

# Monthly Report – January 2018

## Clear Alpha Global Index (CLAXGBL Index)

**+0.20% in January, +6.08% in the last 12 months**

### About the Clear Alpha Global Index and its sub-indices

The Clear Alpha Global Index™ is designed as a benchmark for the universe of trading strategy indices. It is calculated and published daily. Its constituents and their respective weights are updated once a quarter.

At the end of January 2018, Clear Alpha's database contained 2,655 live and 1,812 discontinued trading strategy indices. Indices are considered for inclusion in the Clear Alpha Global Index™ if they i) are unique due to either a different algorithm, sponsor, region or asset class, and ii) aim to exhibit substantial de-correlation to traditional asset benchmarks.

### Clear Alpha Global Index Monthly Performance, 2012 to 2018

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012	0.94%	0.44%	-0.28%	-0.16%	-0.38%	-1.17%	0.47%	0.30%	-0.14%	-0.36%	0.25%	0.30%	0.18%
2013	0.14%	-0.19%	0.14%	0.27%	-0.01%	-0.47%	-0.02%	-0.40%	0.38%	0.67%	0.15%	-0.78%	-0.14%
2014	-0.75%	0.10%	0.32%	0.35%	0.95%	0.64%	-0.75%	0.74%	-0.51%	-0.37%	0.79%	0.07%	1.57%
2015	0.09%	0.34%	0.21%	-0.45%	-0.05%	-1.27%	0.45%	-1.88%	0.31%	0.80%	0.77%	-0.11%	-0.81%
2016	-0.08%	1.03%	0.25%	-0.37%	-0.13%	0.70%	0.64%	-0.21%	0.45%	-0.02%	0.05%	0.04%	2.37%
2017	0.42%	1.26%	0.17%	0.77%	0.23%	-0.15%	0.61%	0.92%	0.19%	0.90%	0.30%	0.53%	6.31%
2018	0.20%												0.20%

### The Global Index reflects the performance of all indices across our database, rather than a product managed by Clear Alpha

	Jan Return	1Y Return	1Y Sharpe		5Y Return	5Y Sharpe	
Global Index	0.20%	6.08%	2.59		9.55%	0.66	
Arbitrage	0.09%	6.66%	2.52		15.77%	0.89	
Carry	-0.45%	1.55%	0.12		-5.56%	-0.31	
Commodity	1.92%	9.60%	1.90		38.20%	1.15	
Fixed Income	0.41%	3.13%	0.56		20.64%	0.67	
Volatility	-0.87%	11.10%	3.19		13.39%	0.48	
Economic Indicators	-0.71%	6.41%	2.28		-0.01%	-0.14	
Research	-1.37%	4.61%	0.96		-4.81%	-0.27	
Macro	0.13%	8.28%	2.99		4.03%	0.15	
Momentum	1.33%	4.86%	1.31		11.10%	0.56	
Mean Reversion	-1.42%	5.44%	1.17		13.50%	0.40	
Trend Following	2.51%	4.48%	0.97		9.65%	0.42	

Volatility levels finally started to rise in January. Interest rates were higher across the board with the USD 10 year swap rate finishing up +36bps (at 2.76%); the US dollar continued to decline; global stock markets produced strong returns, especially in the EM sector, but started a correction over the last two trading days; and energy prices continued to rise.

The Global Index posted a moderate gain of +0.20%, combining contrasted sub-strategy returns. The two highest were Trend Following (up +2.51%) and Commodity Arbitrage (+1.92%). Trend following strategies had their best monthly run since 2010, helped by extended trends in stocks, energy, and currency prices. Commodity arbitrage positions were supported by gains in congestion arbitrage of the future roll window.

Losses came predominantly from Mean Reversion (-1.42%) and Equity Research strategies (-1.37%). Many mean reversion signals were caught short on the S&P 500 index in a market that rallied with very little meaningful daily corrections prior to January 26<sup>th</sup>. Equity Research strategies suffered from negative equity factor returns in Value, Quality, Size and Low Volatility, which all declined (the only gains observed were for Momentum strategies).

Volatility arbitrage strategies had their first loss (-0.87%) in twelve months as volatility levels rose. This was certainly overdue: the strategy was up +13.4% during 2017, topping the table for the Global Index. Aside from those strategies, Fixed Income, FX Carry and Macro produced smaller returns during January, with a broadly flat average contribution.

