Quantum The monthly newsletter of the Deutsche Bank Quantitative Strategy team

Welcome to the November 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!

This month we had the pleasure of hosting almost 300 of you at our **1st annual Global Quantitative Strategy Conference** in New York. The event was a resounding success, with 19 high caliber speakers and panelists sharing their latest research across two tracks: bottom-up stock selection and top-down macro investing. For those of you who were able to make it to NY, thank you very much for taking the time out from your busy schedules. For those who couldn't make it this year, you can download a summary of the conference proceedings here, and if you'd like a copy of the speakers' slides click here.

Meanwhile, on the research front this month we continue our work in **expanding systematic strategies beyond the equity space**. You might recall that earlier this year we wrote a paper on *A New Asset Allocation Paradigm* (get it here it you haven't seen it) where we argued that allocating to persistent risk premia within asset classes is a potentially attractive alternative to the traditional asset allocation approach. This month we continue on that theme by looking specifically at the efficacy of momentum across asset classes. We find that momentum is indeed pervasive in other asset classes, just as it is in equities, and that there are diversification benefits to be had if we are willing to expand our momentum strategies beyond the equity sphere.

Regards,

The Deutsche Bank Quantitative Strategy Team
North America: +1 212 250 8983
Europe: +44 20 754 71684
Asia: +852 2203 6990
DBEQS.Global@db.com | https://eqindex.db.com/gqs/

Recent Research

North America

- **Signal Processing: Cross asset class momentum** (November 5th, 2012): The momentum anomaly within equities is one of the most widely discussed and hotly debated investment styles. In this research, we analyze whether momentum manifests in other asset classes. To read the whole report, click here.
- **QCD Model: November update** (November 7th, 2012): In our regular monthly update of our flagship alpha model, we recommended allocating more weight to value, growth, and revision factors, and less weight to momentum, quality, and technical factors. To read the whole report, click here.

Europe

- **Top-Down Monthly Update: MCRM Update** (November 1st, 2012): October was a positive month for risk asset performance. European equities were mostly higher led by gains in peripheral markets. Greece outperforms its peers by a considerable margin - despite the ongoing uncertainties around the sovereigns' bailout package. The model portfolio finished the month on a positive tone: the top tertile overperformed the bottom tertile by 0.48%. To read the whole report, click here.

Global

- **Academic Insights Special Edition: Proceedings from our 2012 Global Quant Conference** (November 20th, 2012): Deutsche Bank held its first annual Global Quantitative Strategy Conference in New York on November 16th. The event was attended by nearly 300 buy-side investment professionals who participated in two tracks - one focusing on bottom-up stock selection and one targeting top-down macro investing. 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:

- **Crowds are This Election's Real Winners** (*bloomberg.com*, November 19th, 2012): It seems quants are the popular kids on the block again, at least when it comes to the latest U.S. presidential election. New York Times blogger Nate Silver has generated considerable publicity for his almost perfect prediction of the results at quite a granular level. This article argues that quant models have something to offer in other spheres of life too. To read the whole article, click here.
- **When Quants Tell Stories** (*reuters.com*, November 7th, 2012): Continuing on the election theme, here is an interesting take on the power of data plus a good story. That's something we on the sell-side hope know a thing or two about! 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.

Most our readers know that we are fond of the R programming language, so much so that we write about it almost every month! However, even we have to admit there are times when one needs something more powerful. R (and related languages like MATLAB) are great for research and prototyping, but can be a little slow for heavy-duty calculations. Sometimes a "proper" compiled language like C is necessary. Luckily, integrating C into R is quite easy, in fact, it's so easy that there is a really useful 15 minute tutorial for doing just that! Check it out here if you don't believe it can be that simple.

Other items of interest

Usually we save interesting academic papers for our monthly *Academic Insights* report. But since we devoted this month's edition to our quant conference proceedings, we thought it was worth highlighting a recent paper that is getting a tremendous amount of attention, including a mention in last week's *Economist*. The paper is provocatively titled *Does Academic Research Destroy Stock Return Predictability* and you can download it here if you haven't seen it yet. The authors survey 82 "anomalies" that have been published over the years in the academic literature, and find that the post-publication decay in alpha is about 35%. They also find evidence that investor interest (measured through things like short interest, volume, volatility, etc.) in the stocks representing these strategies increases post-publication. Some of the methodology and findings line up with our own work on factor crowding - see our paper *Standing Out from the Crowd* (available here) for more info.

https://ederivatives.db.com/static/disclaimer.html