How To Trade The News

Webinar for

Interactive Brokers

By BCMstrategy, Inc.

8 October 2019

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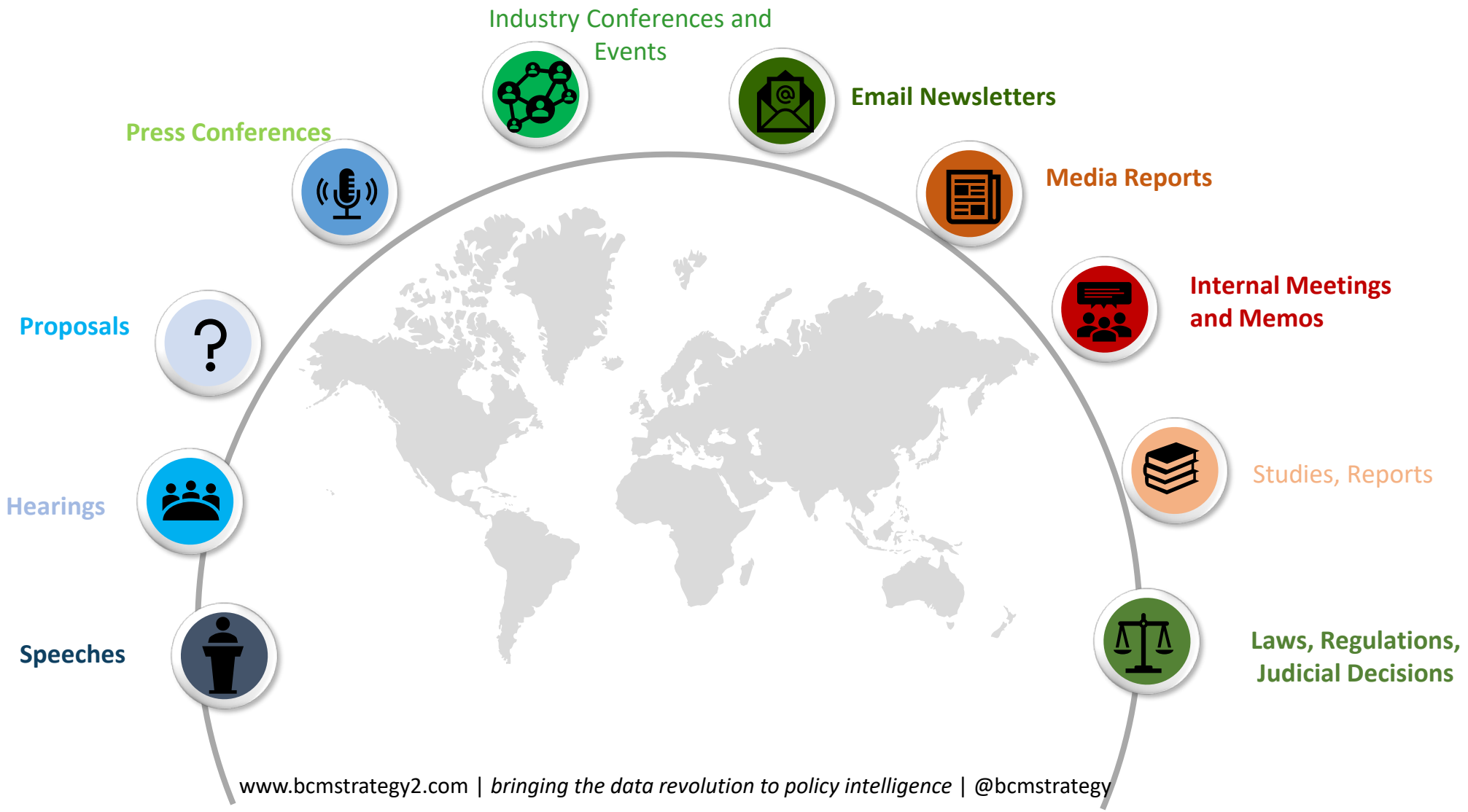
Agenda

- The Challenge -- Headline Risk Exposure Management
  - Noisy News Cycles = increased market risk, credit risk and operational risk
  - Unstructured Data
- Identifying Actionable Data (Rules 1, 4, 9, and 10)
  - Objective and Transparent Data
  - Targeted to Portfolio Structure
- Using Policy Data (Rules 2, 5, 3, 6, and 8)
  - Identifying Policy Momentum – be relentless
  - Identifying Inflection Points

Sources of Headline Risk

None of this data is structured



Policy Risk & Market Risk
Twins Separated at Birth?

