed by the general expansion of retail trading globally (21%), with crypto and fractional shares tied for third (15%).

Which of the following retail trading influenced initiatives do you believe will be most impactful on institutional market participants ?



Longer trading hours, while now a retail ask, was first demanded by institutional traders in Asia who wanted to trade US securities during their trading day. But as venues catered to a more global investor base and opened up to traders in the Pacific, domestic retail traders sought the same convenience. Like retail banking which now can be accessed 24/7, everyday investors wanted the same level of access when investing.

Exchanges in the US and Europe are now exploring the feasibility of 24-hour trading. If or when trading hours are extended, institutional traders will need to determine if it's worth following suit.

Some could simply keep trading activity to current opening times but others may see an opportunity to interact with retail flow that happens overnight.

> *The trading world was one of the first worlds to be electronic and then automated. It's not a necessity to have 100% of staff present to make 24/7 trading work.*

> *Not every player will trade 24/7, but the more retail focused you are the more obliged you are to follow.*

Sylvain Thieullent

While venues need to facilitate trading day and night, sell-side firms need to be able to support their clients whenever they want to trade. Ironically, retail brokers are meeting demand from retail for round the clock trading, onboarding technology that can operate without downtime and scheduled updates that don't interrupt trading. For banks and institutional brokers, meeting institutional client demand for 24/7 trading will require significant investment in systems that retail brokers have adopted.

In addition, automation will be critical in out-of-hours trading. There could be investment opportunities when liquidity becomes sparse but order and execution management systems need to be set up with the right parameters to take advantage of overnight market moves while also avoiding the adverse impacts of trading during a period of relative illiquidity.

While crypto featured in the results, perhaps its biggest influence has been impacting other retail trends. Its 24/7 markets have been a driver in bringing extended trading hours to trad-fi markets. And tokenization has the potential of making fractionalization of share and ETF trading even more convenient.

Fractional trading is increasingly important because of the rapid rise of share prices and concentration of trading in the Magnificent Seven stocks. While five of the seven Magnificent Seven firms have conducted stock splits since 2020, share prices are still in the range of several hundreds of dollars.

For retail traders, the threshold of owning an additional share can be cost-prohibitive and limits their ability to hold a diversified portfolio. Fractional trading offers the ability to invest in the market in more affordable increments.

For brokers and asset managers who service retail traders directly, fractional trading is a key offering if stock prices continue to outpace splits. Exchanges who are adapting to retail demands with extended trading hours are also looking to increase accessibility to retail traders. Many derivatives exchanges have continuously rolled out micro contracts that are about one-tenth the size of their institutionally focused products.

There is a less obvious impact on banks and institutional brokers. Traders in organizations that are looking to tap into the liquidity of fractional trading will need to ensure that the larger block orders they place can be broken down and efficiently spread out, minimizing their market moving impact.

Somewhat surprisingly, respondents were more muted about the impact of predictions markets, with only 8% saying it was the most impactful retail initiative. This is partly due to predictions markets being a mostly US-focused phenomenon. Both the UK and EU have banned predictions markets contracts – so-called binary options – from being sold or marketed towards retail investors. But predictions markets' impact goes beyond trading. Institutional desks see predictions markets as a crowdsourced barometer of trends.

Research has found that predictions markets can be more accurate than professional forecasters and economists.

Traditional markets have also taken notice. Tradeweb, one of largest venues for government bond and ETF trading has partnered with Kalshi to bring predictions markets data onto its platform.

> *Traders are looking at the market, not necessarily to trade but as a crowd forecast for macroeconomics. This is where inflation should be or where are interest rates are going*
>
> Sylvain Thieullent

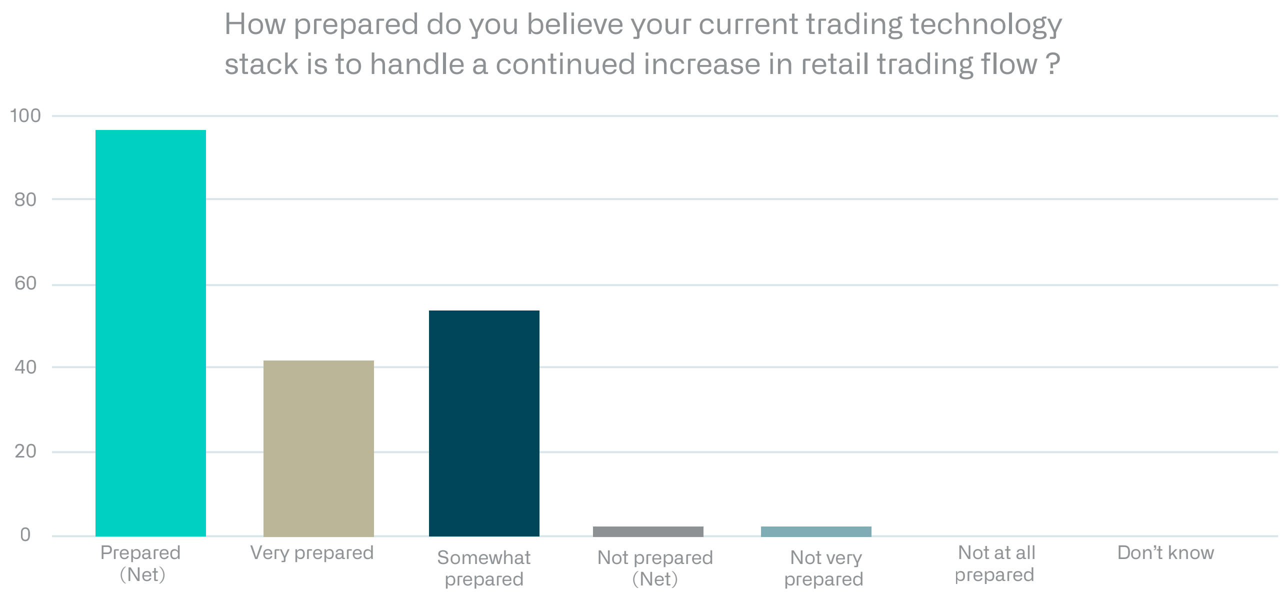
Predictions markets may also begin to take on features typically seen in markets where institutional traders dominate. Kalshi is seeking approval from the Commodity Futures Trading Commission (CFTC) to allow margin trading on its platform. Doing so would help to attract institutional investors to take positions on Kalshi, enabling market participants to use leverage, which for some like hedge funds is essential.