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## Top 3 Sub-index Constituents<sup>1</sup> (ranked by 1 year Sharpe ratio)

		1Y Sharpe	1Y return	Jan-18 return	YTD return	2017 return	2016 return	2015 return
<b>Arbitrage - Carry</b>								
1) UBS Constant Maturity Dividend Index	Euro Stoxx 50 Dividend Arbitrage	3.5	9.2%	0.2%	0.2%	8.7%	8.7%	2.4%
2) DB Euro Dividend Mid-Term	Euro Stoxx 50 Dividend Arbitrage	3.4	11.2%	-0.1%	-0.1%	10.9%		
3) Credit Suisse Dividend Alpha on Nikkei 225	Nikkei 225 Dividend Arbitrage	3.0	13.5%	3.5%	3.5%	9.7%	-7.1%	10.9%
<b>Arbitrage - Commodity Yield Optimization</b>								
1) RBS Aquantum Pegasus Zeus	Commodity Future Arbitrage - 13 commodities	3.4	18.0%	5.5%	5.5%	14.1%	-0.1%	10.0%
2) DB Commodity Harvest OYE	Commodity Future Arbitrage - BCOM Weights	3.4	6.4%	0.7%	0.7%	6.6%	4.7%	0.8%
3) RBS Aquantum Pegasus EL	Commodity Future Arbitrage - 24 commodities	3.1	8.6%	3.0%	3.0%	7.5%	0.9%	3.8%
<b>Arbitrage - Fixed Income</b>								
1) HSBC Uniform Basket VB	USD, EUR & GBP Forward Rate Bias Arbitrage	1.7	7.0%	1.8%	1.8%	4.7%	1.2%	12.4%
2) Barclays Atlantic Dynamic HYIGS Credit	HY vs IG Credit Spread Arbitrage	1.7	4.5%	0.2%	0.2%	4.6%	6.4%	1.6%
3) Morgan Stanley Enhanced FRB+ USD	USD Forward Rate Bias Arbitrage	1.6	2.2%	0.6%	0.6%	1.7%	-0.1%	1.2%
<b>Arbitrage - Volatility</b>								
1) Commerzbank US Flexible Volatility	Short S&P 500 Variance Swaps	5.4	5.9%	-0.1%	-0.1%	7.5%	4.0%	
2) Barclays Europe Short Variance	Short Euro Stoxx 50 Variance Swaps	4.2	12.2%	0.3%	0.3%	12.7%	7.4%	3.2%
3) Nomura Volatility Risk Premia	Short S&P 500 Variance Swaps	4.2	46.7%	-0.9%	-0.9%	55.2%	28.8%	2.6%
<b>Economic Indicators - Research</b>								
1) Morgan Stanley SKIES	US Equity Long/Short Skew Factor	2.5	22.9%	5.8%	5.8%	15.3%	-12.8%	3.8%
2) Credit Suisse Merger Arb Liquid	US Merger Arbitrage	2.4	7.6%	0.9%	0.9%	6.8%	-0.8%	1.8%
3) BNP Paribas GURU	Global Equity Long/Short Quality & Momentum	2.2	13.2%	2.9%	2.9%	11.2%	-10.7%	6.9%
<b>Economic Indicators - Macro</b>								
1) Credit Suisse RAI1 HOLT	Equity vs Bonds Macro Allocation	4.0	30.9%	4.7%	4.7%	29.0%	1.2%	-4.2%
2) S&P Dynamic Veqtor	S&P500 Index vs VIX Index Allocation	3.5	21.7%	5.8%	5.8%	16.4%	0.1%	-9.0%
3) Societe Generale Fed Model US	US Bond vs Equity Macro Allocation	3.4	25.2%	5.6%	5.6%	20.7%	10.9%	0.4%
<b>Momentum - Mean Reversion</b>								
1) Societe Generale Enhanced Buy Write US	S&P 500 Buy-Write	3.5	25.9%	5.7%	5.7%	21.4%	2.9%	-4.1%
2) BNP Paribas Buy Write 103	S&P 500 Buy-Write	3.2	22.3%	4.2%	4.2%	19.4%	8.1%	10.0%
3) Natixis US Equity Enhanced Buy Write	S&P 500 Buy-Write and Low Vol Factor	2.7	24.5%	2.0%	2.0%	23.3%		
<b>Momentum - Trend Following</b>								
1) Societe Generale Harmonia	Multi-Asset Trend Following - Long Only ERC	3.8	20.2%	4.5%	4.5%	14.2%	2.0%	-3.8%
2) DB Momentum Asset Allocator	Multi-Asset Trend Following - Long Only	3.5	16.4%	4.3%	4.3%	15.4%	-5.9%	-0.3%
3) RBS VC Autopilot 10%	Multi-Asset Trend Following - Long Only	3.3	24.1%	5.8%	5.8%	22.0%	-1.3%	-4.0%

