Roundtable: A Very Market Data Thanksgiving

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Thanksgiving — the fourth Thursday in November — is when Americans traditionally give thanks for the year's harvest, stemming from the celebrations of the first European pilgrim settlers on American soil. Since our industry is blessed (or cursed) with a bounty of data, we asked some data pioneers — including some from outside the US what they are (and aren't) giving thanks for this holiday. Compiled by Faye Kilburn.
IMD: What development, event or issue in the market data industry this year are you grateful for?

Louis Lovas, director of solutions, OneMarketData: The broader context of data management has come into its own, for which I am thankful. It begins with the unfolding narrative of algorithmic trading. Algorithms are changing the world of finance for cross-asset, cross border trading, risk management and cost analysis. Yet, profitable algorithms are part genius, part inspiration and sheer effort as their complexity continues to accelerate. At the very heart of this algorithmic tsunami resides data. Understanding content, managing scale and scope is a game changer. A broader segment of the industry has recognized its value as the fuel driving the algorithmic engine.

Frank Piasecki, president, Activ Financial: We're thankful that the financial services industry and consumers of market data are back to focusing on the basics. There's been increased attention this past year on utilizing technology to gain value through a reduction of total cost of ownership. We've recently launched our content platform 2.0 for enterprises that addresses this market need by focusing on increased throughput capacity capability, performance enhancements and overall footprint reduction.

Donal O'Sullivan, vice president, product management, Corvil: I think 2013 will be marked as a year in which regulators, venues and market participants all made real progress in the monitoring of market data quality. The last five years have seen such an explosion in market data rates, both in native and consolidated feeds that the primary task was just to keep up with the exponential growth. It was a real challenge just to re-engineer the various distribution systems, and the feed handlers and ticker plant, so they wouldn't fall over. In 2013, even though the data growth continued, there was a shift in focus to the timely delivery of feeds, and especially to the fair delivery of trade and quote information to the National Market System. The emphasis on monitoring for timeliness and quality is welcome, but more broadly, I think it has also helped to bring more confidence to the system.

Brian Sentance, CEO, Xenomorph: I think industry attitudes to the use of cloud computing are turning positive very rapidly. There will be hiccups along the way, but the productivity benefits of elastic access to data and analytics on any device anywhere you happen to be located will be very profound.

Victor Yodaiken, CEO, FSMLabs: Interest in building out a resilient trading infrastructure has spread from the technically cutting-edge firms to more mainstream firms. We see a lot of attention being paid to how trading systems, networks, and platforms can be designed, maintained, and monitored than we did a year ago. Of course, this is great for our business, and we are thankful for it, because we see many firms that are asking about how to make sure that the time distribution and synchronization solutions that are such a critical part of the trading system are resilient and manageable.

JP Gottdiener, manager, Lucidine Conseil: Financial organizations have started considering information and market data as not only contingency or utilities. Data governance and related investment are now considered at the right level. The market is now offering a mature technology to implement real data governance.

Alexey Utkin, UK financial services practice leader, DataArt: One major development in the market data world is the adoption of the app or widget store concept by data vendors, such as Bloomberg's App Portal and SuperDerivatives' DGX store. This should help facilitate value-added functionality development and allow smaller players to enter the market. In light of this, one area of functionality to especially benefit from additional innovation is data visualization.

Such visualizations go beyond traditional charts and allow for innovative interaction with multi-dimensional data. Obviously, unlike a datafeed case, visualization is dependent on presentation technology, and an app store may be the best way to deliver it.

Other things I am grateful for include the evolution in obtaining data insight via text mining, such as that offered by Social Market Analysis, while Thomson Reuters' StarMine for Credit Risk is another interesting development. Here we see the first appearance of rather sophisticated models built on top of text analytic engines, which may lead to rapid advances in these engines' accuracy and capabilities.

