

# Monthly Report – October 2018

## Clear Alpha Global Index (CLAXGBL Index) -1.93% in October, -3.37% 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 October 2018, the database contained 2,590 live and 2,061 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
<b>2012</b>	0.94%	0.44%	-0.28%	-0.16%	-0.38%	-1.17%	0.47%	0.30%	-0.14%	-0.36%	0.25%	0.30%	<b>0.18%</b>
<b>2013</b>	0.14%	-0.19%	0.14%	0.27%	-0.01%	-0.47%	-0.02%	-0.40%	0.38%	0.67%	0.15%	-0.78%	<b>-0.14%</b>
<b>2014</b>	-0.75%	0.10%	0.32%	0.35%	0.95%	0.64%	-0.75%	0.74%	-0.51%	-0.37%	0.79%	0.07%	<b>1.57%</b>
<b>2015</b>	0.09%	0.34%	0.21%	-0.45%	-0.05%	-1.27%	0.45%	-1.88%	0.31%	0.80%	0.77%	-0.11%	<b>-0.81%</b>
<b>2016</b>	-0.08%	1.03%	0.25%	-0.37%	-0.13%	0.70%	0.64%	-0.21%	0.45%	-0.02%	0.05%	0.04%	<b>2.37%</b>
<b>2017</b>	0.42%	1.26%	0.17%	0.77%	0.23%	-0.15%	0.61%	0.92%	0.19%	0.90%	0.30%	0.53%	<b>6.31%</b>
<b>2018</b>	0.20%	-2.07%	0.50%	0.02%	-0.06%	-0.58%	0.17%	-0.18%	-0.27%	-1.93%			<b>-4.16%</b>

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

	Oct Return	1Y Return	1Y Sharpe	5Y Return	5Y Sharpe
<b>Global Index</b>	<b>-1.93%</b>	<b>-3.37%</b>	<b>-1.40</b>	<b>4.41%</b>	<b>0.09</b>
Arbitrage	-0.68%	-1.46%	-0.73	12.79%	0.54
Carry	-0.43%	-3.55%	-0.95	-6.38%	-0.37
Commodity	-0.04%	4.94%	0.53	36.08%	0.99
Fixed Income	1.53%	4.40%	0.54	24.77%	0.74
Volatility	-2.15%	-6.73%	-0.87	5.24%	0.07
Economic Indicators	-2.48%	-4.58%	-1.56	-3.45%	-0.43
Research	-3.28%	-9.08%	-1.67	-14.49%	-0.67
Macro	-1.37%	1.54%	-0.04	6.83%	0.23
Momentum	-2.96%	-4.66%	-1.13	1.54%	-0.08
Mean Reversion	-2.81%	-8.00%	-0.81	2.88%	-0.01
Trend Following	-3.05%	-3.40%	-1.19	0.36%	-0.15

The Global Index gave back -1.93% in October, a decline that came close to the sell-off experienced in February.

Global equity markets fell sharply (the MSCI World index was down -7.4%, the S&P 500 index down -6.9%), hedge funds saw their worst returns since 2011 (as per the HFRI weighted composite index, down -3.0%), CTAs and Managed Futures funds declined -2.8% (by reference to the SG CTA index). The VIX index finished up 9 points (+75%), the U.S. dollar pushed higher against most currencies, energy prices corrected downwards (WTI crude oil December 2018 contracts dropped -10.6%). Sovereign and corporate bond prices traded lower, both in liquid and high yield sectors.

The worst affected were Research (Equity Factor) strategies, down -3.28%; Trend-Following strategies (-3.05%); Mean-Reversion (-2.81%) and Volatility strategies (-2.15%). Equity Factor returns were undermined by a sharp correction in Momentum and Growth stocks (the Nasdaq Composite index fell -9.2%, compared to -6.9% for the S&P 500 index), as well as small cap stocks (the Russell 2000 index was down -10.9%). The Value and Low Vol factors, on the other hand, produced excess returns (the Russell 1000 Value index declined only -5.3%, compared to -9.0% for the Russell 1000 Growth index).

Trend following strategies posted losses on a reversal in commodity price trends, as well as a generalised decline of equities and bonds (as many trend following strategies in our database maintain a long bias).

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Mean Reversion strategies were affected by the one-directional correction in equity indices, while Volatility algorithms suffered from a rise in both implied and realised equity index volatilities.

Positive returns were posted by Fixed Income Arbitrage strategies (+1.53%), FX Carry strategies (+1.32%) and FX trend following strategies (+1.45%), on the back of rising USD short term interest rates, declining G10 currencies (versus the USD), and a resuming downward trend in EM currencies.

