Equity Investment Strategy: Can shipping data predict financial performance?

Maritime & Trade Data from IHS Markit

Firms looking for an edge in trading strategies are turning toward the use of valuable alternative data sources. Maritime shipping data has been popular across the spectrum from live vessel tracking to bill of lading information, outlining US import and export volumes for commodity groups.

In a recent research paper, the IHS Markit in-house quant team have leveraged U.S. waterborne trade data to track shipping activity for companies in the Russell 3000. Using a standard long/short market-neutral earnings strategy they have generated an average annual return of 11% by investing based on changes in a securities shipping activity.

We have also expanded on our analysis in our research paper to include several different case studies:

Case Study Example: A popular sports apparel company

For a high growth sports apparel company with its largest consumer market in the United States, monitoring US import/export activity revealed a significant indicator influencing the company’s financial performance.

Below charts show a comparison of US import shipment volumes to the stock price and sales figures:
Case Study Example: A Global Energy Company

An American independent global energy company completed a strategic business transformation. Initially, the company was heavily invested in downstream oil operations. After monitoring the import/export activity of crude oil tankers, the energy company noticed leading indicators of a market shift and sold off all operational assets. The company modified its approach & now focuses upon exploration and production of crude oil and natural gas.

Below charts show a comparison of US import shipment volumes to the stock price and sales figures:

A decrease in overall trade activity
Reveals a leading indicator prior to the company's decrease in reported sales

Data shows a tight correlation for every metric ton shipped to dollar earned with an R squared of 0.64.

A healthy stock price accompanied the strategic change
Shipment activity is no longer a factor

Consensus sales estimates continued to climb while shipment volume into the US market declined

For more in-depth analysis, access the full research paper here

U.S. Bill of Lading Data: Company Profiles Research Paper:

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