annual performance is blank for indices that were not live during the full year

<sup>1</sup> All performance figures are based on daily snapshots of published returns, not allowing for corrections or restatements at a later stage. In order for all indices to be comparable, the performance numbers in this report have been adjusted when an index is not published in USD or its return is not expressed as a total return.

*Disclaimer:* to the extent the information relates to the Clear Alpha Global Index™ (the "Index"), the information contained herein (including historical prices or values) has been obtained from sources that Clear Alpha considers to be reliable; however, Clear Alpha does not make any representation as to, or accepts any responsibility or liability for, the accuracy or completeness of the information contained herein. For a more complete description of the Clear Alpha Global Index™, reference is made to the document Index Methodology, available from Clear Alpha on request. All data are historical estimations using available data. Clear Alpha does not make any representation herein regarding the advisability of investing in any product based on the Index. Past performance is no guarantee of future performance.

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## Arbitrage Strategies (CLAXARB Index)

**+0.09% in January, +6.66% in the last 12 months**

### Carry Strategies (CLAXCAR Index) -0.45% in Jan, +1.55% in the last 12 months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	-2.11%	2.39%	2.75%	0.13%	0.72%	0.37%	-0.30%	0.73%	-2.61%	0.38%	0.12%	-1.14%	1.30%
2015	-2.82%	1.02%	-0.83%	0.97%	-0.87%	-1.42%	-1.92%	-4.18%	-1.76%	2.88%	0.74%	-1.03%	-9.04%
2016	-1.20%	-0.44%	2.68%	0.09%	-0.90%	1.69%	0.28%	0.55%	0.74%	1.90%	0.38%	0.88%	6.78%
2017	-0.05%	1.91%	-0.39%	-0.61%	-0.37%	0.22%	0.61%	-0.40%	0.67%	-0.63%	-0.42%	1.44%	1.95%
2018	-0.45%												-0.45%

January 2018 was a difficult month for FX carry positions despite positive returns in EM currencies<sup>2</sup> which extended last year's gains. The USD fell -3.2% against a basket of major currencies as per the DXY Dollar Index. The headwinds came from low yield currencies such as EUR, JPY, CHF and GBP which were remarkably strong, up +3.4%, +3.0%, +4.5% and +5.0% respectively against the USD. By contrast higher yield currencies such as CAD and AUD only produced returns of +2.1% and +3.1%, while some high yielding EM currencies did not do much better (for example the BRL, with short term interest rates around 7%, was up only +4.2%). EM and Global carry position were up +0.6% on average while G10 focused strategies declined -1.6%. The result was a loss of -0.45% for the strategy overall.

#### Top 3 movers (ranked by 1 month returns)

Arbitrage - Carry	Jan-18 return	YTD return	1Y Sharpe	1Y return
1) Credit Suisse Dividend Alpha on Nikkei Nikkei 225 Dividend Arbitrage	3.5%	3.5%	3.0	13.5%
2) Morgan Stanley Emerging Market Risk A EM FX Carry Arbitrage	2.9%	2.9%	1.2	7.1%
3) DB Ascent Broad Global FX Carry Arbitrage	2.8%	2.8%	0.4	5.6%