Market Risk

- Prone to Volatility
- History matters, until it doesn't
- Subject to shifts in momentum
- Driven by new data
- Participants: detail obsessed
- First mover advantages

Policy risk

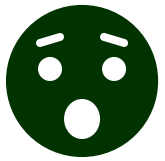
- Prone to Volatility
- History matters, until it doesn't
- Subject to shifts in momentum
- Driven by new data (news cycle)
- Participants: detail obsessed
- First mover advantages

Identifying Actionable Data

Rule 1 – Be Objective

Beware

Emotions (Denial and Disbelief)

Surprise/ Justification 

The Lemming Effect

Rule 4 and Rule 9: Data Types

Rule 4: Economic Data

GDP

PMI

Trade Flows

Rule 9: Alternative Data

Habit Data

IoT-Generated Data

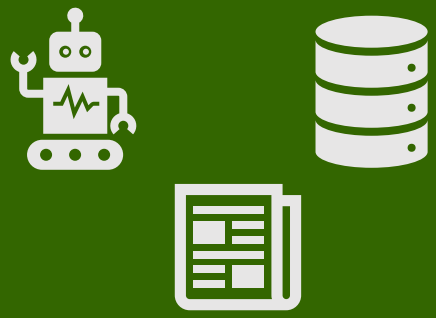
New Combinations of Data

Rule 9: New Data

Machine-Generated Data

New Correlations

Language Data



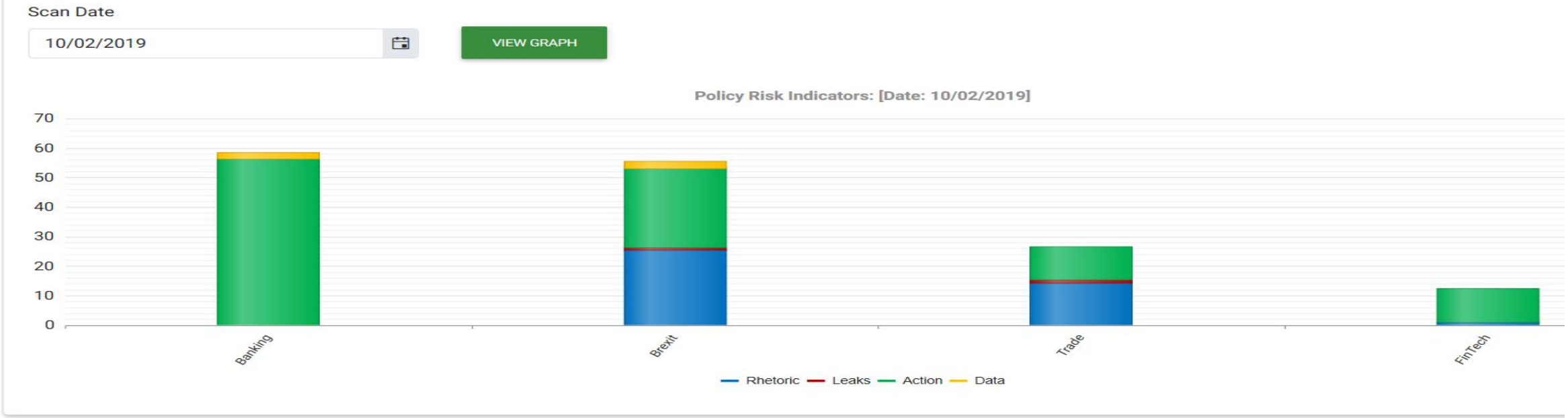
Rule 10: Distinguishing Rhetoric from Action

Rhetoric

The News Cycle, including Leaks

Action

Today's action generates tomorrow's headlines



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Case Study Brexit

Source: BCMstrategy, Inc.

