



News Analytics in Finance: Handbook

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www.optirisk-systems.com

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**CARISMA, Centre for the Analysis of Risk and Optimisation
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Scope, content and structure

It is widely recognised news plays a key role in financial markets. Traders and other market participants digest news rapidly and update their asset positions accordingly. The sources and volumes of news continue to grow and there is alpha generating potential in those technologies that aid intelligent and efficient processing of news.

New technologies that allow traders and investment managers to automate or semi-automate news collection, extraction, aggregation and categorisation are emerging. Further a few niche analytics companies (RavenPack, AlphaSimplex) in partnership with established newswire providers (Thomson Reuters, Dow Jones) have developed commercial applications which process the textual input of news stories to determine quantitative sentiment scores. These can then form inputs to enhance financial models for trading, fund management and risk control.

Financial news can be split into regular synchronous announcements, that is, expected news as well as event driven asynchronous announcements, that is, unexpected news. Experts in this domain have found and continue to develop approaches to incorporate this information. With the emergence of new technologies this is a particularly hot topic. As markets react rapidly to news, effective models which account for news are highly sought after: for trading, fund management and risk management.

The proposed content and structure of the Handbook is

Background and overview of news analytics in finance

- A review chapter on
 - Scope of application of real time machine readable news and news sentiment data in finance
 - ◇ Trading models
 - ◇ Risk management

Authors: Prof. G. Mitra and Dr. L. Mitra

Part I - Sentiment classification

- Papers on
 - Turning textual information and headlines into sentiment scores
 - Trawling the web effectively for relevant data

Part II – News and abnormal returns

- Papers on
 - Models for abnormal returns
 - Models for trading

Part III – News and volatility

- Papers on
 - Models for volatility estimation
 - Models for trading and risk control

Part IV – Industry insights, technology, products and services

- A comparative study if products and services offered to the trading and investment management community
- Thought leadership articles from platinum sponsors
- Case studies from platinum sponsors
- Thought leadership articles from gold sponsors
- Q & A write up from silver sponsors

Part V – Bibliography

- Annotated list of published journal papers and white papers on news.

Part VI – Directory of news analytics service providers

- One page per provider: Company, Locations, Summary services and products



Research contributors

Confirmed

David Leinweber	Fellow in Finance, Haas School of Business, UC Berkeley
Jacob Sisk	Research Scientist, Yahoo
Professor Sanjiv Das	Leavey School of Business, Santa Clara University
Professor Terrance Odean	Haas School of Business, University of California
Dan diBartolomeo, CFA	CEO Northfield Information Services Inc.
Professor Feng Li	Stephen M. Ross School of Business, University of Michigan
Professor Werner Antweiler	Sauder School of Business, University of British Columbia
Professor Murray Frank	Carlson School of Management, University of Minnesota
Andy Moniz, CFA	MacQuarie Research Equities (USA)
Gurvinder Brar	MacQuarie Research Equities (USA)
Marc Oliver Rieger	Swiss Banking Institute, University of Zurich
Petko Kalev	Monash University

Invited

Professor Lily Fang	INSEAD
Professor Joel Peress	INSEAD
Dr Ronny Luss	Princeton

Target audience and novelty of the Handbook

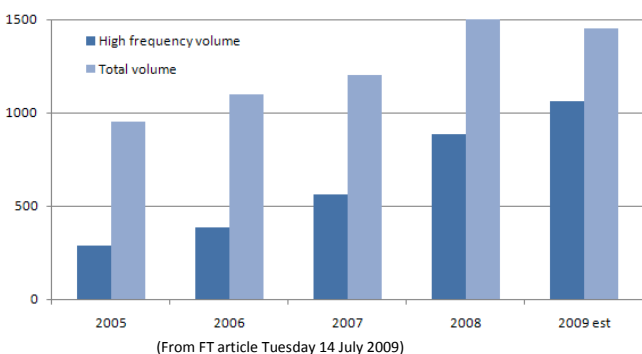
The Handbook will be of interest to key decision makers in the Banking, Finance and Insurances Services industry. In particular,

- ◇ Asset managers,
- ◇ quantitative fund managers,
- ◇ hedge fund managers,
- ◇ algorithmic traders ,
- ◇ proprietary (program) trading desks,
- ◇ sell side firms,
- ◇ brokerage houses,
- ◇ risk managers
- ◇ research departments .

These players need to continually innovate to stay competitive in an increasingly sophisticated and aggressive market place. They need to provide a differentiated service and produce excess returns.

Fund managers seek to incorporate their investment insight and quantitative analysis to “beat the market”. An accurate assessment of asset price uncertainty is key. Investor's perceptions of an asset are determined by their knowledge about the company and its prospects, that is, their “information sets”. These are determined from three main sources, analysts’ forecasts, quantifiable publicly disclosed accounting variables and linguistic descriptions of firm's current and future profit generating activities. If the first two sources of information are incomplete or biased, the third may give relevant information.

