Nordic CTAs Hungover After Stellar January

Stockholm (HedgeNordic) – Nordic CTAs, as measured by the NHX CTA Index, enjoyed an exceptionally strong start to 2018, gaining 3.8% on average in January (86% reported) as market trendiness accelerated in various sectors. This was the largest monthly gain for the NHX CTA Index since January 2015. Much of these gains have apparently evaporated in early February, however, as equity markets plunged in an already-familiar domino style across the globe.

Nordic CTAs marginally outpaced global peers last month, with the BTOP50 Index advancing an estimated 3.1% in January. The BTOP50 Index, a widely-used benchmark for commodity trading advisors (CTAs), seeks to reflect a fair representation of the overall managed futures industry with regard to trading style and market exposure. In a similar fashion to certain Nordic CTAs, the BTOP50 Index fell an estimated 2.0% thus far in February. The SG CTA Index, another benchmark tracking the daily performance of major CTAs, retreated 1.4% during the first five days of February.

Such outstanding performance on the part of Nordic CTAs and their international peers in January was driven by solid upward trends in equity markets. The trendiness was not solely limited to equity markets, with the U.S. dollar continuing its decline against major currencies, and crude prices increasing to two-and-a-half-year highs as a result of falling inventories. However, a lot of momentum players and trend followers appear to have scooped huge losses so far in February, after the Dow Jones Industrial Average inexplicably plunged the most ever on a point basis at the beginning of the week in tandem with other global equity indices.

The RPM Evolving CTA Fund, which invests in CTA managers in the so-called "evolving phase", was the best-performing fund among Nordic CTAs last month, gaining 13.1%. Estlander & Partners Alpha Trend II, a high leverage version of the Estlander & Partners Alpha Trend program, was up 12.2% last month. Lynx, a fund that uses a fully systematic model-based investment approach to identify trends and other patters in financial markets, gained 8.6% in January, though market conditions swapped the floor with Lynx's models early this month. Lynx has retreated 11.3% this month through February 6.

Coeli Prognosis Machines, a systematic macro strategy that combines financial models with artificial intelligence to identify trends, was down 3.7% in January. IPM Systematic Currency Fund also featured among the most battered Nordic CTAs in January, reporting an estimated loss of 3.4%.

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