How To Use Policy Data

Identifying Policy Momentum

Rule 2: The Trend Is Your Friend
even if you disagree with the direction of policy

Rule 3: Be Strategic

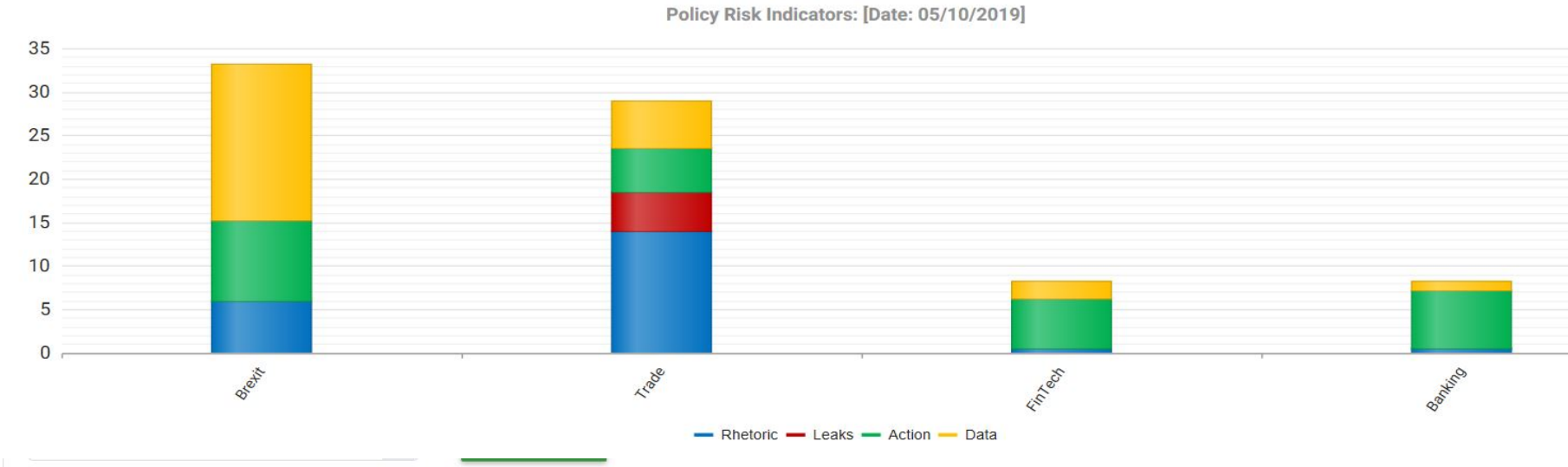
Rule 5: Be Relentless

