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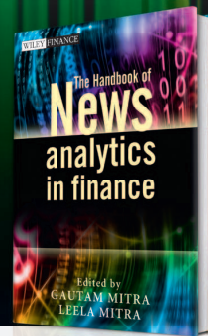Please note that all prices are correct at time of going to press but are subject to change without notice.

The Handbook of News analytics in finance

Edited by
GAUTAM MITRA
LEELA MITRA

The Handbook of News Analytics in Finance

Gautam Mitra and Leela Mitra

The Handbook of News Analytics in Finance is a landmark publication bringing together the latest models and applications of News Analytics for asset pricing, portfolio construction, trading and risk control.

Designed to provide a rapid yet comprehensive understanding of this topic, the book begins with an overview of News Analytics (NA), and an explanation of the technology and applications. It is then presented in four parts: Part 1 contains an explanation of methods and models which are used to measure and quantify news sentiment. In Part 2 the relationship between news events and discovery of abnormal returns (the elusive alpha) is discussed in detail by the leading researchers and industry experts. The material in this part also covers potential applications of NA to trading and fund management. Part 3 covers the use of quantified news for the purpose of monitoring, early diagnostics and risk control. Part 4 is entirely industry focused; it contains insights of experts from leading technology (content) vendors. It also contains a discussion of technologies and finally a compact directory of content vendors and financial analytics companies in the marketplace of NA. The book draws equally upon the expertise of academics and practitioners who have developed these models and is supported by two major content vendors – RavenPack and Thomson Reuters – leading providers of news analytics software and machine readable news.

The book is accompanied by a website *www.optirisk-systems.com/newsanalyticsbook*, which features supplementary resources for news analytics, including models and prototype tools.

About the Authors

GAUTAM MITRA (London, UK) is an internationally renowned research scientist in the field of computational optimisation and modelling. He has developed a world class research group in his area of specialisation with researchers from Europe, UK, USA and Asia. He has published three books and over one hundred refereed research articles.

He was Head of the Department of Mathematical Sciences, Brunel University between 1990 and 2001. In 2001 he established CARISMA: The Centre for the Analysis of Risk and Optimisation Modelling Applications. CARISMA specialises in the research of risk and optimisation and their combined paradigm in decision modelling. Professor Mitra is also a Director of UNICOM Seminars and OptiRisk Systems; OptiRisk specialises in the research and development of optimisation and financial analytics tools.

LEELA MITRA (London, UK) is a Quantitative Analyst at OptiRisk Systems. Dr Mitra joined OptiRisk System as a Quantitative Analyst in 2004. She received her PhD in Operational Research on the topic of "Scenario generation for asset allocation models" from CARISMA, Brunel University. Topics included "mixed" scenario sets for investment decisions with downside risk, pricing and evaluating a bond portfolio using a regime switching Markov model and desirable properties for scenario generation. She has a first class BA (Joint Honours) degree in Mathematics and Philosophy from King's College (University of London). Prior to joining OptiRisk, Leela worked in the pensions industry as an actuarial consultant for Mercer HR and subsequently with Jardine Lloyd Thomson. She is part qualified as an actuary.

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Endorsements by experts and industry leaders

"This is a timely – and exciting – book. This book is the first to provide a comprehensive overview of the state of the art. It will attract a lot of attention. From a technical perspective, the area presents some deep and interesting challenges, which are nicely captured here. One is the central issue of fusing entirely different kinds of information, from quite distinct sources, and with very different degrees of reliability. Another is an issue which mining of large observational data sets has to contend with, whatever its area of application, namely the problem of selection bias: it is all too easy to extract a distorted, non-representative, data set, so that any analyses based on it are at risk of mistaken conclusions. Overall, this technology is still in its infancy, but the papers presented in this volume provide a perfect launch pad for the future of news analytics in finance. Just as social statistics enables us both to define and measure the aggregate phenomena that define society, so the work described in this volume will enable us to discern and quantify the forces which steer financial markets."

- Professor David J. Hand, Professor of Statistics, Imperial College, London. Chief Scientific Advisor, Winton Capital Management. President, Royal Statistical Society

"This cutting edge collection of papers offers important insights into the connection between news analytics and sentiment that are rich, deep, and systematic. Investors and academics alike have much to learn from reading this fascinating book."

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- Peter Carr, Global Head of Market Modeling, Morgan Stanley. Executive Director, Masters in Math Finance, NYU.

"Technological progress enhances human efficiency including the efficiency of our markets. Trading on news is an integral part of such progress and the Handbook on News Analytics is a welcome compendium on where we stand with regard to the risks and rewards of News in markets."

- Dilip B. Madan, Professor of Finance, Robert H. Smith School of Business and Consultant to Morgan Stanley and Caspian Capital

"The world runs on information and few areas as directly so as in finance. Now that technology and quantitative techniques have caught up with the live news feed, this volume will be an indispensible addition to the practitioner's library."

- Matthew Lee, Head of Research Global Index Equity, BlackRock

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