2024

Alternative Data Report:
The Year in Review

| December 2024

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Letter from Michael Finnegan, CEO, Eagle Alpha

Dear Partners and Colleagues,

As we close another great year, I wanted to take a moment to reflect on the significant developments that shaped the alternative data industry in 2024 and share my perspective on the road ahead. The alternative data industry continues to evolve and remains a dynamic and growing space. This is evidenced on several fronts across technology, compliance, vendor consolidation and the continued demand for new, differentiated data.

At Eagle Alpha, our mission has always been to empower our clients with insights and opportunities derived from cutting-edge data solutions, and this past year has underscored the importance of adaptability, innovation, and collaboration in achieving that goal.

In 2024, the use of alternative data and AI in asset management continued to advance, offering both significant opportunities and potential challenges. Applications we have seen include enhancing asset allocation decisions, compliance monitoring, and strengthen portfolio risk assessment. However, to address the associated challenges, it will be crucial to prioritize human oversight and ensure that controls remain central to policies and procedures.

Two areas of notable demand were for unstructured data for LLM and NLP applications, and secondly APAC markets like Japan and India which received heightened investor attention due to economic shifts. Sourcing robust data from these regions remains a priority, and the Eagle Alpha team are focused on connecting our clients to these emerging opportunities. Furthermore, evolving market demands called for more diverse and sophisticated data offerings. The corporate data market represents a unique opportunity for these data sources, and we are continuing to work with Corporates to bring these datasets to market.

Legal and compliance challenges also shaped the year for the industry. The implications of the CFPB's 1033 ruling and how it could impact consumer transaction vendors was noteworthy. Although initial concerns arose about potential restrictions, major card data vendors were able to demonstrate established (existing) consent practices. Ultimately, the ruling led to more scrutiny on fintech and open banking, a shift that aligns with broader industry trends on consumer consent. Vendors responded to regulatory and cybersecurity risks by

strengthening their processes, further highlighting the adaptability of the industry.

On the supply side, this year saw notable consolidation with several high-profile deals. S&P Global's acquisition of Visible Alpha aims to improve its Capital IQ platform with fundamental research tools, while GlobalData's acquisition of employment data provider LinkUp aimed to enhance strategic intelligence offerings. Additionally, Sensor Tower's acquisition of data.ai helped them to increase their coverage across mobile app and the digital economy. We would expect this consolidation trend to continue in 2025 as leading providers continue to scale.

As we look to the future, I remain optimistic about the positive trajectory of the alternative data industry. At Eagle Alpha, we are committed to staying at the forefront of innovation and delivering solutions that address our clients' evolving needs. We are excited to continue working with you and look forward to our partnership in the year(s) ahead.

Thank you for your continued support and a special thanks to all the team at Eagle Alpha for the fantastic work throughout this year. Wishing you a successful and prosperous year ahead.

Warm regards,
Michael Finnegan
CEO, Eagle Alpha

Weather's Influence on Quarterly Earnings
Contribution from weathertrends360

"Weather and climate-sensitive industries, both directly and indirectly, account for about one-third of GDP," said the National Oceanic and Atmospheric Administration (NOAA) in front of the U.S. Congress some 20 years ago. By today's standards, that's $9.5 trillion impacted by the ever-volatile weather. While there have been 396 major weather disasters since 1980 costing the U.S. $2.8 trillion, it's the subtle changes in everyday weather that are impacting equity performance of big retailers and seasonal merchandise suppliers.

2024 was indeed a severe weather year with the worst Spring floods in 31 years, most tornadoes in 13 years, 2nd worst hurricane damage in 174 years, 216% more wildfire acres burned than prior years, (the most in 4 years) and then followed by the hottest/driest Fall in U.S. history. But it's not just extreme weather impacting equity performance.

Home Depot (NYSE: HD) earnings and stock trends show clear signs of the weather's influence on overall performance. Home Depot Chief Financial Officer Richard McPhail said:

"Weather pressured sales, too, in the recent quarter. Spring is the biggest sales season for home improvement retailers, including Home Depot. Yet customers delayed outdoor purchases because of colder and wetter weather in many parts of the country."

