

THE TRADE

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The TRADE data

■ Broker rankings – UBS leads the global pack but trails Citigroup in the US

The TRADE survey

■ Transaction cost analysis – who does what?

■ The BIG idea — Are you ready for MiFID?

Algorithmic trading

While brokers invest significant intellectual capital in new algorithmic capabilities that are harder to detect, an Atlanta-based software firm is offering both buy-side and sales traders an online tool to monitor algorithmic activity in the market in real time.

“Trade-Ideas is a real-time decision support and risk management tool that applies statistical analysis to the market’s technicals,” explains David Aferiat, managing partner, Trade-Ideas. “We receive real-time data from the exchanges and then crunch that data for unusual activity based on statistical baselines that we keep.” Trigger events are reported through one of two user interfaces: a browser or a small downloadable application. “Subscribers use Trade-Ideas as an effective way to monitor large executions and algorithms as well as an idea generator for trading opportunities,” he says.

Trade-Ideas software was specifically designed to find unusual activity in the markets. “We have a very broad audience, from individuals all the way

Algorithmic monitoring on tap

—Trade-Ideas provides subscription product with broad appeal

down to institutions on the trading floor,” says Aferiat. “By listening to our customers, we learnt how to move in certain directions in order to help them use the tool to model the strategy they’re looking for. That’s how we got involved in the idea of algorithmic monitoring.”

Both buy- and sell-side are clients. “We have sales trading desks that will use Trade-Ideas for a couple of reasons,” says Aferiat. They may, for example, list a portfolio of their clients’ stocks in Trade-Ideas. “Any significant activity occurring within those stocks according to our alerts is a great reason for a phone call,” he comments. Others are attracted specifically to the algorithmic monitoring feature. “A firm may have a portfolio, or a basket of stocks that they’re executing algorithmically,” says Aferiat. “They will fashion Trade-Ideas to monitor how well the algorithm is executing in order to avoid any undue



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David Aferiat, managing partner, Trade-Ideas

market impact.” If the price of any stock is rising faster than it normally would do historically, Trade-Ideas is able to pinpoint that discrepancy. “They’ll use Trade-Ideas as the first sentry on the watch,” he says. “There’s then a human decision about whether or not to scale down the algorithmic execution or hand it over to a trader to complete.”

The system’s statistical analysis is continuously refined as real-time trading information is fed into the historical data. “For every stock on every exchange, we know what these stocks are doing now, compared to what they historically do, based on volume, volatility and price,” says Aferiat. “For instance, at 10.35 eastern standard time, we know what the accumulated volume on average for the past 30 days or more is for Dell and if the accumulated volume up until 10.35 today happens to be higher, that will trigger an alert.” ■