Central bankers among those hungry for alternative data to navigate coronavirus crisis Euromoney....

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Central bankers among those hungry for alternative data to navigate coronavirus crisis
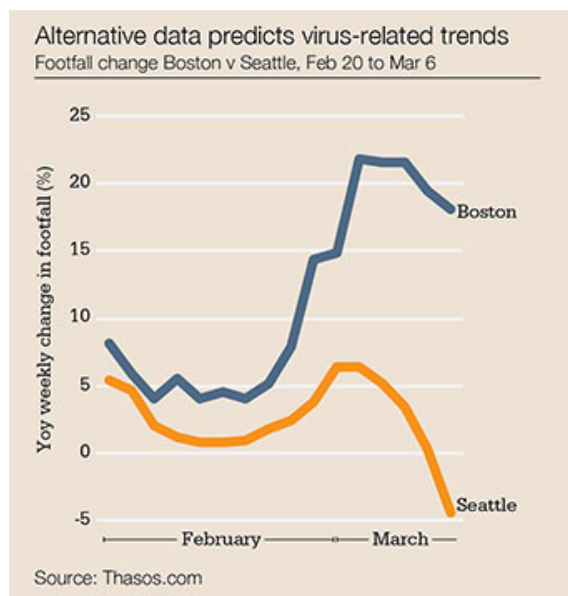
Helen Avery │ Wednesday, March 18, 2020

Investors, governments and central bankers are using new sources of data to understand the impact of the Covid-19 pandemic.

Order

On February 28, foot traffic in three busy retail areas in Seattle started dropping. From 373,801 visitors to South Lake Union on that Friday, pedestrian footfall steadily declined so that by Wednesday, March 4, it was just 242,985.

This was not the case in other US cities, such as Boston, where retail shopping was climbing year on year due to a milder winter, but then other US cities had not been so close to the US's first reported outbreak and deaths from the coronavirus Covid-19.

Washington State, of which Seattle is the capital, was home to the first case in the US in January, and also home to the country's first death from the virus announced on February 29.

Alternative data predicts virus-related trends
Footfall change Boston v Seattle, Feb 20 to Mar 6
Source: Thasos.com

The data are part of an alternative dataset that an increasing number of investors, as well as governments and central bankers, are turning to for help in navigating the current crisis that has sent stock markets around the world reeling.

This particular data are from Thasos.com, a New York-based alternative data firm offering real-time location intelligence.
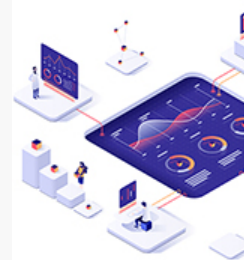
"What this real-time data showed for example was what would likely happen in other US cities – and indeed what did happen one week later," says Wei Pan, chief data scientist at Thasos.

It's useful for governments that might be trying to

understand if people are following self-isolating guidelines. Indeed, Pan says Thasos has seen more interest from governments to help them understand behaviour.

However, where the data will be useful to hedge funds, which make up most Thasos's clients, is helping to time for a recovery.

"A lot are in cash right now and want to time when to get back in," says Pan. "Real-time data like this will give them that edge."

Market turmoil

Alternative data providers and aggregators have seen requests boom as the spread of coronavirus Covid-19 has pushed markets into turmoil.

Abi O'hUiginn, head of marketing at Eagle Alpha, says: "In early February, when the virus appeared to impact only China, already some of our airline data vendors were showing the impact to have far outreached 9/11 and Sars."
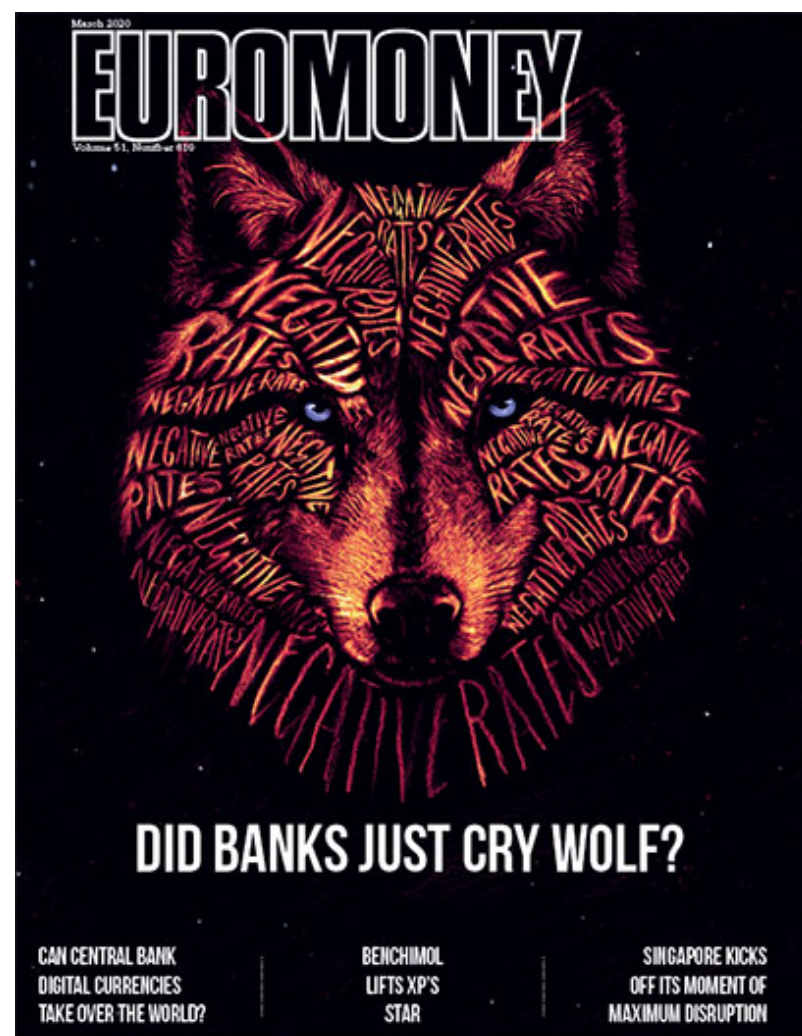
Abi O'hUiginn, Eagle Alpha