### Commodity Yield Optimisation (CLAXCYO Index) +1.92% in Jan, +9.60% in the last 12 months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	-3.92%	1.63%	1.16%	0.77%	1.29%	1.57%	2.13%	0.79%	-0.20%	0.41%	0.04%	1.53%	7.29%
2015	0.71%	0.08%	0.30%	-3.96%	-1.41%	0.33%	0.87%	-0.70%	-0.12%	2.72%	4.07%	2.97%	5.75%
2016	0.80%	2.96%	-0.05%	-2.11%	0.03%	1.04%	2.58%	-0.02%	0.13%	0.40%	0.73%	-1.29%	5.22%
2017	2.41%	1.14%	0.24%	1.13%	-0.19%	0.78%	0.90%	2.03%	-0.11%	0.21%	1.61%	-0.42%	10.13%
2018	1.92%												1.92%

After a brief pause in December, commodity arbitrage strategies soared +1.92% in January. As commodity benchmark indices rose (and energy prices remained particularly strong)<sup>3</sup>, beta neutral strategies fared better than their delta neutral peers. Out of 39 constituent strategies in this peer group, 34 finished positive. Returns ranged from -0.2% to +5.5%. With US inventories steadily declining<sup>4</sup>, curves in WTI and Brent crude oil futures remain inverted, and the discount of March 2019 to March 2018 contracts stood at -7.9% and -6.3% respectively at month end. Congestion arbitrage strategies (which roll futures outside the window used by major benchmarks) did particularly well, showing gains of +0.7% across 9 indices before risk adjustment.

#### Top 3 movers (ranked by 1 month returns)

Arbitrage - Commodity Yield Optimization	Jan-18 return	YTD return	1Y Sharpe	1Y return
1) RBS Aquantum Pegasus Zeus Commodity Future Arbitrage - 13 commodities	5.5%	5.5%	3.4	18.0%
2) Credit Suisse Custom 24 (commodity con Commodity Congestion Arbitrage	3.2%	3.2%	1.5	9.5%
3) RBS Aquantum Pegasus EL Commodity Future Arbitrage - 24 commodities	3.0%	3.0%	3.1	8.6%

<sup>2</sup> The MSCI EM Currency Index was up +2.9%. Source: Bloomberg

<sup>3</sup> The BCOM Energy sub-index was up +4.4%, the Agriculture sub-index up +1.2% and the Precious Metals sub-index up +1.8%. Source: Bloomberg

<sup>4</sup> US Department of Energy figures released in January showed inventories declined to 412 million barrels, a level not seen in three years (the same inventories stood at 536 million barely one year ago). Source: Bloomberg

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## Arbitrage Strategies (CLAXARB Index)

**+0.09% in January, +6.66% in the last 12 months**

### Fixed Income Arbitrage Strategies (CLAXFIA Index) **+0.41% in Jan, +3.13% in the last 12 months**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	1.33%	1.93%	-0.18%	1.25%	1.61%	-0.57%	-1.19%	2.38%	-1.09%	3.25%	1.79%	-1.59%	9.14%
2015	2.21%	-0.12%	1.77%	0.12%	-0.27%	-1.57%	1.33%	1.09%	1.87%	0.41%	0.03%	-1.21%	5.74%
2016	3.84%	0.88%	-0.29%	-0.34%	-0.27%	3.22%	-0.35%	-0.29%	0.03%	-1.47%	-4.19%	-1.20%	-0.67%
2017	-0.43%	1.25%	0.20%	1.70%	1.47%	-1.92%	0.14%	0.77%	-0.08%	1.19%	-0.65%	-1.33%	2.25%
2018	0.41%												0.41%

January saw another substantial rise in interest rates across the globe. Ten year swap rates were up +36bps in USD, +18bps in EUR, +32bps in GBP and +3bps in JPY. Two year swap rates were also consistently higher, albeit to a lesser extent. Such an environment is usually unfavourable for fixed income arbitrage positions but in January the strategy returned +0.41%. The gains were this time attributable to forward rate bias strategies (+0.6% across 13 indices before risk adjustment). With the main Libor benchmarks rising, dynamic FRB signals have switched their positions from long to short futures, and as such were correctly positioned for the move. Inter-curve carry strategies positioned on longer tenors made modest gains while US muni bonds and credit carry positions were broadly flat<sup>5</sup>.

