

CONTENTS

Feature Articles

This month's focus: **Big Data and HFT**

Overview	<i>Keisuke Ito, CMA, CIIA</i>	2
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Articles

Big Data for Equity Investments	<i>Takashi Suwabe, CMA</i>	6
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This paper discusses potential benefits and challenges in implementing big data analytics to the equity investment process in a systematic manner. Use of big data analytics enables investors to expand the information set and helps generate consistent returns.

High Frequency Trading and Liquidity: Global Perspective	<i>Jun Uno</i>	18
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The increasing presence of high frequency trading (HFT) in most advanced countries is changing the stock market liquidity provision picture. According to recent empirical studies on HFT, low latency is most utilized by liquidity providers who can enhance their risk management of inventory and limit orders. Critics of HFT propose a switch to batch auctions from continuous auctions, but this would essentially be a retrogressive movement in terms of the progress of modern financial markets. It is thus important to understand the liquidity provision function in detail in order to implement policy in the stock market.

Effects of 2014 TSE Tick Size Reduction on Domestic Stock Market: An Empirical Study	<i>Takaki Hayashi</i>	29
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In 2014 the Tokyo Stock Exchange (TSE) reduced tick sizes for TOPIX100 Index constituents twice, first in January and then in July. This paper examines the impact of the reductions using tick-by-tick limit-order book data obtained from the three major Japanese trading venues, TSE, SBI Japannext, and Chi-X Japan, and focuses on TOPIX Core30 constituents for the analysis. The data period is from January 2013 to mid-August 2014.

It was found that since the reductions the Japanese stock market as a whole has generally improved in terms of quality. It was also found that Chi-X has seen an increase in speed of limit-order book changes relative to the other two venues. Many challenges remain for future research.

Regulation of High Frequency Trading (HFT) in the US and Implication for Japanese Market	<i>Sadakazu Ohsaki, CMA</i>	40
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The US stock market has dramatically changed since the mid-1990s owing to regulatory reform carried out by the SEC to promote inter-market competition. Today, there are more than 50 trading venues competing for capturing sell and buy orders, including 18 registered exchanges and ATs and OTC market makers. HFT has emerged from this complicated market structure. Therefore, recent discussions for further regulation of HFT in the US should not be regarded as directly applicable to the Japanese market, which has a significantly different market structure.

Prospects

Development and Discussion of US Defined Contribution Plans	<i>Tsuyoshi Kawata, CMA</i>	50
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Economic and Industrial Analysis

Prospects for JGBs Based on Penetrating Analysis of its 50-Year History	<i>Jun-ichi Yonezawa</i>	57
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Point of View	<i>Kumi Fujisawa, CMA</i>	68
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Articles

A New Strategy Based on Investment and Profitability Factors	<i>Toru Yamada, CMA / Yuya Morooka, CMA</i>	72
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In recent years, asset pricing models based on investment and profitability factors have become popular. This paper tests the performance of a strategy combining the two factors in global equity markets.

The new strategy that is based on only financial statements, compared to strategies depending on market information such as value strategy, is expected to exhibit high risk-adjusted returns with low management costs, which is assumed to be appropriate for long-term investors. This result implies long-term investors do not necessarily chase stock prices.

Book Reviews	<i>Shigeki Morinobu / Tadashi Nunami / Naoki Kamiyama, CMA</i>	82
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SAAJ News		90
------------------------	--	----