

Machine-readable news offers first mover advantage to algo traders

Deutsche Börse's algo news feed AlphaFlash focuses on market moving data, lowest latency and global access.

Algorithmic or high frequency trading and machine-readable news have been hot topics for quite a while. Nevertheless, a closer look reveals that the majority of algo traders actually do not use machine-readable news (yet). They limit their data input to pricing and trading data. Since the ability of algo traders to generate alpha depends on interpreting and appropriately acting on high quality data faster than their competitors – in other words being the first mover – developing new and distinct trading strategies and accessing new data sources is of great importance. Machine-readable news feeds such as AlphaFlash from Deutsche Börse offer immense alpha generation opportunities to algo traders. AlphaFlash delivers global macroeconomic indicators, treasury auction results and unscheduled corporate news for easy direct integration into trading algorithms. The feed focuses on what's most important to algo traders: market moving content, high-speed delivery and reliability.

DELIVERING MARKET MOVING DATA

The AlphaFlash team is dedicated to identifying and delivering the most relevant market moving indicators. Extensive research and an on-going dialogue with clients feed into this process. Currently, the AlphaFlash content can be broken down into two categories: scheduled releases (economic indicators and treasury auctions) and unscheduled corporate news.

Prime examples for scheduled economic releases delivered via AlphaFlash are:

- Employment figures
- Central bank interest rate decisions
- Housing statistics
- Business climate indices (e.g. the ISM Manufacturing Index, the German IFO Index or the Japanese Tankan Survey)
- Inflation figures
- GDP
- Treasury auctions results

Every indicator has its own source and specific method of publication. In many cases, only accredited news agencies have access to the sources. Deutsche Börse therefore makes use of the resources of its subsidiaries Market News International and Need to Know News. Both companies are globally accredited news agencies with access to a wide range of sources for macroeconomic data.

The fact that different publication methods exist, represents a challenge for operators of algo news feeds. One of the most interesting methods of publication takes place in so called lock-up rooms. Various government institutions (e.g. the U.S. Department of Labor and U.S. Department of Commerce) publish their data in high security press rooms. In these rooms, the newest data is handed out to accredited journalists. These journalists are technically cut off from the outside world and have to input the data into their own computers, networks and articles within a defined time period. Once the lock-up ends, the information is distributed within and through the news agencies' networks. Other sources work with so called embargoes. This means the information is sent to a set of accredited publications, but can only be published after a certain date and time. The lifting of the embargo marks the start of the race to disseminate the time-sensitive information as fast as possible.

UNSCHEDULED CORPORATE NEWS

Unscheduled news takes algo trading to the next level. Due to the fact that neither the time of release nor the exact type of content are known before the release, delivering and processing this type of information is immensely com-

AlphaFlash® AVAILABLE DATA PACKAGES

Macroeconomic Releases	Treasury Auctions	Corporate News
AlphaFlash® USA Feed	AlphaFlash® US Treasury Feed	AlphaFlash® Corporate News Germany
AlphaFlash® Canadian Feed	AlphaFlash® Global Treasury Feed	
AlphaFlash® European Feed		
AlphaFlash® Asia-Pacific Feed		

plex. But at the same time, unscheduled news represents a huge opportunity for leading edge algo traders. AlphaFlash entered the arena of unscheduled events by adding corporate news covering roughly 100 of the most important German companies. The German regulator requires companies listed in Germany to immediately disclose any information that may impact a company's share price. These so-called "ad-hoc" disclosures typically report when a company's profit expectations have changed or dividend announcements are made. An ad-hoc disclosure is normally made up of text and some quantitative information. By employing advanced semantic technology, AlphaFlash provides the relevant quantitative information in machine-readable format instantly after release.

Today, a time span of up to 10 seconds can go by between publication of an ad-hoc disclosure and market reaction. This is the time human traders need to read the news, understand it and make trading decisions. By using AlphaFlash, an algo application can process machine-readable ad-hoc news and execute orders in the first second following publication.

ACHIEVING MINIMUM LATENCY

Speed of data delivery is a key factor for the competitiveness of an algo news feed. Here, two factors are relevant: point of delivery and wire speed. The data needs to be delivered to major co-location facilities that are as close as possible to either the source of the information or the relevant trading engines. Since launching AlphaFlash in April 2010, Deutsche Börse has consistently expanded the availability of data centers across the globe. Today, AlphaFlash is available in data centers in the following locations: Chicago, Secaucus (NJ), Washington, DC, London (three data centers), Frankfurt, Singapore (two data centers), Tokyo and Sydney. Wire speed is optimized by constantly upgrading lines to minimize latency.

AlphaFlash is available for a 30-day free trial. For more information, please go to www.alphaflash.com or send an e-mail to alphaflash@deutscheboerse.com. ▲