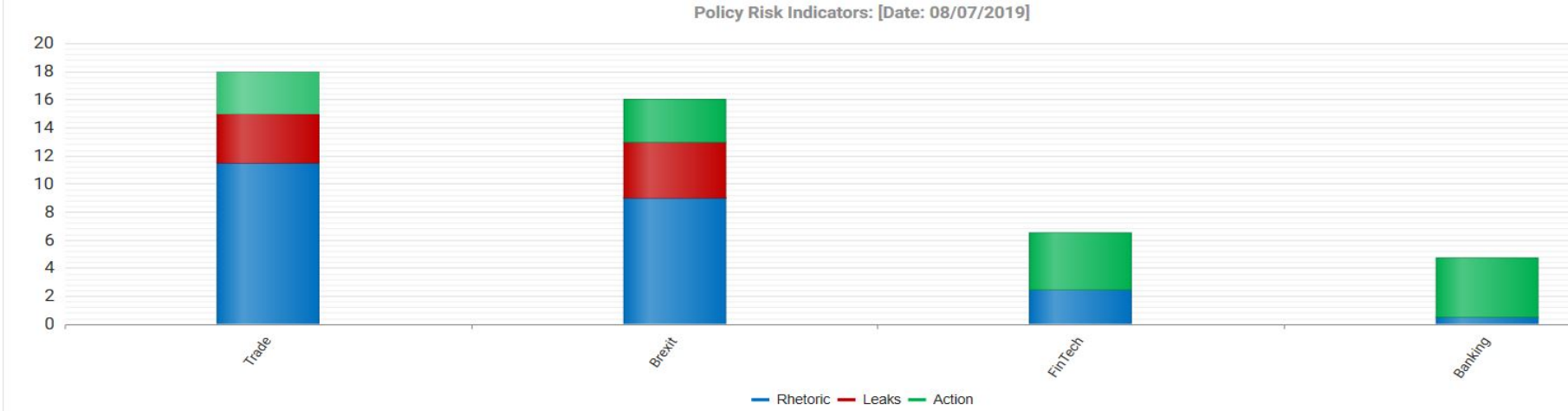
Case Study Momentum

Scan Date

05/10/2019

VIEW GRAPH





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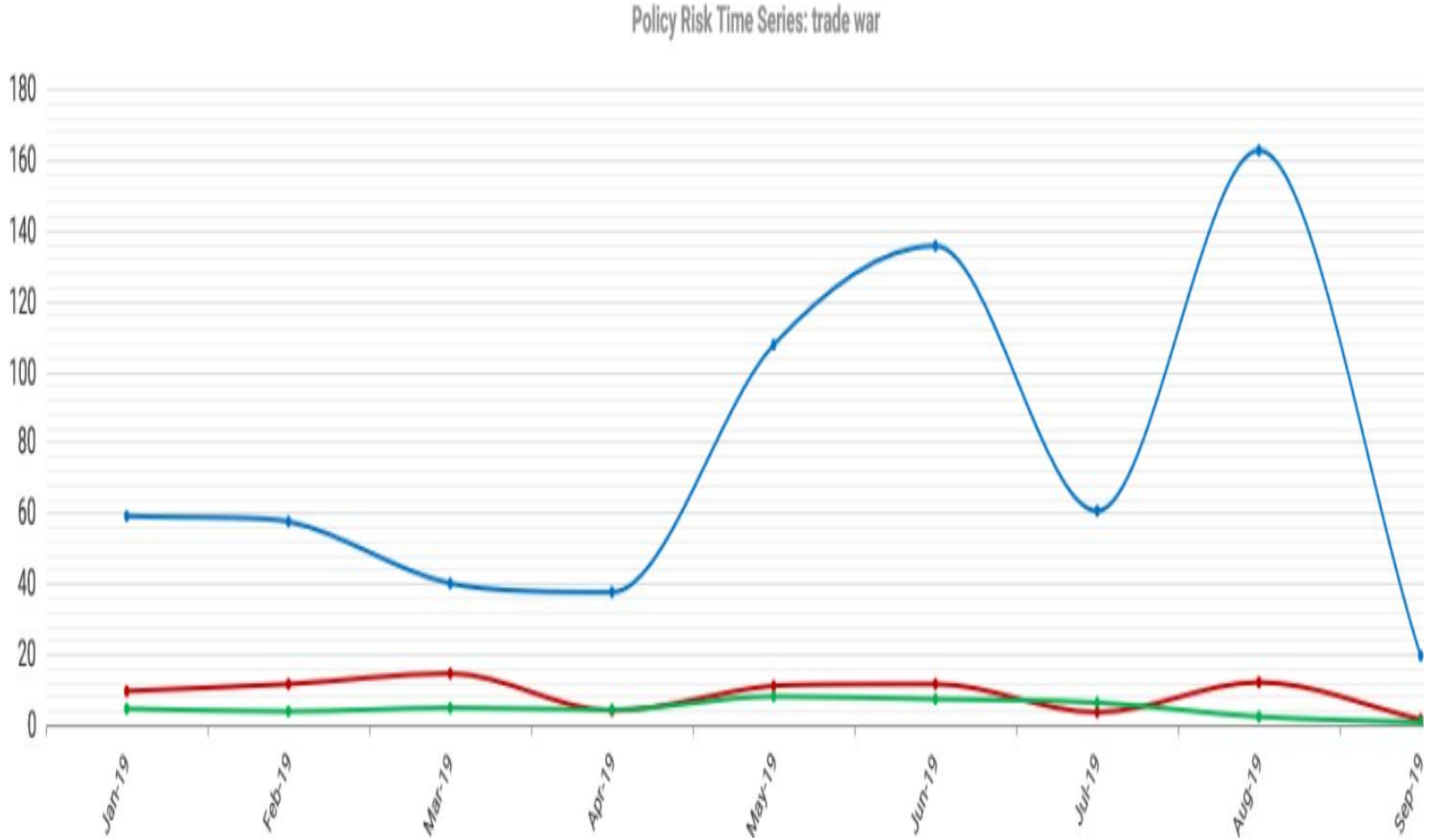
Case Study

