CTAs suffer in September, turning Q3 negative

Stockholm (HedgeNordic) – September turned out to be a difficult month for CTA strategies, with the SG CTA Index entering negative territory for the first full quarter since Q2 2015.The index ended the month down 1.20 per cent, according to figures from Societe Generale Prime Services.

All of SG's managed futures indices had negative performance in September, with the SG Trend Index down 1.93 per cent. The SG CTA Index continues to lead performance year to date and is still in the black at 0.95 per cent, followed by the SG Short Term Traders Index up 0.59 per cent.

Attribution data from the SG Trend Indicator showed a mixed contribution to performance from different asset classes. Equity indices and currencies contributed to positive returns – at 0.45 per cent and 0.25 per cent respectively – benefitting from a variety of directional positions across markets.

In contrast the commodities, bonds and interest rates sectors contributed -0.65 per cent, -0.23 per cent, and -0.08 per cent. Despite challenges in the bond sector, the asset class remains the top contributor to year to date performance, at 6.78 per cent.

Tom Wrobel, director of alternative investments consulting at Societe Generale Prime Services, says:

"CTAs have had a strong run of performance, the third quarter of 2016 is the first negative quarter since Q2 2015, and this has been reflected in a corresponding uptick in interest from institutional investors. Trend following strategies have faced difficult market conditions, but currently have a high degree of position diversification, with both long and short positions within all asset classes. Year to date there are still positive figures, and we will look for a turnaround in Q4."

The Nordic Hedge Index (NHX) CTA sub-index is indicating a depreciation of 1.64% for the month of September, still in positive territory up 2.8% for the year (88% conviction level). Pushing down NHX-CTA was ALFA Axiom Fund, giving up 12.1% for the month Septemeber (-1.9% YTD). For the fund, formerly ALFA Commodity Fund, it was the single largest monthly drawdown, and the first ever double digit pullback, since inception in June 2010.

Picture: (c) kentoh—shutterstock.com