

## Dresdner Kleinwort Wasserstein's PRICE INFORMATION ADVANTAGE

**B**anks and financial institutions are increasingly looking to leverage their in-house market research in the most effective way possible. The growth of the hedge fund industry and competition amongst prime brokerage services means that greater value is now attached to research output. This has meant that more institutions are now developing their own proprietary research tools in order to give their

front-end services an edge over the competition.

At Dresdner Kleinwort Wasserstein in London, Max Knudsen, head of capital markets technical strategy, has developed PIA - Price Information Advantage. PIA is DrKW's proprietary interactive sentiment forecasting service designed to optimise the timing of trade execution. The service provides technically derived timing and trading recommendations via a daily interactive email service. PIA is based on an assessment of market sentiment in the equity, FX and interest rate markets made by Knudsen and his three man team. Sentiment is

assessed using a combination of traditional charting techniques including Bollinger Bands, momentum and stochastics.

Knudsen says the role of his team is to translate their assessment of market sentiment (majority bullishness and bearishness) in each market and to convert this into specific trading and timing advice consisting of a forecast for the direction of sentiment and the most important prices. "This is 75% a statistical and technical process" says Knudsen, "with the remaining 25% drawn from practical market experience. Each member of my team has around 20 years →



PIA Team, from left: Pavel Gronbjerg, Max Knudsen seated, Steve Lucas, Alan Collins

Fixed income/MM	FX	Equities
10-yr Treasury	EUR/GBP	FTSE
BOBL	EUR/JPY	DAX
Bund	EUR/USD	S&P 500
Euribor	GBP/USD	Eurostoxx
Eurodollar	USD/CHF	Nasdaq
Schatz	USD/JPY	Nikkei
Short Sterling		
T Bond		
Eurodollars		

**Table 1.** PIA market coverage

market experience in either sales or trading and I consider this crucial in being able to accurately assess market sentiment."

PIA was developed in response to comments from clients that they received too much research, much of which looked indistinguishable. Simplicity seems to be the key to PIA. There is very little text; just straight forward recommendations of when to buy or sell and the 3 most important support and resistance lev-

els. "When we started developing PIA 5 years ago" says Knudsen, "it became clear that clients felt they were already receiving too much research. Our goal was to design a research application that was both reliable and very easy to interpret and use".

PIA covers 6 major currency rates, 6 stock indices and 9 interest rate markets (see Table 1.) DrKW may extend the services to cover the credit and commodities markets some-

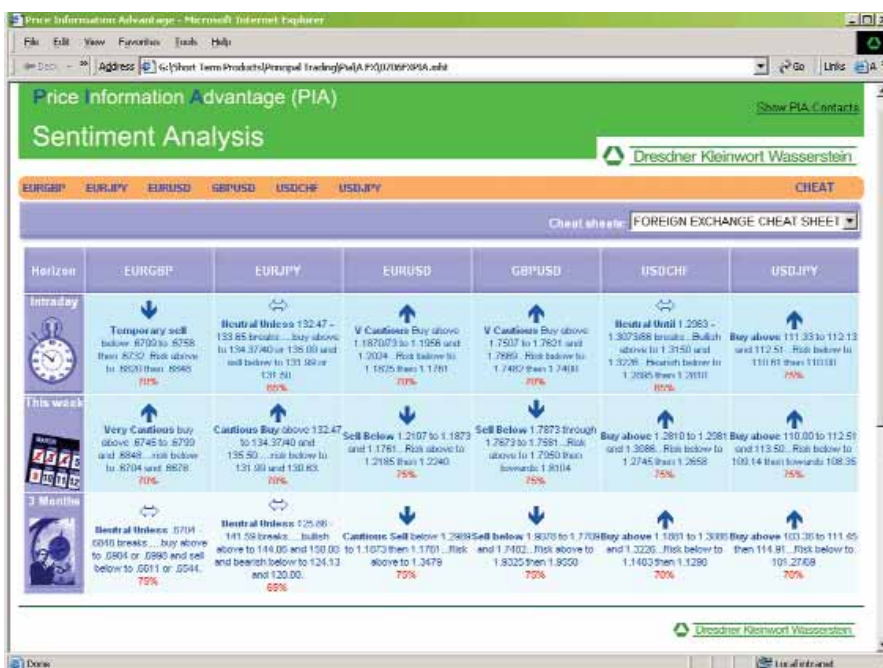
time next year.

"By looking at price action and price development we are able to identify how sentiment is changing" adds Knudsen. "We discern what current sentiment is from a technical and statistical analysis of price action alone. This provides us with 75% of the information we need. Our assumption of the impact differing price changes will have on current market sentiment makes up the remaining 25%. This allows us to publish an implied confidence level with each recommendation." The confidence levels range from 65% to 80% and reflect Knudsen's and his team's assessment of the reliability of each call. However as Knudsen stresses, "This service is all about market timing, we don't pretend to be fortune tellers. The service is designed to interpret, track and spot changes in majority market sentiment and to assess the likely impact on the direction and timing of investor activity".

PIA now has 1300 registered users. Among them is Nick Gartside, a European government bond fund manager with Schroders in London. "We get an awful lot of technical research from various sources" says Gartside, "although with each recommendation that's published, the degree of bullishness of bearishness is seldom mentioned. PIA publishes confidence percentages with its levels and this helps compliment my own technical research".

**Using candlesticks**

Time periods covered by PIA are intraday, weekly and quarterly. This suits the DrKW client base served by Knudsen's team. Their clients range from bank proprietary desks and hedge funds to real money accounts, corporates and central banks. Each market and time period features up to 3 candlestick charts containing a minimum of conventional chart analysis such as the plotting of trendlines and



**Figure 1.** The PIA fixed income page for weekly Bunds