Trade Policy



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Identifying Inflection Points

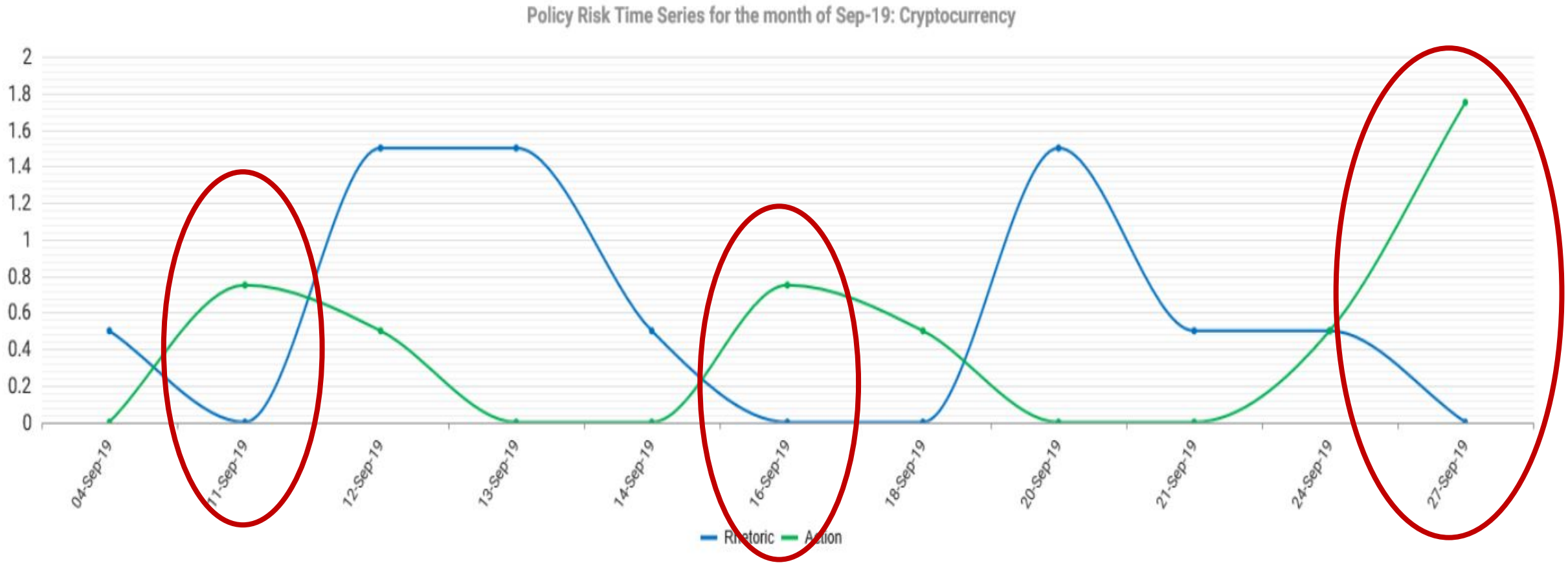
Rule 8: Nowcasting

- Align time horizons (meetings vs. options expiration dates)
- Revisit assumption daily based on new facts
- "Past performance does not *always* indicate future results"

