



Welcome to the October edition of the DB Quantitative Strategy Team's monthly newsletter, **Quantum**. The aim of Quantum is to make it easier for you to keep track of all the research we publish, and to serve as a forum to highlight the latest news and thinking in the quant investing world. If you only read one email from us every month, make it Quantum!

We were very productive in the past month, with four major research papers. First of all, in **Quant GEM (October 2nd, 2013)**, we discuss how quantitative investors can deal with the challenging issues of market microstructures, market access, limitations on shorting, and trading liquidity when investing in emerging markets. Then, in this month's **Quant View**, we analyze approximately three thousand IPOs from 1990 to 2013, to investigate the performance of stocks subsequent to their IPO date and help investors decide whether to buy or not to buy into an IPO.

The global financial market has been dominated by periodic risk-on and risk-off, in **Dynamic allocation: extremes, tail dependence, and regimes**, we build a market risk regime switching model, which has strong predictive power of future asset and quant factor returns; therefore, can be used in both asset allocation decisions and equity multi-factor models. Last but not least, we continue our research on multi-asset risk premia investing theme by separating trend from momentum in **Colours of Trend**.

Regards,

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Recent Research

North America

- **The Quant View (October 3rd, 2013)**: In this report we present our latest quantitative forecasts for bottom-up stock selection and top-down asset allocations. This month we did an even study on the performance of Initial Public Offerings. To read the whole report, click [here](#).
- **The Quant View: Small cap edition (October 3rd, 2013)**: In the world of small caps, we also studied the opportunities in different industries. To read the whole report, click [here](#).
- **Quant GEM (October 2nd, 2013)**: This report provides a thorough overview of various GEM markets as well as the challenges and limitations investors will face when implementing an investment strategy in these markets. We also develop a series of real-world investable strategies including alternative beta, active enhanced indexing and absolute return portfolios. To read the whole report, click [here](#).
- **Dynamic allocation: extremes, tail dependence, and regimes (September 10, 2013)**: By capturing outliers, volatility clustering, and tail dependence in the asset return distribution, we build a sophisticated model to predict the downside risk of the global financial market. To read the whole report, click [here](#).

EMEA/Europe

- **Colours of Trend (September 17th, 2013)**: Trend and momentum investing are popular topics in both investment and research communities. This research note investigates some of the most relevant aspects associated with building and managing a trend portfolio. To read the whole report, click [here](#).
- **Refreshing our Country, Industry and Style Models (September 11th, 2013)**: From this month onwards, we expand the scope of the Top-Down Monthly Update report to include, in addition to Country and Region recommendations, Industry and Style preferences based on the respective research models and reports published by the team. To read the whole report, click [here](#).

Global

- **Academic Insights: Harnessing the best ideas from academia (October 11, 2013)**: Every month we survey the latest academic research for any ideas relevant to quantitative investing. This month we discuss five papers from macro to micro,

from asset allocation, stock selection, to fixed income, attempting to bridge the gap cross asset classes. To read the whole report, click [here](#).

Note: to access these links you need a login to the DB Quant website; if you don't have a login, or have forgotten your password, please click [here](#) and fill out the requested details.

Quant in the News

Interesting news articles related to quant investing:

- **Time to Ditch the Yale Endowment Model** ([bloomberg.com, October 3rd, 2013](#)): Many universities' endowment is mainly invested in assets that aren't traded on public markets. This strategy works well as long as assets values keep rising. What if the portfolios are losing value, is it possible to sell them without offering steep discounts? To read the whole article, click [here](#).
- **Yellen Pick Gives Emerging Markets Time to Dodge QE Hit** ([bloomberg.com, October 9th, 2013](#)): As Fed is getting its new chief, investors in emerging markets are adjusting strategies accordingly. To read the whole article, click [here](#).

Quantomatic: Latest trends in quant technology

Each month we use this section to focus on the technological side of quant investing. Our view is that better technology can be a source of alpha in its own right - either via new, cutting-edge data sources or through more data intensive modeling techniques.

Recently one of our readers has suggested us to look at the Storm project. Storm is an open-source distributed real-time computation platform. It provides a simple and easy to use API that can work with many popular programming languages. Storm integrates with the widely used queuing and database technologies. Storm topologies are inherently parallel and run across a cluster of machines. Different parts of the topology can be scaled individually by tweaking their parallelism. Storm can process very high throughputs of messages with very low latency, and can be used in real-time analytics, online machine learning, and continuous computation.

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