Ironically, retail traders would be prevented from margin trading.

In this situation, institutional banks and brokers could realize opportunities by making markets for clients using leveraged trading strategies. The dynamics would look similar to futures markets, but would still require trading technology capable of accessing these venues and using algorithms familiar with the unique dynamics of predictions markets.

Predictions markets may also spur further growth in retail investment into trad-fi markets. Having added event contracts that focus on sports and political events, retail brokers are well positioned to bridge the gap between prediction markets and traditional investments.

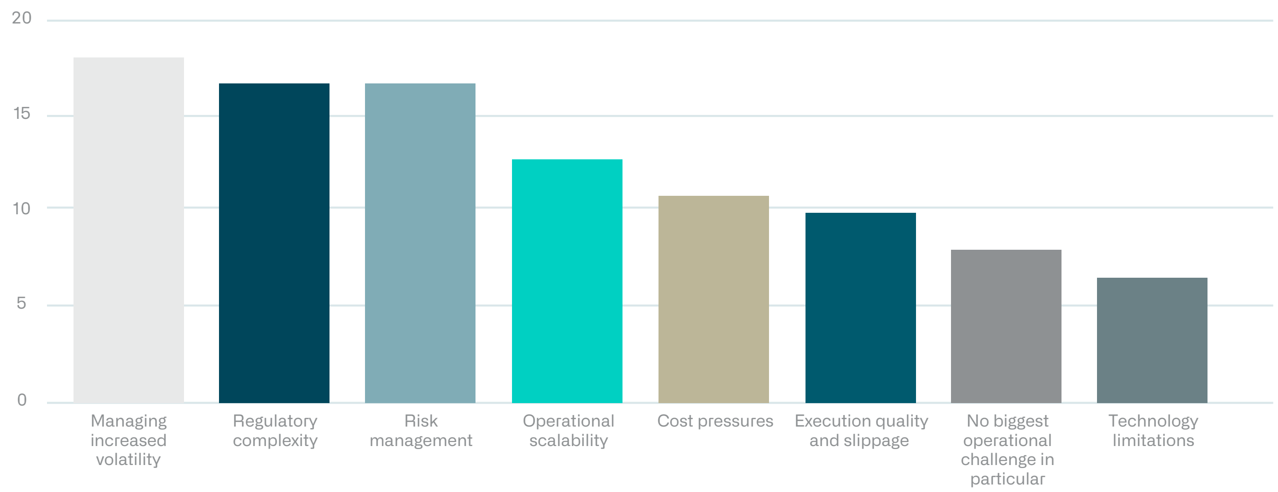
Overall, an overwhelming majority (97%) of banks and institutional brokers believe they are ready for the changes that increasing retail trading will bring, with 43% indicating they were very prepared.



Firms are aware that more retail trading activity will bring fresh operational challenges. The top three identified were managing increased volatility at 18%, and tackling risk management and regulatory compliance both at 17%.

With volatility and risk management in the top three responses, institutional traders still see some unpredictability when it comes to retail traders. Data will be a major part of addressing these concerns as well as configurable systems that can adapt to rapidly changing market conditions.

What is the biggest operational challenge your firm faces as a consequence of the increase in retail trading flow?



Conclusion

Retail's importance is only set to grow as an investor segment and driver of change. Institutional investors are likewise eager to understand retail traders. The wisdom of crowds can signal market moving positions or accurate forecasts into interest rate cuts or economic data. Their participation introduces a significant chunk of natural liquidity to the market, which desks are eager to interact with.

Overall, institutional investors have adapted well to the growing influence of retail flow and expect to stay ahead of the curve as retail demands drive market changes.

But changes to market dynamics from retail are coming quickly. Many firms were not ready for the herd-like trading activity inspired by r/WallStreetBets that took markets by storm in 2021. Trading technology will need to meet the new demands of a changing market, while incorporating data that is necessary to diminish the risks of retail induced volatility. Institutional traders have benefited from the rise of retail investing but for retail flow to remain a positive, firms will need to evolve.

Methodology

Horizon surveyed 150 traders at tier 2 and 3 banks and institutional brokers in the US and UK to get their view on the impact retail investors are having on capital markets.

100 respondents were based in the US, and 50 were in the UK.
The survey was conducted over late January/early February 2026.

About

Horizon Trading Solutions is an independent global technology company specializing in electronic trading, supporting agency and principal businesses across equities, derivatives, and virtual assets.

For over 20 years, we have empowered the world's leading capital market participants with cutting-edge algorithmic technology and direct exchange connectivity.

Our multi-asset platform and deep commitment to client success allow us to deliver performance simplified: making it easy to excel in trading.

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