Global Macro and CTA – Same, same but different

Stockholm (HedgeNordic Teaser) – Providers of hedge fund indices typically view Macro and CTA funds as being part of the same strategy group. The fact that both strategies aim at capturing broad market trends in a wide range of asset classes makes the comparison viable, however there are also periods when the individual strategies show great performance dispersion.

Overall Macro and CTA strategies share a common characteristic of seeking to produce returns when markets move broadly, independent of direction. However, the way they exploit these trends could vary immensely. The CTA category is more homogenous in nature as it looks to detect and exploit price trends by using computer algorithms. At its core, the strategy is trend following meaning that it looks for momentum in a wide range of asset classes and buys and sells in the direction of the trend. In order for a CTA to start building positions, it needs a price trigger from the underlying market, it does not try to anticipate a market move. Trades are carried through via liquid futures contracts primarily.

The typical Macro strategy, on the other hand, tries to assess the potential impact the fundamental economic data picture on asset prices. It does not need a price trigger in order to move into a position, rather it forms a view on over- and undervalued markets or contracts and buys low and sell high. This means that the typical Macro strategy takes positions ahead of a big market move and moves out of a position when the fundamentally justified value (according to the manager) has been reached. In this way, CTA and Macro complement each other, they capture the same market trends but in a different fashion.

You can read the full article on pages 11-13 in the Special Report on CTA & Macro Strategies 2016

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