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## CTAs cash-in on futures market trends

**Mike Topping**

Strong trends in key futures markets have made for solid growth for Commodity Trading Advisers (CTAs) over the last 12 months.

Though index providers have not yet calculated February figures, returns from individual CTAs and managed futures hedge funds suggest that 2002's strong aggregated performance is still in full flow.

The strategy picked up in May last year, bringing the Carr Barclay CTA index up almost 14% in calendar 2002, and the CSFB Tremont index 18%. In the 12 months to February 2002, based on varied leverage levels, the Quadriga CGT

Futures Fund was up 138.54%, Winton Capital's futures fund 66%, and Mulvaney Capital's Global Markets Fund 44.88%.

"CTAs and global macro funds have been the dominant hedge fund performers over the last 12 to 15 months because they are reliant on established trends in a number of key markets," RA Asset Management cio, Jonathan Riley told *FO Week*. "There have been some good trends in short term interest rates, the strengthening of certain currencies against the US dollar, oil and, to some degree, precious metals."

An executive at a major US futures broker added, "CTAs benefit from trends that develop somewhat

slowly, allowing them to position themselves before there is an advantageous move."

"CTAs tend to take the other side of trades put on primarily as hedges. The reason they make money is they have disciplined trading strategies," said Mulvaney.

"There have been two strong continuing trends in falling interest rates and stock markets and a number of new phenomena," he added. As well as the falling dollar and rallies in oil and gold, these included a sugar rally from April/May and an upward trend in cocoa until October, which sold off sharply when a settlement was reached in the Ivory Coast. There are no signs

either of new trends kicking in, or of old ones yet "coming to a sticky end," said Mulvaney.

The returns have yet to garner substantial interest from funds of funds (FOFs) which, according to Riley, tend to stick to funds with familiar, albeit significantly poorer performing strategies. "FOFs are still not avid purchasers of CTAs and global macro funds; many are focused on areas that are more understood". However, the FOFs that stood out last year were the ones that included CTA and global macro strategies. This and an increase in top-down strategy-based allocation by FOFs should dramatically improve the asset gathering prospects for the \$50bn CTA industry.

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