Last Meal for Hedge Funds?

Stockholm (HedgeNordic) – Hedge funds gained 2.8% on average in January, notching up the strongest monthly return since September 2010 and enjoying the best first month for the industry since 2006. The strong performance comes on the back of a wild run for equity markets in January, which recorded their strongest January since 1997.

According to hedge fund data provider HFR, the hedge fund industry has now recorded 15 consecutive months of positive returns. The HFRI Fund Weighted Composite Index, an equal-weighted index that includes more than 1,500 single-manager hedge funds, gained 8.6% in 2017.

“After a historic year in 2017, hedge funds began 2018 extending strong gains, even as realized and implied volatility associated with global equities, currencies (including cryptocurrencies), commodities, fixed income and the outlook for global inflation all increased,” Kenneth J. Heinz, the president of HFR, said in a statement. “Hedge funds will continue to navigate these volatile markets and asset classes in 2018, monetising opportunities generated by US tax cuts and infrastructure spending, US monetary policy, and corporate M&A and special situations. These themes are likely to drive performance and industry growth in 2018,” he added.

Macro hedge funds collectively formed the best-performing group within the industry, recording the best monthly gain since February 2008. Macro strategies gained 3.7% last month, with quantitative trend-following CTA strategies leading the pack regarding performance. Equity-focused hedge funds also delivered strong gains, advancing 3.0% during the month.

U.S. equity markets rallied sharply in January before entering correction territory on Thursday this week, with global equity markets following suit. The Dow Jones Industrial Average dropped 2,776 points from its all-time high reached on January 26, equating to a 10.4% drop. The Dow posted a quadruple-point drop twice this week. The S&P 500 Index has also officially entered correction territory, with the benchmark closing 10% below its high on January 26.