Rule 7 and **Rule 10**: Action vs. Rhetoric vs. Leaks

- Look past the headlines
- Don't look back

Case Study – Inflection Points



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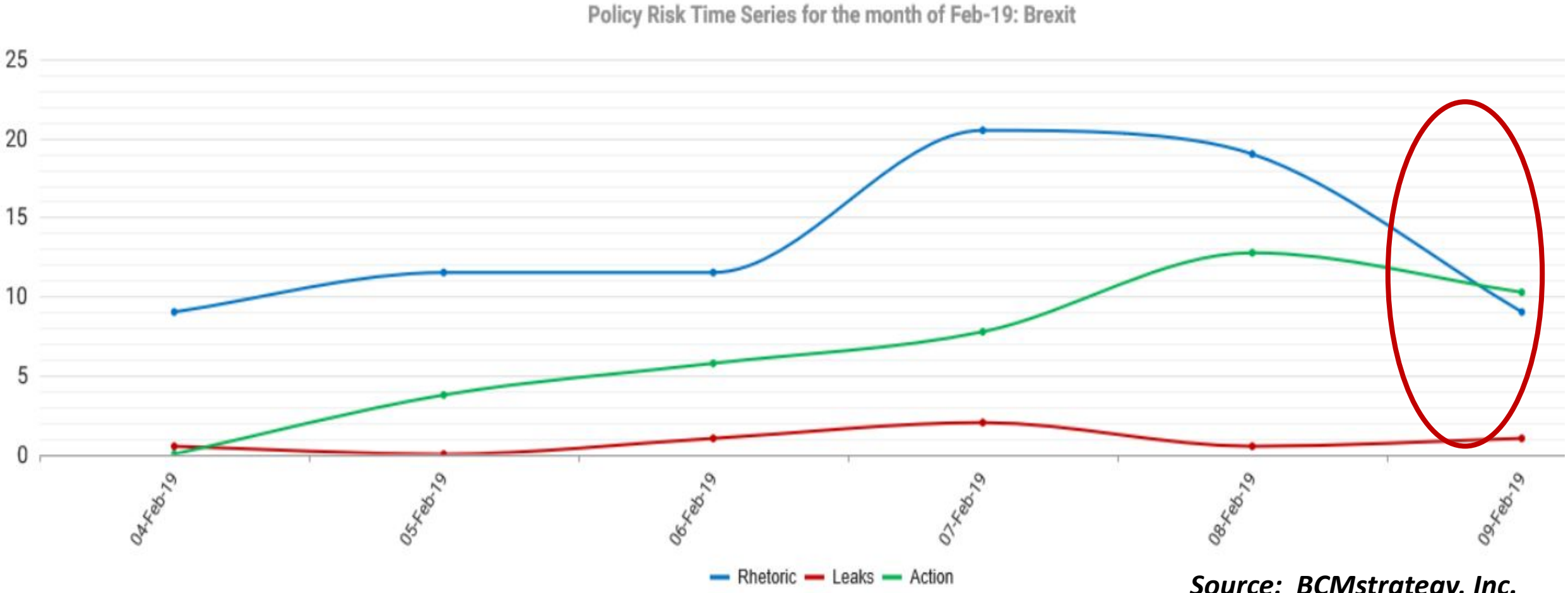
Case Study -- Nowcasting



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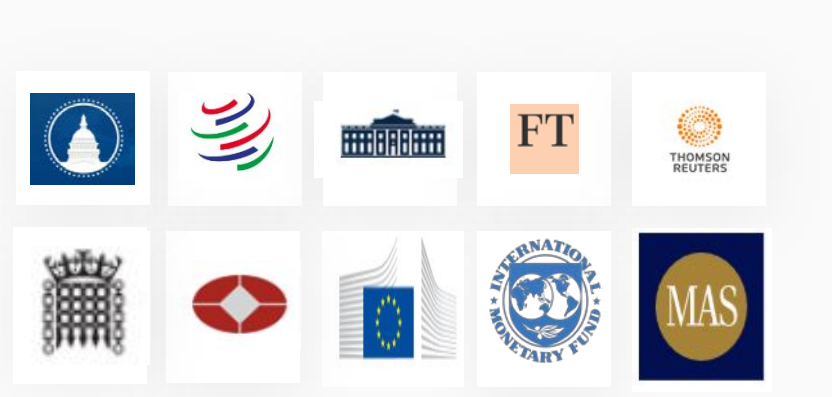
Key Take Aways

- Policy Risk Can – And Should – Be Measured
- Advanced technology can
  - minimize headline risk,
  - increase operational efficiencies, and
  - increase strategic opportunities.
- Nowcasting and predictive analytics provide strategic advantages to investors when applied to public policy risk.

