



STORAGE PERFORMANCE AND CLOUD ENABLEMENT

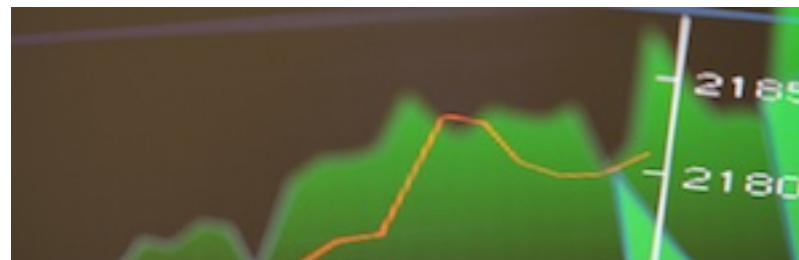
ALPHA IN AN AGE OF SURPRISES

Posted by [Greg Ulepik](#) on Wed, Apr 05, 2017 @ 02:05 PM

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Regardless of politics, several major world events in 2016 came as a surprise to most. Few foresaw the passage of



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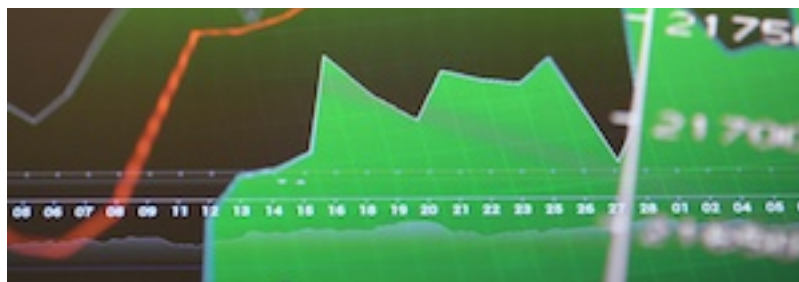
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Brexit in the U.K, and, in the U.S. presidential election, most polls predicted a landslide win for the losing side. Let's not forget one of the biggest surprises of 2016: the Chicago Cubs won the World Series, after a drought of more than 100 years.



After Brexit, the Dow Jones Industrial Average fell more than 600 points. Stocks rallied after Trump's surprise victory in the U.S. election. The Cubs' win seemed good for the markets, too: the Dow rose about 400 points the following week.

OK, so hedge funds aren't likely to trade on the results of the World Series or the Superbowl. Still, their ability to react quickly to significant news on the world stage by analyzing new data and running new models that enable them to update their trading strategies can build and sustain a strong competitive edge. To enable this quick-turn capability, IT managers need to provide more storage for more types, and greater volumes, of data, as well as more processing power. In a recent quick poll of IT managers conducted by Avere Systems, a majority of survey respondents reported seeing this increase in demand, and they expect it to continue. Over 38 percent predicted that demand for risk analysis jobs would increase by 50 to 100 percent over the next two years, and 28 percent predicted it would increase by less than 50 percent. Some 11 percent thought demand would more than double.

Yet, IT managers don't expect the capacity for alpha throughput to

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increase as much as demand. When asked what they would consider a valuable realistic increase to alpha throughput, 29 percent said a 10-percent increase, 47 percent predicted a 25-percent increase and over 23 percent thought throughput would increase by 50 percent.

That's quite a gap between demand and supply, which could mean that at least some models are not being run and that consequently the hedge fund is missing potential opportunities for alpha. And, the more volatility — and events that surprise the markets — the more missed opportunities. Fund managers want IT managers to fill the gap, even if they don't have extra money in their budgets. As a result, many are turning to the cloud. Most of the Avere quick-poll respondents — 58 percent — reported they already use a mix of on-premises infrastructure and off-premises cloud computing to run their algorithms. Asked which method they prefer to increase analytics capacity and effectiveness, most picked "enabling use of cloud resources to improve capacity without moving data" as their top choice.

By using cloud resources, hedge funds avoid what can become a large capital expenditure, expanding on-premises infrastructure. Yet, they still get the capacity they need for quick-turn number-crunching. Because of the flexible nature and pay-as-you-go model of cloud computing, the cost of this capacity becomes a variable operating expense. When an event surprises the market, the fund can fire-up extra cloud capacity to run its algorithms, models, simulations and back-tests using the new data, paying only for the capacity that it needs and only for the time it needs it. The cloud allows the hedge fund to test its ideas quickly and cheaply, and lessens the chance that it will miss an opportunity to profit from an unexpected event.

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Many believe that the use of the cloud in a hybrid infrastructure isn't quite so simple, but it really can be with the **right technology**. Security concerns and potential latency issues can unnecessarily hold IT back.

For the full analysis of the Avere Systems quick poll, including a discussion of security and latency issues, **download the report and stat deck**.

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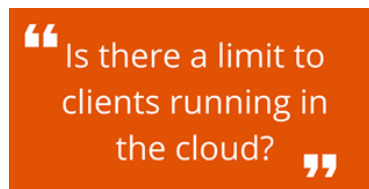
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