Figure 17 below shows U.S. rainfall and temperature trends validating the weather was indeed the wettest in 26 years, but the warmest in 12 years. Clearly, this hurt demand for outdoor Spring seasonal goods, like building materials and lawn and garden.
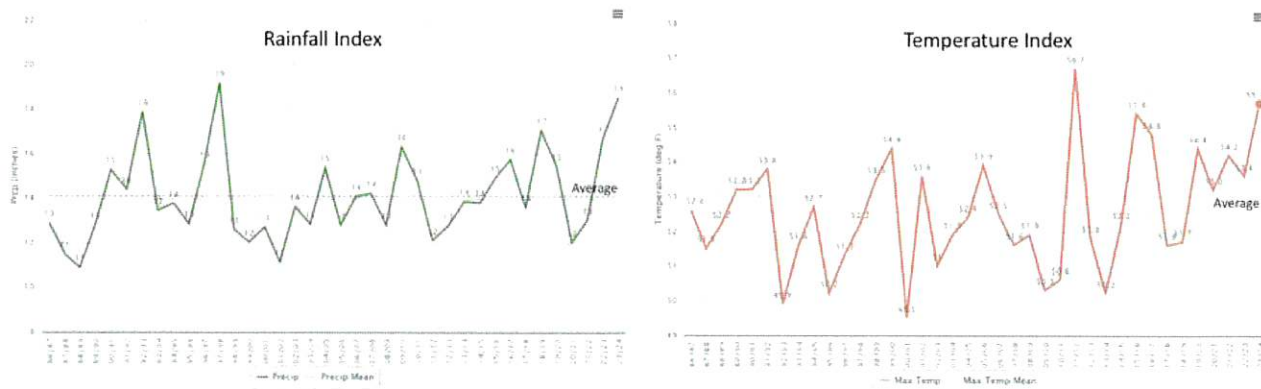

Figure 17: U.S. Rainfall and Temperature Trends Through April 2024 Across All Home Depot Stores
(Source: weathertrends360)

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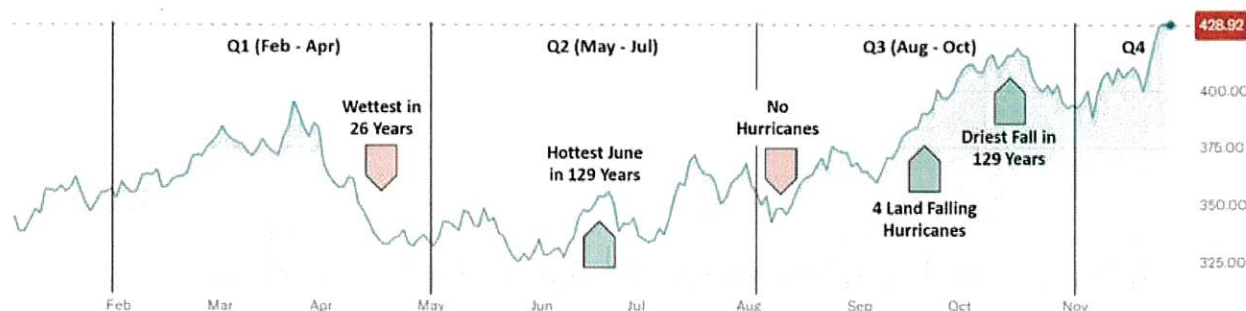
Figure 18: Home Depot Stock Price and Major Weather Events
(Source: weathertrends360)

What did Wall Street expect for Q1 (Feb-Apr)? Factoring in all the known macro-economic factors, like higher interest rates (6.4% in Q1 2023 vs 6.7% in Q1 2024), the Street expected HD to report -2% Same-store-sales (SSS) for Q1. What they didn't know was just how wet it was and how that would ultimately bring a surprise to HD earnings. They reported -2.8% SSS, lower than expected, due in large part to the one thing that changed – the wettest early Spring in 26 years. As a result, the stock price fell from a Spring high of $395 to a May low of $308 (-22%).

The next big uptick in sales came with the hottest June in 129 years across the U.S. driving triple digit sales gains for everything under the sun, including higher-margin, big ticket items like Air Conditioners. This helped bring a +15% bounce in HD stock price.

Then everyone waited for the big hurricane season to start which went unusually quiet in August. And we all know what happened in September and October with four landfalling hurricanes devastating Florida and the Southeast U.S. weathertrends360 Power of 1 Degree® technology has quantified how seasonal sales go up and down with every degree of temperature and every inch of rainfall and the benefit, or detriment, of landfalling hurricanes on 100 equities. Home Depot historically benefits from warm/dry weather year-round supporting consumer outdoor project purchases, but also about a 50-basis point surge with every landfalling hurricane.

What did Wall Street expect for Q3 (Aug-Oct)? The consensus was that HD would report -3.2% SSS. What they didn't know was just how dry it would be during Fall benefiting HD seasonal sales but also the impact of four landfalling hurricanes on building materials and storm-related merchandise. 50 basis points x 4 hurricanes should have meant a 2% upside surprise. Home Depot reported Q3 earnings on November 12th with much higher-than-expected earnings and SSS down just -1.3%, beating the Streets expectations by nearly 200 basis points.

Weather Trends Equity 100 Report & Data, with historical and year-ahead outlooks, helps to eliminate some of these hit-or-miss earnings surprises as they relate to weather's influence on a hundred weather-sensitive businesses.

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Julie Millen has been leading customer success initiatives at Eagle Alpha since 2023. She is dedicated to enhancing our client experiences and satisfaction, drawing on her extensive background in client relations and wellness entrepreneurship.