The Value

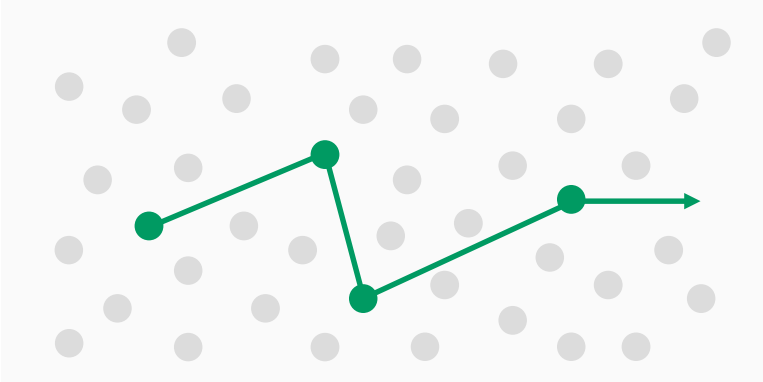
Faster Information Acquisition



Less time scanning headlines

Less time scrolling through email newsletter digests and duplicative information

Increased efficiency



More time for high-value analysis regarding policy momentum and conceptual correlations.

Better Strategic Decisions

Generate more and better strategic decisions than competitors using concrete data.

Traders' Academy Online Course Presentation

Trading the News

REVIEWS QUESTIONS

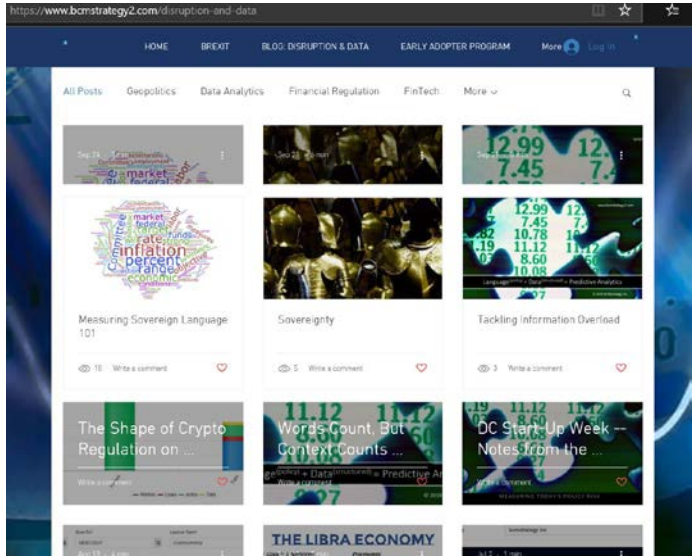
Are you tired of headline risk? Do you worry about how policy developments generate market volatility and risk for your portfolio? Would you like to position yourself strategically to make the noise of the news cycle work to your advantage? Our "How to Trade the News" course describes the components needed to start treating public policy risk as an asset class which can be measured, managed, and hedged. Course segments include descriptions of how to distinguish between rhetoric and concrete action, how to engage with both economic and the growing array of alternative data, and how to understand leaks. Segments provide suggestions for how to select technology vendors and how to minimize exposure to third party vendor risk. Individual rules can be found in the Interactive Brokers Traders' Insight blog.

Those enrolled in Traders' Academy can access a complimentary copy of the Trading the News eBook.

LOG IN to view this course's material.

Traders' Insight Blog Contributor

Disruption & Data Blog



Additional Resources

About BCMstrategy, Inc.

BCMstrategy, Inc. is a start-up company using patented technology to provide investors and executives with transparent, objective data from the public policy process so they can make better decisions faster and better than their competitors.

