

Lyxor anticipate recovery for long/short equity

Stockholm (HedgeNordic) – In its latest review of the hedge fund industry, Lyxor Asset Management makes the case for a comeback of long/short equity strategies. So far in 2016, equity long/short is the biggest loser among the hedge fund strategies tracked by the Lyxor Hedge Fund Index, with declines of 3.8 per cent year-to-date.

The reasoning behind Lyxor's argument is that long/short equity funds so far this year has suffered from a rotation in risk factors where value stocks have outperformed defensive and low volatility stocks as proxied by the momentum factor. In recent weeks this relationship has turned around and according to Lyxor that will benefit the long/short space.

"Defensive and low volatility stocks, proxied by the momentum factor, have rebounded over the recent weeks. Meanwhile, value stocks went south and underperformed the market. This pattern (momentum up, value down) is actually a return to the normality of the past five years and is taking shape more globally. Importantly, this is having positive implications on L/S Equity managers that have collectively maintained a defensive positioning", Lyxor states.

In summary, Lyxor believes that the underperformance of long/short equity strategies has come to an end, as a consequence they upgrade their recommendation on Market Neutral L/S Equity managers to slight overweight. Meanwhile, they maintain the recommendation on variable biased L/S Equity at slight overweight and long bias L/S Equity at neutral.

Picture (C): cosma – shutterstock.com