

Estlander & Partners post losses in March as market sentiment turns

Vienna (HedgeNordic) – March saw Finland's Estlander & Partners (E&P) reporting drops of -3.79% (+6.05 YTD) for its Alpha Trend CTA program and -3.49% (+2.55% YTD) for its Freedom strategy, the latter of which combines investment models employed in the Alpha Trend and Global Markets programs. The drops followed returns of +4.47% and +3.52% for Alpha Trend and Freedom respectively in February. Both programs have track records dating back to 1991.

E&P, which has \$496 million under management and has an annual return of 10.3% on both programs, attributed the losing month to trend reversals in March. A turnaround in financial markets due to renewed monetary stimulus from central banks assuaged investor fears of an impending global downturn and increased risk appetite, with the measure of market turbulence known as the VIX declining for the first time since October 2015. This impelled E&P's strategies to close out short risk positions that had been profitable during the market turmoil at the beginning of the year.

The biggest moves were seen in commodities and equities. Within commodities, Alpha Trend and Freedom started the month with short positions on an aggregate level, before closing them out and switching to longer positions as commodities rallied on the broad front. Energies were among the strongest markets, with oil topping \$40 a barrel for the first time in three months, allaying concerns that demand was collapsing. Within equities, Alpha Trend and Freedom also closed out short positions as markets rebounded.

E&P estimates, however, that returns due to monetary easing by central banks are diminishing. This is particularly the case in Europe, where the inflation rate turned negative and consumer confidence worsened during March, despite monetary easing of €720 billion from the ECB. With investors pulling money out of European equities at the fastest pace since 2014, the Euro Stoxx 50 Index is down over 15% since quantitative easing began in 2015 and is, technically speaking, in a bear market. E&P projects that with political risks looming in the U.S. and the U.K. and with growth and inflation stuck at low levels in Europe, the market needs better earnings revisions and some economic surprises, if recessionary forces are not to dominate the economic landscape.

Picture (c): wongwean – shutterstock.com