

The Business Economist at Work: Thomson Financial Services

By Nancy J. Kimelman*

Thomson is a leading provider of real-time economic, technical and fundamental analysis of fixed-income securities and foreign exchange markets to clients globally via various screen services. As a financial markets economist, most analyses are made within minutes of news scrolling across newswires, and more lengthy reports are completed within thirty minutes of release. The company also provides the results of weekly polls of economists to provide a consensus for the next two weeks of economic data. The focus of work is short term and on the short end of fixed-income securities markets. Services are sold directly to clients, so that the compensation for this line position depends on quick and successful interpretation and marketing of information.

FACE IT: Economics is not a profession known to most high-school students. Like many of my generation, when I was kid I dreamed of becoming a doctor, preferably one who would work in as exciting and action-packed environment as the MASH unit I saw on TV each week. I dutifully took the science and math courses required for a pre-med concentration when I first hit college, and then it hit me. While I loved MASH, I hated the natural sciences, found three-hour labs woefully boring, and got faint at the sight of blood. Luckily, after I picked myself up off the floor, it wasn't long before I realized an intense attraction for markets. Which is how and why I became a financial market economist.

Since I joined Thomson Financial nine years ago, I've been lucky enough to join my craving for the

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excitement and immediacy of a MASH unit with what has become an intellectual as well as visceral attraction to the financial markets. Thomson Global Markets is a leading provider of optional services that offer real-time economic, technical and fundamental analysis of the fixed-income and foreign exchange markets to clients globally over the Telerate, Bloomberg, Bridge and Reuters networks. As Chief Economist located in our Boston office, I spend my day providing real-time economic analysis that supports traders, salesmen and investors in these markets. This work entails a full range of macroeconomic analysis, from covering Greenspan's Humphrey-Hawkins testimony or the employment report to writing a daily comment that sheds light on a little-known or underappreciated trend in the economy to forecasting interest and exchange rates.

MASH surgeons performed what they called "meatball surgery" at the front, i.e., their aim was to stabilize incoming wounded, often for transfer to an army hospital for considered care. Sometimes those wounded were not seriously ill; their wounds were treated at the MASH facility and the soldiers returned directly back to their units. It seemed that all too often, however, the surgeons had no alternative but to attempt complicated surgery in the less-than-ideal conditions of the mobile unit. You may remember the episode when Charles, a surgeon from Mass General Hospital, took his first turn in the operating room. He was appalled.

ÔMEATBALLÖ ECONOMICS

At Thomson, I practice "meatball" economics. At my job, I provide real-time analysis for clients to react sensibly to incoming economic and political news. The key word in that sentence is "react." This is not the stuff dissertations are made of! My initial analysis must be completed within minutes of the news scrolling across the newswires. My "full" analysis of the monthly employment report is finished within thirty minutes of its release.

Often, the economic news is not critical, so the little time and effort I expend to cover the event is all

anyone needs to go on with their day. But sometimes economics circumstances conspire to make it seem like the world—or at least a great deal of cash—hangs on my quick analysis. Especially in recessions, bear markets, and times of political unrest, the need for fast, accurate analysis can be overwhelming.

Many academic economists, I suspect, would be appalled if they saw me in action. They needn't be, for the economics I practice is good, sound economics even if it's far removed from the economic analysis that has benefited from intensive research, econometric testing and peer review.

Consensus Building

Thomson provides a critical service to the market with the economist survey we conduct every Friday. About thirty economists in the financial community are polled for their estimates of the next two weeks' numbers. We tabulate the results and post them to our screen services, which are available on Telerate, Bloomberg and Bridge. We also make the survey results available to the press. *The Wall Street Journal* and *Barron's* carry the results of our U.S. survey each week. In fact, the three global editions of *The Wall Street Journal* report consensus figures from the Thomson surveys conducted in the United States, Europe and Asia.

Efficient markets price in information as it becomes available, so my job on the screens is to analyze the "new" news that hits the Street. My write-up of economic data releases will make short shrift of the known trends in the data, therefore, and focus either on new trends that may be in the works or on deviations from existing trends. I think this is one of the reasons why Wall Street economists like myself often sound alarmist; we forget to state the obvious.

Short-term Focus

Not only does the analysis we provide have a very short fuse, it often focuses on the short end of the market. Chairman Greenspan, and Volcker before him, have done a lot to bury the fine art of Fed watching. Nevertheless, participants in the markets always want to know if a piece of news will alter the Fed's thinking or bring it closer to a rate adjustment. The globalization of the financial markets has added another twist to our work. Now the markets also want to know if the news will affect the likelihood of foreign exchange intervention here in the United States or by a foreign central bank.