For information about our Pilot Program or to learn more, please **contact us**.

See what matters most

Gain the ultimate competitive edge

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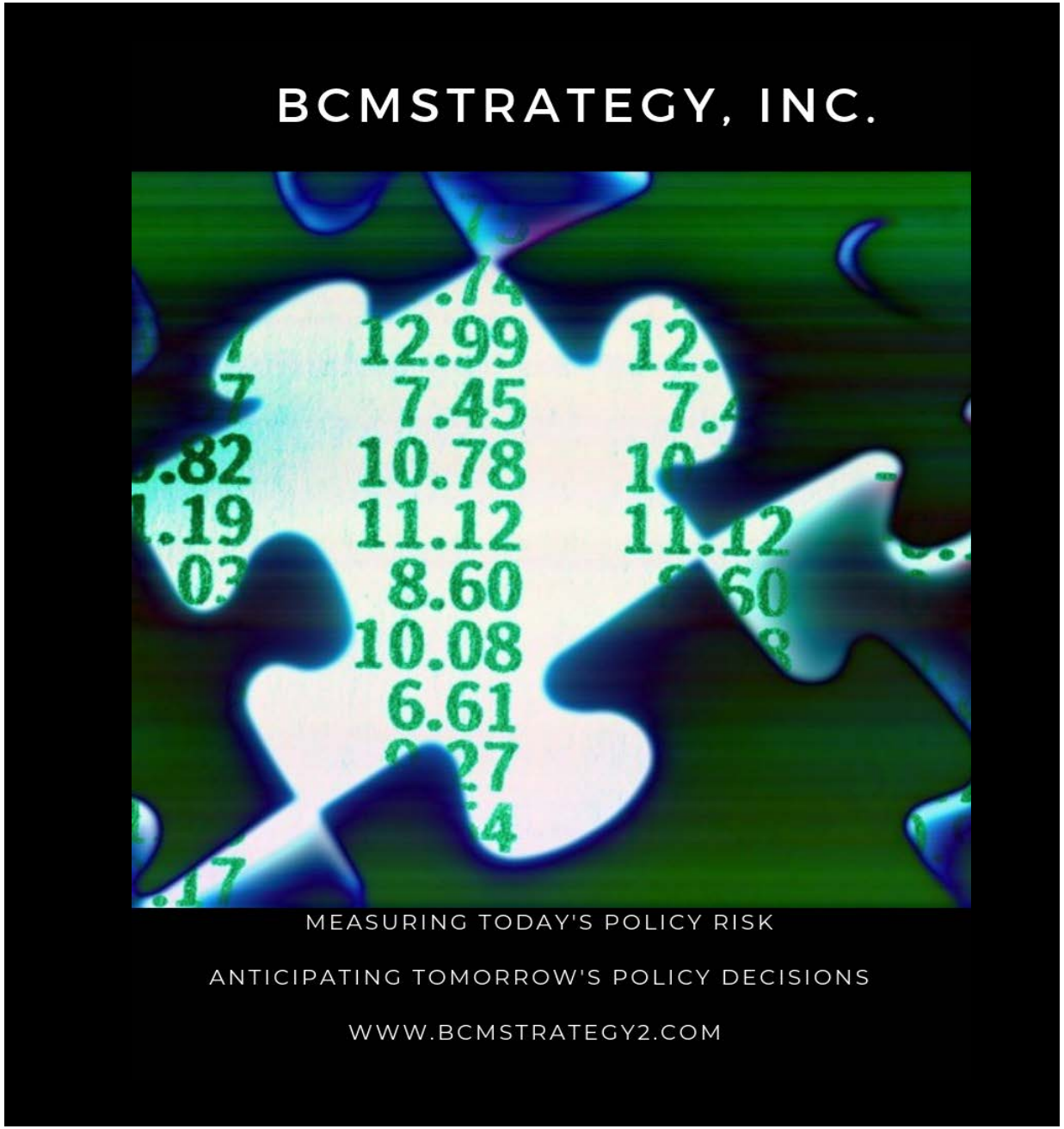
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