**High frequency players now drive majority of market volume
US equities trade volume (shares bn)**



News may act as an orthogonal source of information and it will certainly enhance existing information. Though the relevance of news is widely acknowledged how to incorporate this effectively, in quantitative models and more generally within the investment decision making process, is a very open question. There is a requirement for the consolidation of significant research and investigations.

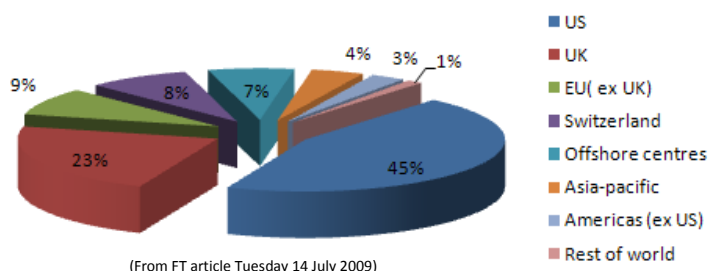
Fund managers will be interested in this unique Handbook, since there is no other publication focussed on this new and pertinent area of financial modelling. It

will set out the current research knowledge and approaches for application of news to quant models and within the investment decision making process. Further it will detail the data and technology available in the market for these applications.

The Handbook will be read by highly innovative fund mangers seeking an advantage. Our goal is to make the Handbook have a permanent place on the bookshelves of hedge fund managers, proprietary trading desks, algorithmic traders and also traditional fundamental (institutional) fund managers.

The asynchronous arrival of news and its impact on prices is an important aspect. Research in this area will be of interest to sell side firms and brokerage houses.

Split of alternative investment funds by geographic location



The volume of high frequency trading is rapidly expanding, as highlighted in a recent FT article. This is illustrated in the bar chart above. Naturally real time news feeds will increasingly find application in this area. The Handbook will be promoted in US, UK and major EU countries. A breakdown of geographic location of alternative investment fund managers (hedge funds and fund of funds) is shown in the pie chart.



Marketing and promotion

The Handbook will be published by John Wiley and Sons and jointly promoted with the managing partner OptiRisk Systems and the academic partner CARISMA. The target audience will be accessed through many channels.

OptiRisk Systems is a niche company which specialises in financial modelling services and also runs high quality specialist quantitative finance and optimisation seminars.

OptiRisk will hold a launch event to market the Handbook. This is scheduled for September 2010 close to the Handbook's publication date. This will reinforce the marketing already carried out and will be a joint effort involving OptiRisk, John Wiley and the sponsors. The platinum sponsors will give 10-15 minute presentations which will be followed by a panel discussion. The sponsors will have a representative on this panel. OptiRisk in collaboration with the sponsors will invite attendees with a direct interest in News Analytics products and services and other trading services.

OptiRisk also runs the annual CARISMA seminar. The Handbook will be promoted at the February 2010 seminar "Interface of Quantitative Finance and Behavioural Finance". The pre conference workshop "News Analytics applied to Trading and Risk Control" will be directly relevant to the Handbook. This cutting edge annual event is highly regarded. The presenters are leading researchers from academia and industry. The attendees are analysts from top tier investment banks, fund management companies, algorithmic trading companies and proprietary trading desks. OptiRisk will also promote the Handbook through email campaigns. It will also be promoted at all other finance conferences which are attended by OptiRisk. These will include TradeTech and Quant Invest.

John Wiley and Sons, a leading global publisher, is well known within the finance community and has published many specialist books and journals within finance and quantitative finance. They will use their extensive and highly targeted database to promote the Handbook. They will market the Handbook through email campaigns and on their website. They will also exhibit and sell the Handbook at relevant conferences with their other finance publications. In particular, they will promote the book at the Global Derivatives Trading and Risk Management conference.

The aim of the Handbook is to promote market awareness of research knowledge, technical applications, products and services that can facilitate fund management and trading. The sponsors will distribute complimentary copies of the Handbook to their clients. Clients will therefore become aware of the products, services and technology available. These complimentary copies will include hard copies and soft copies (CD-ROM). Confirmed sponsors, who will be distributing copies of the Handbook, include Dow Jones, RavenPack and Thomson Reuters.



Benefits of sponsorship

Who will benefit from sponsorship?

Providers of products and services in news sentiment analytics.

- News content providers
- Technology companies specialising in news analysis
- Providers of technology to algorithmic trading desk and proprietary trading desks
- Providers of technology to asset managers

Benefits of sponsorship

A major achievement of the Handbook is that it compiles in one book products, services, developments and research knowledge in the field of news analysis for trading and risk management. This will be a highly regarded source book for the technocrats and key decision makers in the quantitative finance industry and investment community.

- ◇ The Handbook allows solution and service providers to reach prime potential customers.
- ◇ Purchasers of the Handbook will have paid to obtain the Handbook and are therefore serious and interested in developing business and solutions applying news analytics
- ◇ You will be able to develop your brand reputation and demonstrate your knowledge and product value through thought leadership articles or an question and answer style article. This will also give a platform to express professional and industry insight.

Benefits of sponsorship (cont...)

