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CapitalIQ Launches “Quants-for-Hire” Touts Ability to Reduce Quantitative Research Costs by Up to 50%

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By Katherine Heires

New York-based CapitalIQ, a division of Standard & Poor's, launched today a new, quantitative-based research and consulting service that will provide institutional investors with access to a team of quantitative analysts, a Web-based stock trading signal library and proprietary stock selection models on a subscription basis.

The new offering – called SystematIQ (pronounced like “systematic”) Research – is a timely offering, company executives say, reflecting the growing need on the part of both buy-side and sell side firms to more efficiently establish and identify new stock selection strategies while also allowing investors to reduce quantitative research costs by outsourcing a portion of these activities.

According to Capital IQ, the service will be marketed for use by institutional investment managers, hedge funds, investment banks and advisory firms as well as brokerage firms – where busy proprietary desk traders might utilize the service as well as financial advisors who provide quantitative insights to their clients.

“In this environment, as resources are more constrained as ever, we hope to provide the ability for clients to have a dedicated research staff doing proprietary work on their behalf and developing new investment ideas that they can leverage, when they don't have these resources in-house,” said Carson Boneck, managing director at SystematIQ Research, noting that in some instances, he expects the service will be able to reduce quantitative research costs for investment teams by upwards of 50%.

Boneck emphasized that the SystematIQ service will provide a Web-based signal library called AlphaWorks that will offer subscribers over 250 stock selection trading signals.

In addition, the new service will also offer access to a team of five quantitative analysts and four individuals focused on the technical side of applications and development.

While the idea of such a service is not new – competing and related services include Amba Research, Irevna, and Quantitative Services Group – at least one observer made note of the potential for complications in the use of such a service.

“Before using an outsourced, quantitative research service such as this, you have to make sure you understand the contractual arrangements, who owns what models, who owns what information and what does use of the system truly mean for the use of your strategy going forward,” said Sandy Gross, managing partner at Pinetum Partners, a Greenwich, Conn.-based executive search firm specializing in hedge funds.

Still others see the potential for growth in such a service, particularly during times of reduced staffs and budgets.

"I can certainly imagine non-quant firms trying to augment their investing approach with this type of service," said Sang Lee, a co-founder of Boston-based Aite Group, though he suspects that professional quants would be very reluctant to use a service that might involve sharing information about their own proprietary models.

Added Herbert Blank, senior vice president at Rapid Ratings International, a New York-based firm that uses quantitative models to rate the financial health of corporations: "Using such a service can certainly be more cost effective than adding more people to your staff and to the extent that it helps you scale your testing and complete your computer work, such a service can be a godsend," he said.