#### Top 3 movers (ranked by 1 month returns)

Arbitrage - Fixed Income	Jan-18 return	YTD return	1Y Sharpe	1Y return
1) HSBC Vol-Budgeted DTP	4.6%	4.6%	0.3	3.2%
2) HSBC Uniform Basket VB	1.8%	1.8%	1.7	7.0%
3) Societe Generale FIRM Gulf Stream	1.5%	1.5%	-0.5	0.4%

### Volatility Arbitrage Strategies (CLAXVOA Index) **-0.87% in Jan, +11.10% in the last 12 months**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	-1.65%	0.93%	0.03%	0.59%	0.69%	1.08%	-0.81%	0.99%	-0.19%	-2.45%	0.83%	-1.61%	-1.63%
2015	-1.37%	2.89%	-0.90%	1.10%	0.13%	-1.24%	2.27%	-5.35%	-0.07%	1.45%	0.83%	-0.12%	-0.64%
2016	-1.80%	-0.65%	1.91%	0.08%	2.12%	-2.29%	0.74%	1.39%	0.08%	0.71%	-0.20%	1.12%	3.15%
2017	1.22%	1.61%	0.99%	1.35%	1.07%	0.25%	1.59%	0.34%	1.32%	1.31%	0.92%	0.71%	13.43%
2018	-0.87%												-0.87%

Volatility arbitrage strategies posted losses across all asset classes except commodities. VIX and VStoxx indices rose +2.5 and +1.7 points respectively to 13.5% and 15.2%, while 20-day realised volatilities rose from 5.8% to 9.1% on the S&P 500 index. Short volatility algorithms on equity indices lost -0.6% across 41 strategies. Implied volatility on the EUR/USD cross was up +1.2 to 7.5%, and 20-day realised volatility nearly doubled, from 4.7% to 8.6%. Accordingly, FX volatility arbitrage algorithms all finished in the red (-1.3% across four indices). Volatility arbitrage strategies in fixed income finished the month roughly unchanged. Finally, commodity volatility arbitrage positions gained +0.3% across five indices, with implied volatilities on Brent and WTI crude oil futures unchanged (around 19.5%) while 20-day realised volatilities declined<sup>6</sup>.

#### Top 3 movers (ranked by 1 month returns)

Arbitrage - Volatility	Jan-18 return	YTD return	1Y Sharpe	1Y return
1) BOA Merrill Lynch Short Synthetic Variance Short VIX Future Variance Swaps	2.5%	2.5%	1.5	20.2%
2) BOA Merrill Lynch Short Synthetic Variance Short 10Y US Treasury Future Variance Swaps	1.0%	1.0%	2.7	14.2%
3) BOA Merrill Lynch Dynamic Synthetic Variance Short Russell 2000 Variance Swaps	0.7%	0.7%	2.3	17.9%

<sup>5</sup> US Municipal bonds declined -1.0% as measured by the S&P National Municipal Bond index (SPMUNUST). US investment grade bonds fell -1.2% while high yield bonds were up +0.5%, as measured by the iBoxx Investment Grade and High Yield Bond indices (IBOXIG and IBOXHY). Source: Bloomberg.

<sup>6</sup> 20-day realised volatilities came down from 19.9% to 15.4% for WTI and from 22.1% to 13.8% for Brent crude oil. Source: Bloomberg.

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## Economic Indicator Strategies (CLAXECI Index)

**-0.71% in January, +6.41% in the last 12 months**

### Research Strategies (CLAXRES Index) -1.37% in Jan, +4.61% in the last 12 months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	2.34%	0.11%	0.49%	-1.78%	-1.20%	1.20%	-2.73%	0.89%	-2.39%	0.27%	-1.01%	1.23%	-2.69%
2015	-1.71%	0.76%	0.69%	-1.30%	1.63%	0.08%	-2.66%	-3.20%	-1.19%	-1.04%	-0.22%	0.81%	-7.22%
2016	-3.64%	1.08%	1.80%	-1.12%	-0.79%	-4.33%	0.73%	-0.90%	2.30%	-0.11%	2.69%	1.72%	-0.83%
2017	0.08%	0.80%	0.33%	0.32%	-0.68%	0.99%	0.33%	0.67%	1.12%	1.26%	0.43%	0.33%	6.14%
2018	-1.37%												-1.37%

Market conditions in January were challenging for equity factor strategies: they finished down -1.37%. Benchmark indices like the S&P 500 and the Euro Stoxx 50 were up +5.6% and +3.0% respectively during the month; meanwhile, broader benchmarks like the Russell 2000 and the Stoxx 600 only gained +2.6% and +1.6%. Value and small cap selections underperformed their cap-weighted peers; growth and momentum stocks produced excess returns<sup>7</sup>. We observed losses for value factor strategies (-1.0% across 15 indices), size factor strategies (-1.6% for 7 indices), quality factor strategies (-0.5%, 15 indices), and low vol factor strategies (-0.9%, 9 indices). Meanwhile momentum strategies gained +0.5% across 10 indices. A geographical analysis shows losses spread between the US, Europe and Japan, with slightly better returns in Europe (-0.2% on average for Europe, versus -0.8% in the US and -1.2% in Japan).

