

Twitter Analytics and News Event Processing Software for Quantitative Portfolio Managers



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Interview conducted by:
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CEOCFO: *Mr. Evenhouse, the tagline on the NewsHedge site states, "Information discovery redefined." How so?*

Mr. Evenhouse: In finance, Twitter is by far the most widely used tool for traders. Twitter has become the new normal—where everyone goes to figure out the stories surrounding real-time events they want to trade on. The problem is that no one has been able to fully harness its power just yet—because the sheer amount of information on Twitter is overwhelming. NewsHedge simplifies the entire information-discovery process for quantitative portfolio managers and traders by wrapping social context around market-moving events in a structured, systematic way.

CEOCFO: *How does this differ from what might be available elsewhere?*

Mr. Evenhouse: Great question! Most information-discovery solutions solely rely on natural language processing for finding relevant, market-moving information. This process creates an abundance of noise and many false positives. Our methods are different. Together with our partner, Metricle—a Twitter analytics company—we leverage a two-part information-discovery process for finding and processing key news events. First, we determine what is market moving by using exchange data. Specifically, our low-latent algorithms examine an asset's order book, time and sales, and trade volume for unusual trading behavior normally caused by news events. Secondly, once our system generates an unusual trading alert, we connect and validate the alert with relevant contextual information found on Twitter. The result is a highly predictive, easily consumable data set which allows quantitative firms to react to market-moving catalysts in a quick and accurate manner.

CEOCFO: *Where are the challenges in putting the technology in place?*

Mr. Evenhouse: Research and development was extensive. Everything needed to be built from scratch to be redundant and low-latent for processing various data elements in real time. In addition, our system leverages two complicated, fast moving data sets; 1) direct access exchange tick data, and 2) Twitter's messaging API. Each data set presented its own set of challenges.

CEOCFO: *Are you able to weigh the value of the different tweets?*

Mr. Evenhouse: Yes. We're often asked this question. Metricle's founder, Vishal Goklani, was able to address these issues in a number of proprietary ways. 1) We use graph-theoretic models using social network analysis to identify influencers who consistently deliver real-time news information. Influencers are algorithmically selected and then benchmarked for their performance in posting market-moving information. Influencers who are consistently late at posting information are removed. 2) We cluster the Twitter financial universe into 100+ discrete groups, where each group has