

THE BIG CRUNCH

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Making millions from the data hidden in plain sight

PUBLISHED TUE, NOV 28 2017-9:14 AM EST UPDATED TUE, NOV 28 2017-12:46 PM EST



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KEY POINTS

Hedge funds pay big bucks for “alternative data,” information often hiding right under your nose.

Investors find value in satellite images, consumer-tracking data and information scraped from public websites.

Spending on alternative data totaled around \$200 million in 2016, a report said, a figure that’s likely to grow.



**VIDEO** 01:46

This man's

This man's making money off the data hidden in plain sight

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Being ahead of the curve has always been essential for serious investors, but the spread of big data has made it easier than ever to find value in the data hidden in plain sight.

From companies' internal analytics to satellite photos, scraped website data to tracking consumers' locations, hedge funds and institutional investors are always looking for creative ways to get the edge in investments.

Behind a lot of this is Tammer Kamel and his company [Quandl](#), a 6-year-old Canadian firm specializing in buying and selling data. The company finds data sets — either by partnering with a “domain expert” or scraping the web itself — and sells them to hedge funds for tens or hundreds of thousands of dollars.

“We live in a world where if you connect to the right database, you could know anything you want about the economy,” Kamel told CNBC. ([Watch the full interview below.](#))

“We're going out to places Wall Street has never explored before and finding data that is highly relevant to professional traders.”

Take car sales, for example. Investors focused on the auto sector used to have to wait for earnings calls to get the latest figures from companies like [Ford](#) and [General Motors](#).

“Every time someone buys a new car, what's the next thing they do?” Kamel said. “They buy an insurance policy. If you're counting those insurance policies, you're inherently counting new car sales.”

So to get a jump on that data, Quandl partners with a car insurance company: Data included in new policies give insight into the health of the auto market, and before the companies report it to investors. That's everything from make and model to body color and the owner's demographics.



“ I can tell you something about a stock that nobody else knows. You could make money on that.

—Tammer Kamel

CEO, QUANDL

It's not just insight gleaned from well-connected companies with petabytes of data. Kamel laid out another source of insight that's literally pulled out of the air.

“What we're interested in doing is tracking corporate, private jets,” he said. Most companies hide the identity of their corporate jets, but it's possible to unmask them, Kamel said. Researchers carefully watching websites like [FlightAware.com](https://flightaware.com) could theoretically piece together flight records to figure out individual planes' tail numbers.

Knowing where a company's CEO is traveling and changes in the executive's travel patterns could be helpful in detecting M&A activity.

“It means nothing for certain,” he said, “but as an added piece of information for those investors who are monitoring companies that are in play or are hungry for acquisitions, this is gold.”



VIDEO 23:52

Meet the man finding secret data sets and selling them to hedge funds



The idea of using creatively derived information for finding alpha is nothing new, but the growth of big data allows for many more data sets and a wider variety of them. Alternative data is still a niche research tool among hedge funds, but it’s growing in popularity. In 2016, alternative data generated about \$200 million in spending, according to [research from the Tabb Group](#). That figure is expected to double over the next five years.

“I can tell you something about a stock that nobody else knows,” Kamel said. “You could make money on that.”

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