Macroeconomists working in the 1970s and 1980s typically passed new information through their quarterly econometric models to estimate the impact on GDP growth, interest and exchange rates, the federal budget and Fed policy. There's no time for that sort of thing anymore, and I'm not sure the process had better

results than the quick back-of-the-envelope forecast adjustments that economists like myself perform now. A lot of what was made explicit in those economic models has been internalized by financial market economists. And a lot of that has been adopted by traders, salesmen and investors themselves. The level of sophistication of those we serve has increased probably ten-fold in the past ten years. I have to believe the easy access to economic analysis over screens is one reason why that is so.

Biographies of Important Economic Figures

This was not a subject I learned much about in grad school. While most economists idolize the economists who have made a brilliant contribution to the science of economics, players in the financial markets idolize those who practice economics brilliantly. Ask a trader which economist she holds in highest regard, and the answer is as likely to be Treasury Secretary Robert Rubin, an ex-trader, as it is Alan Greenspan, a card-carrying economist.

Because economic policy has played such an important role in the business cycle, for better or for worse, comments of high-ranking government officials are considered at least as important as fresh economic data. Thomson's economic calendars have been amended with the addition of an events calendar listing who is speaking, when, where, and why. I spend a good chunk of my day watching the newswires out of the corner of my eye, on the alert for remarks made by senior Treasury and Fed officials. It may seem a waste of my time, but this is exactly the service my firm provides. Thomson's clients get my seasoned point of view of minor and major events, within minutes. If I weren't watching the news, my ability to respond quickly would be compromised.

STAFF VS. LINE POSITION

When I accepted the job at Thomson nine years ago, I passed up an opportunity to be the chief economist for a large regional bank. Although the immediacy of the work would have been less, in many respects the job would have been similarly focused. But there was one big difference between Thomson and the bank. At a bank, an economist is in a staff position. One supports trading activities, one sits on an asset/liability committee or the investment committee, one provides forecasts for the planning group—all important jobs, but none brings money into the bank on its own. At Thomson, the services to which I contribute are sold directly to clients who pay Thomson a monthly subscription fee to access our screens. I am the product, in other words. My salary depends on sales, which depend in large part on how well I and my colleagues analyze and write.

Being in a line position makes me an entrepreneur

as well as an economist. I created the screen-based Thomson Global Market's Fundamental Service nine years ago and have since designed, and redesigned, Economics 24:00, a global economics service. The creation of these products entailed the full spectrum of product development, from market research to prototype development to overseeing marketing and sales efforts. Thomson Global Markets has a very aggressive sales force, but generally members of our sales team are experienced in sales, not the financial markets. Therefore, I participate in the sales process in a variety of ways. Sometimes I'm passing along leads, sometimes I'm out visiting potential clients to facilitate

closing a deal. I travel often to supplement the electronic connection I have with clients. Even though my time is leveraged, allowing me to service thousands of clients quickly, each client has my phone number and e-mail address. After all, I have a bottom line to worry about.

Two things attracted me to Thomson nine years ago and has kept me here ever since: the opportunity to play the role of MASH economist for the financial markets and my dual role as economist and entrepreneur. It's a stressful life, but I thrive on the stress brought on by the need to assimilate quickly new information or the challenge to close another sale.

ABRAMSON AWARDS

On the recommendation of the Editorial Board of *Business Economics*, the Board of Directors of the National Association of Business Economists has given the following awards for articles published in *Business Economics* in the four issues ending with the July 1998 issue:

The A. G. Abramson Award for the best feature article:

Van Doorn Ooms, "Economic Growth, Budgetary Balance and 1997 Fiscal Policy," October 1997

A. G. Abramson plaques for outstanding feature articles:

Donald Anderson, "European Monetary Union in a Globalized World Economy: The Beginning of the End for Europe," January 1998

Guy D. Billoud, "Implications for International Business of European Economic and Monetary Unification," January 1998

Roger Chen, "An Analysis of China's Economic Development Policies and Prospects," July 1998

Richard D. Rippe, "The Impacts of a Balanced Budget on Financial Markets," October 1997

J. Fred Weston, Piotr S. Jawien and E. James Levitas, "Restructuring and Its Implications for Business Economics," January 1998