#### Top 3 movers (ranked by 1 month returns)

Economic Indicators - Research			Jan-18 return	YTD return	1Y Sharpe	1Y return
1)	Morgan Stanley SKIES	US Equity Long/Short Skew Factor	5.8%	5.8%	2.5	22.9%
2)	BNP Paribas GURU US Long/Short	Global Equity Long/Short Quality & Momentum Facto	4.7%	4.7%	1.9	17.4%
3)	Morgan Stanley RISE HSI	Asia Equity Long/Short Dividend Factor	4.7%	4.7%	1.4	13.3%

### Macro Strategies (CLAXMAC Index) +0.13% in Jan, +8.28% in the last 12 months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	-0.33%	-2.25%	-0.04%	0.16%	1.81%	0.31%	-0.60%	0.24%	0.59%	-0.16%	0.29%	-0.60%	-0.64%
2015	-0.55%	-0.49%	0.22%	-0.55%	-0.04%	-2.19%	1.72%	-0.20%	0.57%	1.10%	0.29%	0.06%	-0.10%
2016	0.80%	1.79%	-0.38%	-0.37%	-0.95%	1.08%	1.27%	-0.33%	-0.35%	-0.92%	0.45%	-0.26%	1.82%
2017	-0.00%	1.39%	0.35%	1.30%	0.44%	-0.21%	0.24%	1.49%	0.38%	0.92%	1.01%	0.56%	8.13%
2018	0.13%												0.13%

The Macro sub-index was marginally positive, up +0.13% in January. Commodity backwardation strategies finished positive (+0.30%) as future contracts in inverted energy curves rose more than those in steeper agriculture curves<sup>8</sup>. Equity strategies were up +0.2% as they benefitted from the global rally<sup>9</sup>. FX macro strategies finished positive too (+0.2%) thanks to profits on long EM currency positions<sup>10</sup>. Moderate losses were seen in fixed income macro algorithms which were incorrectly positioned on a steepening USD interest rate curve<sup>11</sup>. Finally, the largest gains came from multi-asset macro strategies which returned +4.2% on average as they benefitted from a strong rise (+5.6%) in the S&P 500 index. Multi-asset macro indices took all three spots in the table below.

#### Top 3 movers (ranked by 1 month returns)

Economic Indicators - Macro			Jan-18 return	YTD return	1Y Sharpe	1Y return
1)	S&P Dynamic Veqtor	S&P500 Index vs VIX Index Allocation	5.8%	5.8%	3.5	21.7%
2)	Societe Generale Fed Model US	US Bond vs Equity Macro Allocation	5.6%	5.6%	3.4	25.2%
3)	Bloomberg US Dynamic Balance	S&P 500 vs US Bonds Vol Based Allocation	4.9%	4.9%	3.1	20.0%

<sup>7</sup> The benchmark S&P 500 Index was up +5.6%. The S&P 500 Value index (SVX) was up +4.0%, the S&P Small cap index (SML) was up +2.5%, the S&P Momentum index (SP500MUP) was up +8.2%, and the Nasdaq Composite index was up +7.4%. Source: Bloomberg.

<sup>8</sup> For example crude oil March futures were up +7.10% (WTI) while wheat and corn contracts were up +5.8% and +3.1% only. Source: Bloomberg.

<sup>9</sup> The MSCI World index was up +5.2%. Source: Bloomberg.

<sup>10</sup> The MSCI EM Currency Index was up +2.9%. Source: Bloomberg.

<sup>11</sup> The USD 10Y versus 2Y swap spread rose +10bps, from 32 to 42 bps. Source: Bloomberg.

