

CTAs adjust long fixed income exposure amid rising bond yields

Stockholm (HedgeNordic) - As fixed income markets have faced some pressures lately, CTAs have sharply adjusted their long exposures to the sector. Trend followers have even turned their US fixed income exposure and is now short duration in US bonds. Meanwhile their long European fixed income exposure has been massively shaved off, from 87% of net assets to 24% in a single week (from October 4th to October 11th), Lyxor reports in its latest weekly brief.

Instead CTA managers have piled up on long energy positions, and is now net long from being net short a few weeks ago.

Lyxor holds a neutral weight to CTAs and downgraded the strategy in mid-September from overweight. The reduction was based on the perception that the long fixed income exposure was too aggressive. Lyxor stand ready to re-weight the strategy but deteriorating conditions for trend following, as reported by the SG Trend Indicator, makes the asset manager hold back for now.

The Lyxor CTA Broad Index has struggled in October and is down 3.8% for the month,. bringing year-to-date returns to -2.4%.

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