Benefits of sponsorship (cont...)

- ◇ Full colour page advertisement gives a platform to create brand awareness and promote your services
- ◇ Logo on the Handbook gives visual recognition of your brand
- ◇ Extensive brand recognition through multiple channels;
 - ◆ On the Handbook
 - ◆ On the websites of OptiRisk and CARISMA
 - ◆ On email broadcasts for promotion of the Handbook to potential purchasers of the Handbook
 - ◆ On promotional brochures of the Handbook which will be distributed at targeted finance conferences and seminars.
- ◇ Copies of the Handbook to distribute to clients and prospects
- ◇ Targeted potential client list from attendee list of CARISMA annual conference on “Interface of Quantitative Finance and Behavioural Finance” and pre conference workshop “News Analytics applied to Trading and Risk Control”
- ◇ Opportunity to meet potential clients at the Handbook launch event in September 2010
- ◇ Opportunity to further build credibility of brand through presentation at the launch event
- ◇ Reduced costs to reach potential clients through exhibition space at CARISMA’s annual conference and all OptiRisk finance events.



Organisers, publisher and academic partner

OptiRisk Systems is a UK-based company with a global reach that provides products and services in the area of Optimisation, Risk Modelling, News Analytics, Portfolio Planning and Asset Liability Management.
www.optirisk-systems.com



John Wiley & Sons is a leading global publisher providing must-have content and services for the academic, professional, scientific, technical, medical, scholarly and consumer markets.
www.wiley.com



CARISMA is a quantitative finance research centre within the Mathematics Department at Brunel University. In particular the research focus is on,

- The analysis of risk
- Optimisation modelling
- The combined paradigm of risk and return quantification

www.carisma.brunel.ac.uk



Sponsorship Packages



Platinum

sponsorship package

£12,500/ \$18,750

- **Article 1:** Thought leadership full page contributed article (approx. 1,500 words plus headshot)*
- **Article 2:** Case study involving sponsor's products and services (approx. 1,500 words plus headshot)*
- Full page colour advertisement in the Handbook on inside of front cover, back cover or first/last page
- 125 copies of the Handbook which the sponsor can send to clients and prospects
- Logo and branding on the Handbook (Headshot of company representative, company logo, and full contact details.)
- Premium presentation slot at the launch (September 2010) event.
- 50 invitees to the launch event
- Logo and link on OptiRisk and CARISMA websites
- Delegate list of the CARISMA annual conference that take place on 2 –3 February 2010
- 30% reduction on exhibition space at CARISMA annual conference
- A company representative on the panel session at the launch (September 2010) event.

* subject to editorial review and scrutiny. The article is required to be commensurate with professional standards. Editors' reviews will be constructive in order to achieve this goal. Final approval by 28 February 2010

Sponsorship Packages



Gold sponsorship package

£8,500/ \$12,750

- Thought leadership full page contributed article (approx. 1,500 words plus headshot)*
- Full page colour advertisement in the Handbook
- 60 copies of the Handbook which the sponsor can send to clients and prospects
- Logo and branding on the Handbook (Headshot of company representative, company logo, and full contact details.)
- Logo and link on OptiRisk and CARISMA websites
- Delegate list for CARISMA annual conference that take place on 2 –3 February 2010
- 30% reduction on exhibition space at CARISMA annual conference

Silver sponsorship package

£5,000/ \$7,500

- Full-page write up to a specified question and answer format, which we will set up. For example, where is the most innovation occurring in algorithmic trading; why news is important etc..(Or a concise summary of products and services)
- 20 copies of Handbook which the sponsor can send to clients and prospects
- Headshot of company representative, company logo, telephone number and website address on page

* subject to editorial review and scrutiny. The article is required to be commensurate with professional standards. Editors' reviews will be constructive in order to achieve this goal. Final approval by 28 February 2010

Application form

Fax back application form to
+44 (0)1895 813 095

Your Details

Company Name: _____

Contact Name: _____

Position: _____

Address: _____

_____ Postcode: _____

Email: _____

Tel: _____ Fax: _____

Invoice Details

Invoice Name: _____

Invoice Address: _____

_____ Postcode: _____

Email: _____

Tel: _____ Fax: _____

RETURN TO: Leela Mitra / Michael Sun
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We have read and agree to the terms and conditions on page 13

SIGNED: _____ DATE: _____

SPONSORSHIP TERMS AND CONDITIONS

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OptiRisk Systems



Academic partner:
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Publisher:
John Wiley & Sons



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On agreement of sponsorship, an invoice will be issued by OptiRisk Systems. Full payment of this invoice must be received prior to the Handbook launch event .

Articles (thought leadership, case studies, question and answer write ups) must clear final editorial review by 20 February 2010. First drafts must reach the editors no later than 30 December 2009 and reviews must be completed in a timely fashion.

Delegate lists (for the Handbook launch event and CARISMA annual conference) will be supplied to the sponsoring company. These lists may not be made available to or used by any other organisation or individual to promote any seminar, conference, exhibition or training course without the written consent of the Organiser.