

IPM in Contrarian Long US dollar bet as “Fundamentals Take Control”

Stockholm (HedgeNordic) – Stockholm-based quant hedge fund IPM Informed Portfolio Management has taken the other side of the trade in the US dollar, holding a significant long position in the greenback, Serge Houles (*pictured*), head of investment strategy told Bloomberg last week.

“One of the biggest positions we have now is the long dollar position. The dollar is one of the currencies that offers the best yield so the carry of the dollar is one of the most attractive”, he was quoted as saying.

According to Houles, the consensus in the market is that speculative positions on the dollar indicate that the market is short.

“It pays no attention to the political dimension, we are generally quite contrarian”, Houles said.

IPM, which manages about 5.5 billion USD in its macro strategy, relies on about 70 fundamental factors in its systematic model and uses no discretion in its management. It holds positions on average for one year. The long dollar position could have a shorter horizon because it is mostly driven by factors that are relatively shorter term, 4-6 months, such as the dynamics of financial flows, Bloomberg writes.

“These measures we use to measure financial flows are all very positive for being long the dollar. Financial flow factors tend to be more tactical and short term. Then the flow dynamics can turn around more rapidly”, Houles said.

The fund is currently also short the Swiss franc and the Swedish krona in its currency portfolio. In the bond portfolio it is long Bunds and short Japanese government bonds while it is long European stocks and short North American and Chinese equities. Overall the fund is short equity markets.

“These kind of moves that we saw in February were really driven by a normalization toward fundamentals given that risk has been mis-priced for many years. We find that fundamentals take control again and that is good for us”, Houles told Bloomberg.