Steve Ellenberg, senior market data consultant, MDSL: What I am grateful for this year was the pricing behavior exhibited by many of the assets listed on global financial marketplaces and exchanges. During tenures at both buy-side and sell-side institutions, I have observed how markets that exhibit choppy, highly volatile, non-trending prices tend to decrease overall profit, trading volume, and perhaps even overall interest in that particular asset class, at these firms. This then in turn negatively impact budgets for market data and related financial technology spend at these institutions.

In the current year, there have been more than just a few multi-month or longer price trends in non-correlated markets. Good examples include several multi-month trends for WTI Crude oil, a year-long upward trend for US small-cap equities, and a similar year-long trend for the US dollar to Argentine peso cross-rate—which indirectly should have a strong likelihood of driving additional investments in market data, financial technology, and the staff to manage both.

IMD: What development, event or issue in the market data industry this year are you NOT grateful for?

Gottdiener: The delay in the implementation of the Legal Entity Identifier (LEI), and more generally the lack of organization within the industry itself for implementing standards. This is key to providing transparency to the market and at the same time avoiding the over-regulation we observe on both sides of the Atlantic.

Philip Winstone, executive director, Cordatum Associates: The series of false starts and delays in transferring the various legal frameworks for the swaps market into manageable regulatory implementation across and between multiple jurisdictions and the uncertainty that has been a consequence. Over the course of the last 12 months, we've seen enthusiastic investment planning for product, infrastructure and talent to exploit the opportunities that seemingly presented turning into deferred or significantly reduced capital and non-capital spending plans as some firms' confidence in the regulations has wavered as official implementation dates became softer and were pushed back.

Utkin: With new regulations, such as FATCA and Basel III, we're entering more and more into a data management space for financial companies. And in many organizations, the data management is an area that badly needs improvements and re-engineering to address new challenges of the business environment. The fact that a push is coming from regulations with strict deadlines makes firms take shortcuts, and hence contributes even more to long-term entropy of their data management reality. And then regulators tend to use a practice of shifting a deadline at the last minute.

Yodaiken: Too many disruptive and expensive failures that could have been prevented by modest investments in technology and more rigorous design and cost-benefit methodologies. Unfortunately, there are a lot of critical trading platforms and trading networks that have been created ad-hoc and without sufficient technical and risk analysis. For example, some firms that have been focused on reducing headcount while expanding technology have not adjusted their buy/build algorithms to their new profiles. We see this most when firms rely on patched-together time-synchronization systems that really need either to be replaced or to be given a lot more engineering support, but it's a much more general issue. Also, firms that are working hard to reduce siloing may be slow to allocate resources to rationalize the customized technology platforms of the newly connected units, leading to fragile systems that can fail expensively.

Piasecki: We're not terribly grateful to see global regulators looking to regulate deeper into the IT stack. That we may see code review of trading and market data systems in the near future is a bit alarming. It's scary to think the federal government believes it can add value there.

O'Sullivan: The industry's market data infrastructure is highly distributed and quite complex, which makes it difficult for firms to gain insight into data quality and timeliness where they need it. Progress is being made, but mostly in the form of point monitoring and quality assurance. Users need a more holistic overview so that they can understand how up-to-date their datafeeds are, and the trade-offs in terms of costs and capacity requirements of different implementation choices. The industry still has some distance to travel in terms of providing performance transparency for market data.

Lovas: Regulatory uncertainty and proposed actions to rein in high-frequency trading have acted like a vice-grip on reality. While markets soared throughout the year, with the S&P 500 index up over 25 percent, the procrastination is endemic, induced by market complexities. Progress has been glacial on defining the regulatory rules of engagement, which has all but put a nail in the coffin of HFT.

Ellenberg: What I am not grateful for this year is the relative lack of creativity and imagination we've seen among most of the new indexes launched this year. The majority of index sponsors are continuing to slice and dice the same universe of equities or currencies or commodities-and then they levy additional fees to license this latest variation.
The two Stoxx 3D Printing theme indexes launched this year are good examples of new and innovative benchmarks which will quickly attract investment interest. I have been waiting years for one of the major sponsors to launch the LED Light Bulb index series, which might include a LED Light Bulb Producers Index and perhaps also an index of energy companies that will be adversely affected from the accompanying drop in energy demand (clearly an inverse exchange-traded fund would be required for linkage to the latter!) LED demand is expected to absolutely soar during the next decade, so there should be benchmarks created to quantify and track the growth, and ETFs and investment funds launched requiring licenses to track these indexes... and ultimately, plenty of work to keep the index licensing community busy!

