

# An ECB update to remember for CTAs

Stockholm (HedgeNordic) - CTA funds were seemingly caught off guard Thursday last week as markets were underwhelmed by the European Central Bank's decision to cut the deposit rate to minus 0.3% and extend its bond buying program by six months.

As the bearish trend in the euro dollar cross intensified in November, trend following CTAs had moved strongly into the trade, betting for it to continue, according to a recent report from Lyxor Asset Management.

Data from the U.S. Commodity Futures Trading Commission also show that bets by hedge funds on the euro falling outnumbered bets on the euro rising by 4.7 to 1 as of November 24.

With the euro rising by more than 3% against the dollar while government bond yields jumped and European equities plummeted following the announcement, many CTA hedge funds, including those in the Nordics, were badly hit.

Daily NAV figures from Avanza suggest that Nordic CTAs took a severe beating, in many cases giving back the gains seen in November in a single day move. Lynx Dynamic was down a massive 5.98% on the day while SEB Asset Selection shed 0.84%, Alfa Commodity Fund lost 2.02% and Graal Trendhedge, which tracks the Estlander & Partners Freedom Fund, dropped 3.1%.

Among the large international CTA programs, numbers were equally bad. Man Group, which runs \$76.8 billion in assets, said on its website that its \$4.4 billion AHL Diversified fund lost 5.1% on Thursday. Aspect Capital, which runs \$5.1 billion in assets, saw its flagship computer-driven fund fall 4.5% on Thursday, according to an investor update reviewed by The Wall Street Journal.

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