

Now everyone can play super investor

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High frequency trading - flash trading - has been the Rolls Royce of investment strategies for a long time. Nice, *and* expensive. But in only a short time, everyone will be able to play the game.

Superfast electronic trading, whereby computer models scour exchanges searching for profit, is no longer the prerogative of the big boys. With an investment of just 100,000 Euros a year, anyone can now start up, and as an investigation into the industry software vendors shows, 'You can make 20,000 Euros a month, just like that.'

At the Screen Event in Amsterdam yesterday, suppliers to the financial industry like Actant, Interactive Data, Markit and RTS showed off their latest offerings. All the tools needed to undertake flash trading can now be easily obtained: superfast connections to exchanges, quote engines and algorithmic computer programmes. Even co-location can be hired from 15,000 Euros a year, allowing a trader to install his computer next to the exchange's, enabling ever faster order entry.

Flash trading had been the luxury brand on exchanges for years. Mathematicians, scientists and even Nobel Prize winners developed computer programmes that could trade with minimal human intervention, through algorithms. But it was an expensive business. Just like the installation of fiberglass cables and the building of datacentres needed to achieve the ultra fast speeds. Big electronic trading firms trading their own accounts easily spent millions of Euros.

But thanks to these algorithms being made available, and with direct connection to exchanges, flash traders can now beat other investors. And how, it seems: even at the low point of the credit crisis in 2008 when banks lost billions, they, allegedly, made mega profits. So, now that the expensive infrastructure and algorithms are here, Joe Bloggs is allowed to ride the wave alongside the corporates. 'Customers hiring software and connections with us, sometimes show enormous volumes with only two traders', says one supplier. However, this extra competition amongst flash traders has contributed to declining margins in the industry, especially in the current quiet markets. The end to exclusivity possibly also means an end to mega profits.

'In the past systems were only designed and built specifically for customers. For a few years now though, you've been able to rent or buy everything off the shelf', says Mark Knowles from Actant. 'Additionally, prices have gone down 30-40% in the last couple of years'.

That said, even 100,000 Euros isn't quite enough. A new starter also needs capital to trade and for clearing. 'The only other thing missing is a good idea, a trading strategy', says Knowles, 'And that's not for sale'.