IMD: What would you like to be grateful for next year?
Yodaiken: Less bureaucracy! People in finance complain a lot about government regulation, but in our end of the pool, we see a lot of internal inefficiency, opaque business process, and expensive time wasting over what should be simple issues. As an example, we had one potential customer stall for nearly a year, waiting to get a relatively simple networking issue solved because that issue belonged to a different business unit that wasn't motivated to fix it. So we want to be here next year being grateful to the new wave of nimble decision-making in financial trading firm technology acquisition.

Piasecki: Next year we hope to see Wall Street firms begin to view legacy vendor lock as the reason they must consider alternative market data platforms, instead of viewing it as what prevents them from changing to a better system.

Gottdiener: Finding a fair solution to the ongoing problem of intellectual property data that allows one side to protect the interests of the data provider and gives the other side the opportunity to use the information data to inform and report for their customers.

Winstone: Social Media. I would like to see the market data industry embrace social media as an integral part of trading workflow. Some innovative start-ups have been making great technological strides in algorithmic software and metadata tagging in real time that removes extraneous noise and allows financial markets professionals to focus on the potential that things like Twitter messages have for adding value in the news and pricing flow. This is a really interesting frontier development in the social media medium and the financial data arena, and in particular it really helps shine a light on emerging economies that seem to get swamped or overlooked in the preponderance of news and information about mature markets. I look forward to seeing it add real value to trading and analysis.

Lovas: News, opinion and commentary have found their mark in social media. This represents a significant paradigm shift in information's delivery, consumption and value. Business now views social media as a tool for brand awareness and as a guide for refining products and services gleaned from insights discovered in mining the story behind the story. While social media can be more noise than signal, for market participants the potential lies in the analysis, finding the correlation between sentiment and market prices. I am hopeful that will happen in the coming year.

Ellenberg: What I would like to be grateful for next year is for a scenario beginning to unfold whereby the explosive growth in energy production in the US in the last couple of years generates a significant increase in the number of global marketplace participants and associated trading volume, eventually resulting in positive implications for the market data industry.

Suppose the highly correlated and much anticipated growth in the US energy and chemical production sectors then lead to further commoditization of certain output from these industries. New futures contracts, and possibly new futures exchanges as well, might then be launched to address the increasing interest from both commercials (hedging usage) and speculators alike in obtaining exposure to these commodities.

O'Sullivan: Naturally, we're hoping to get some progress towards solutions that can improve performance visibility across distributed systems and feeds. A little further out, we'd be interested to see progress on the proposed Consolidated Audit Trail. It's clearly a very ambitious project, but the technology needed to make it a reality exists. The real challenge initially will be getting support for a coordinated approach, then implementation. I think the transparency and traceability will be worth the effort.

Utkin: We're finishing the year with an understanding that reference and market data problems exist not only in the Big Data space, but in "big metadata," which is characterized by a huge variety of supported entities, attributes, links and relations, though not tabular structures. Overall, there is a need to traverse the huge graphs of data in a performant way to infer and unveil real data insight. We anticipate an upcoming evolution—if not revolution—in 2014 of reference and market data systems that are enabled by semantic web technologies, especially in alternative investment markets.

And last but not least, improved availability of both real-time and high-resolution historical market data in the cloud, provided by data vendors or their partners' systems, will be key in 2014. Market data is obviously the core of all financial systems, and we soon may expect such systems to evolve into the cloud world.

Sentance: An industry standard data model for financial instruments. I am fantasizing on the timeline, but I guess the international progress shown with LEI illuminates the way for other much-needed standards to be built. Let's spend less time mapping data and more time using it!