

Never Go Against the Main Theme

Stockholm (HedgeNordic) – Danish entrepreneur, author and investor Lars Tvede (*pictured*) is setting up a hedge fund business to leverage his own success in macro-based investing over the years. Tvede, a Dane living out of Switzerland who co-founded several ventures such as forecasting company Supertrends and authored 17 books on business cycles, psychology, trading psychology and other topics, is awaiting approval from regulators to launch his Luxembourg-domiciled hedge fund called **Atlas Global Macro**.

“As the name suggests, Atlas Global Macro is a global macro-focused fund based on themes, employing a long-term-oriented and directional approach with an overlay of a tactical approach,” Tvede explains, in a nutshell, the strategy of the soon-to-be-launched fund. “I spend a lot of time thinking about the next big theme driving financial markets,” the Dane tells HedgeNordic. “Getting the big theme right is 90 percent of success,” he continues. “The last ten percent, the actual execution, is the smaller part.”

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Themes Take Center Stage

“Between 2000 and 2008, I was only doing macro-based investing,” says Tvede. “My average holding period across positions was about three months, but my average adherence to a theme was the entire period,” he emphasizes. Almost in every decade since World War II, one or a few broader themes dominated the global economy and markets. American tech, for instance, dominated in the 1990s, while the 2000s were all about emerging markets and commodities, says Tvede. “As we exited the Financial Crisis in 2008/2009, I could not figure out which sectors, markets or countries represented the dominating theme; there was nothing that stood out as it had done earlier,” Tvede tells HedgeNordic.

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“After a lot of reading and thinking, I realized that, of all the things, the equity risk premium was the dominant theme that really stood out,” says Tvede. The equity risk premium, the excess return compensating investors for taking on the higher risk of investing in equities, “was insane in recent years and has been very high for a long time,” he points out. “The equity risk premium, in my opinion, should be zero if you are a long-term investor. I could even argue that the premium should be negative.” To capitalize on this ever-rewarding equity risk premium, “one should just borrow money and invest in equities,” suggests Tvede.

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The “equity risk premium” treasure trove is just one of the many themes Tvede aims to capitalize on when running Atlas Global Macro. “We still have the equity risk premium as a main theme, but we also have quite a high number of other themes to exploit, including the switch from growth to value, the appeal of small-cap versus mega-cap and of emerging markets, cyclical outperforming defensive, promising conditions for metals, and the end of the hegemony of the U.S. dollar,” says Tvede. “All these themes are consensus,” emphasizes Tvede. “Does it matter if these trades or themes are crowded? Not always. For the dollar, over the long term, it doesn’t.”

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“For long periods over the last 30 years, I have made hedge fund-like investments for myself,” says Tvede. “Since I have been doing this for more than 30 years, I learned that I never should go against what I think is the main theme,” he emphasizes. “Because of tactical reasons, I might take the exposure down to zero, but I am very unlikely to go net short and I do not intend on engaging in a directional trade against the main trend,” says Tvede. “I may only take down the exposure when I notice short-term alarm bells. If I engage in shorter-term trading, I do so to control short-term risk rather than to squeeze value out of the market.”

Information Scrapers

These themes stem from insights collected by Supertrends, a forecasting company co-founded by Tvede that “uses crowdsourcing and artificial intelligence to look into the future.” Inspired by his two books on Supertrends, Tvede founded this forecasting company “to predict what goes on in the world,” according to Tvede. “One of the things we developed was a massive web-scraper that finds the most important stories about any technical subject,” he continues. “We divided the world into 200 subjects and created dashboards and attention indices. And we use AI to autogenerate summaries of the most important news globally about each theme.”

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In addition to using the AI-driven web-scraper from Supertrends, Tvede and his partners will also rely on “human scrapers” of information to find themes and investment ideas for Atlas Global Macro. “When reading research material from banks and paid research services, my partners and I will on a daily basis highlight information snippets that we find relevant to our business, then tag them to markets. These might be a couple of graphs, numbers or sentences that add to the picture of the world that my partners and I already have,” explains Tvede. “We are going to upload them on a proprietary app developed by Supertrends but adapted to Atlas.” This app will enable Tvede to find the most attractive themes across markets and understand the changing dynamics of these themes, enabling him to better position Atlas Global Macro to benefit from those themes.

Why Now?

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“For the last 20 years at least, there have been people regularly asking me why I am not starting a

fund,” Tvede comments on the decision to launch Atlas Global Macro. “I have been thinking about launching a fund several times, but I was always doing something else,” he adds. “However, I was also approached in Switzerland by a firm that has the permission to run funds in Switzerland, so they could help me with the infrastructure. For once, I found that the timing and the team was just right. We worked on launching the fund almost the whole of last year, there is a lot of preparation to set up such a fund.” Atlas Global Macro is expected to launch within two weeks after the fund receives the go-ahead from the regulator in Luxembourg. Tvede hopes the trading can start in March.