# Monthly Report – January 2018

## Momentum Strategies (CLAXMOM Index) +1.33% in January, +4.86% in the last 12 months

### Mean Reversion Strategies (CLAXMRE Index) -1.42% in Jan, +5.44% in the last 12 months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	0.18%	0.93%	1.38%	1.04%	0.78%	0.07%	-0.45%	-0.07%	-0.89%	-3.02%	0.21%	0.47%	0.56%
2015	0.24%	0.52%	0.75%	-0.24%	0.37%	0.06%	-0.20%	-3.32%	2.36%	0.19%	0.27%	0.56%	1.48%
2016	-1.54%	0.33%	0.08%	-0.18%	0.45%	1.56%	-0.05%	0.40%	1.01%	0.19%	-0.31%	-0.25%	1.65%
2017	0.75%	0.38%	0.84%	0.73%	0.37%	0.47%	1.18%	1.73%	0.07%	0.65%	-0.86%	1.21%	7.77%
2018	-1.42%												-1.42%

Mean reversion strategies suffered their largest setback in more than two years, down -1.42%, as the S&P 500 surged to new all time highs without any meaningful daily retracements<sup>12</sup>. As could be expected, buy-write algorithms did very well in this market (see table below) but variance based mean reversion strategies (or those referencing short term moving averages) were hit hard (some of the algorithms lost more than -9%). Having said that, variance based mean reversion strategies on the Euro Stoxx 50 index fared much better, up +0.7% on average, as European stock markets were less directional.

#### Top 3 movers (ranked by 1 month returns)

Momentum - Mean Reversion	Jan-18 return	YTD return	1Y Sharpe	1Y return
1) Societe Generale Enhanced Buy Write U S&P 500 Buy-Write	5.7%	5.7%	3.5	25.9%
2) BNP Paribas Buy Write 103 S&P 500 Buy-Write	4.2%	4.2%	3.2	22.3%
3) BNP Paribas Buy Write 103 Euro Stoxx 50 Buy-Write	3.0%	3.0%	1.3	14.1%

### Trend-Following Strategies (CLAXTRF Index) +2.51% in Jan, +4.48% in the last 12 months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	-1.29%	-0.20%	-0.60%	0.49%	0.99%	0.82%	-1.30%	0.91%	0.35%	-0.39%	2.01%	0.91%	2.66%
2015	1.82%	-0.36%	0.33%	-0.62%	-0.00%	-2.08%	0.73%	-1.01%	0.60%	-0.32%	0.82%	-1.36%	-1.51%
2016	0.68%	1.01%	-1.21%	0.24%	-0.22%	1.75%	-0.05%	-1.33%	0.59%	-0.27%	0.13%	0.04%	1.32%
2017	-0.22%	1.54%	-0.68%	0.33%	0.26%	-1.28%	0.28%	0.58%	-1.13%	1.39%	-0.17%	0.83%	1.70%
2018	2.51%												2.51%

Trends that were well-established during 2017 persisted during January, which sent the Trend Following strategy index to a new all time high (the previous high water mark for this index dates back to 2008!). These were perfect market conditions for trend following algorithms: global equities rose (the MSCI World Index was up +5.2%; it was up +20.1% in 2017); energy prices continued to climb (the BCOM energy sub-index was up +4.4%, and up +18.9% during the last six months of 2017); EM currencies posted gains (the MSCI EM currency index was up +2.9%, and up +11.4% in 2017); and interest rates rose as well, continuing a trend that started in the second half of 2016. Trend following algorithms made gains in all asset classes without exception. And on a final note, multi-asset trend following strategies were particularly successful, returning an average +3.4% across 31 indices. We can expect good numbers from CTA funds in January.

#### Top 3 movers (ranked by 1 month returns)

Momentum - Trend Following	Jan-18 return	YTD return	1Y Sharpe	1Y return
1) Societe Generale Forex Trend Following Global FX Trend Following	9.4%	9.4%	0.3	4.1%
2) Societe Generale Global Momentum ETF Trend Following - Long Only	8.5%	8.5%	2.5	25.9%
3) Nomura EM Momentum EMFX Trend Following	7.4%	7.4%	1.6	15.7%

<sup>12</sup>The S&P 500 was up during 14 of the first 18 trading days in January (overall +7.5%); the largest daily decline during that period was -0.35%. Source: Bloomberg