Eagle Alpha was set up seven and a half years ago and is an alternative data aggregator with 1,200 datasets from vendors across the world on its platform. In recent weeks, the firm has been running webinars on the types of alternative data that would be useful in navigating the pandemic and its resulting economic impact.

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Some 65% of its clients have requested alternative data specifically around the coronavirus, looking for potential evidence of whether China's supply chains are coming back online, whether the Chinese consumer is starting to spend, or data that can monitor hiring declines in the US.

Among the granular data that might be useful are data showing that airline departures from the US to Asia-Pacific were down 98.1% year on year for bookings made since January 20, or that almost 7,500 flights were cancelled to and from Italy from February 28 to March 10.

As more people have been forced to work from home to avoid the virus, purchase receipt data can provide some guidance also for investment opportunities. Data so far indicates that the number of subscribers to Chinese video-streaming company iQiyi has grown by about 30% in the past month.

> We are about a month into this crisis in the US, yet we're another month away from when companies will start to report. In a market like this, we need earlier data
>
> - Brendan Furlong, Eagle Alpha

Eagle Alpha's clients have typically been hedge funds, private equity firms and corporates, but O'hUiginn says more recently they have received requests from Treasury departments and central banks trying to understand the economic impact of the virus.

Pan at Thasos also says it, too, has seen interest from "non-traditional users" during the past few weeks.

The world of alternative data has grown rapidly during the past few years – there are now an [estimated 445 firms providing data](#), according to AlternativeData.org. An estimated 78% of funds now use alternative data, up from 52% in 2016.

Eagle Alpha points out several forms of data currently being used.

For better understanding of when China's economy will improve, one can look at footfall in Macau's casinos, or at company job-posting volumes. The amount of times that Zoom or Skype is mentioned on social media, along with reference to 'working from home' can indicate the 'stay at home' sector's first-quarter performance. To better understand airline solvency, one can look at flight-cancellation data versus actual flights taking place.

"There is a host of data outside the traditional realm of balance sheets, income statements and government data that one sees on Bloomberg or FactSet, that can help with early predictions of broader economic or narrower stock performance," says Brendan Furlong, senior research analyst at Eagle Alpha.

He points to satellite data that can take images of numbers of cars at a manufacturer's car lot that would indicate whether production is increasing.

"Consumer transaction data – such as emailed receipts – can indicate whether consumers are spending," says Furlong. "Supply chain data also can offer insights into the state of economic health."

Frequency

The benefit of alternative data sets, Furlong adds, is that they are often available daily.

"People used to physically stand and count footfall now and again, for example, but now through geolocation data we know footfall because everyone is walking around with a phone in their pocket," he says.

Traditional data, by contrast, have a much longer lag. Almost 60% of Eagle Alpha's database is from daily data.

Says Furlong: "For example, we are about a month into this crisis in the US, yet we're another month away from when companies will start to report. In a market like this, we need earlier data.

"If you can find some data that helps you get out in front of what is happening in the real world, then you'll have a much better chance of managing risk."

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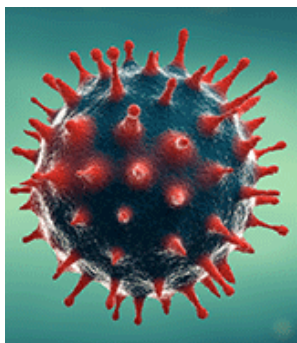
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