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

		1Y Sharpe	1Y return	Oct-18 return	YTD return	2017 return	2016 return	2015 return
<b>Arbitrage - Carry</b>								
1) CIBC FX G10 USD Carry	G10 FX Carry Arbitrage	1.4	10.1%	2.7%	10.2%			
2) Barclays Intelligent Carry	G10 FX Carry Arbitrage	0.7	4.7%	1.5%	4.7%	-2.0%	0.4%	-1.9%
3) Societe Generale FX G10 Carry	G10 FX Carry Arbitrage	0.6	5.7%	2.8%	9.1%	-7.5%	3.6%	-7.3%
<b>Arbitrage - Commodity Yield Optimization</b>								
1) CIBC COT Enhanced Roll Agriculture	Commodity Congestion Arbitrage	2.2	3.2%	0.2%	2.9%	1.5%	2.2%	0.3%
2) Credit Suisse Seasonal Alpha	Commodity Future Arbitrage	2.1	7.4%	-0.2%	4.8%	5.0%	0.5%	-3.1%
3) RBS Aquantum Pegasus EL	Commodity Future Arbitrage - 24 commodities	1.7	5.6%	0.2%	5.2%	7.4%	0.9%	3.8%
<b>Arbitrage - Fixed Income</b>								
1) Morgan Stanley Enhanced FRB+ USD	USD Forward Rate Bias Arbitrage	1.9	3.3%	0.3%	2.7%	1.7%	-0.1%	1.2%
2) DB Pulse Basket	USD & EUR Forward Rate Bias Arbitrage	1.6	2.0%	0.2%	1.7%	1.0%	0.3%	0.6%
3) BOA Merrill Lynch Enhanced Short-End Arbitrage USD	USD Forward Rate Bias Arbitrage	1.0	2.2%	0.1%	1.8%	1.1%	-0.2%	0.6%
<b>Arbitrage - Volatility</b>								
1) Credit Suisse Adaptive Volatility Index All Rolls USD	Short USD Swaption Straddles	2.3	8.9%	0.2%	6.6%	6.5%	6.5%	8.6%
2) DB ImpAct Dollar Rates	Short USD Swaption Straddles	1.3	2.6%	-0.1%	2.1%	3.1%	0.7%	0.6%
3) BOA Merrill Lynch Short Synthetic Variance Index - GL	Short SPDR Gold ETF Variance Swaps	1.1	7.3%	-0.5%	6.2%	11.7%	7.8%	14.4%
<b>Economic Indicators - Research</b>								
1) Morgan Stanley EF Global Quality	Global Equity Long/Short Quality Factor	1.9	10.2%	-1.7%	8.5%	3.7%		
2) BOA Merrill Lynch Japan Long-Short Volatility Index	Japan Equity Long/Short Low Vol Factor	1.3	7.7%	2.5%	6.6%	-0.8%		
3) BOA Merrill Lynch Japan Long-Short Momentum	Japan Equity Long/Short Momentum Factor	1.3	6.8%	1.6%	4.6%	3.6%		
<b>Economic Indicators - Macro</b>								
1) Nomura Macro Cross-Country	Government Bonds Relative Value Investing	1.7	3.1%	0.3%	3.2%	0.4%	0.2%	1.3%
2) CIBC Commodity Backwardation	Commodity Backwardation - BCOM Weights	1.2	6.9%	-0.8%	5.2%	6.1%	-4.7%	
3) Morgan Stanley EM FX Equity Driven Investment	EM FX Equity Based Macro Strategy	1.1	7.9%	0.5%	2.3%	5.7%	0.4%	0.9%
<b>Momentum - Mean Reversion</b>								
1) Societe Generale Interest Rates Strangle Premium Euro	Short EUR Swaption Strangle	1.1	2.6%	0.2%	2.3%	4.6%	6.5%	-2.0%
2) Societe Generale FX-G10 Mean Reversion	G10 FX Mean Reversion	0.6	3.2%	0.8%	1.6%	0.9%	1.4%	-1.5%
3) Societe Generale Enhanced Buy Write US	S&P 500 Buy-Write	0.4	7.3%	-6.8%	3.1%	21.4%	2.9%	-4.1%
<b>Momentum - Trend Following</b>								
1) BOA Merrill Lynch Fixed Income Trend	USD, EUR, JPY, GBP Interest Rate & Bond Futures	1.6	4.8%	1.0%	4.1%			
2) Nomura Macro Pulse	USD, EUR, JPY, GBP & CAD Short Term Interest Rates	1.5	1.9%	0.2%	1.7%	0.9%	0.2%	0.2%
3) Commerzbank Multi Asset Sharpe	Global Multi-Asset Macro Allocation (Sharpe)	1.4	13.0%	-4.2%	9.2%	5.8%		

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.

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## Arbitrage Strategies (CLAXARB Index)

**-0.68% in October, -1.46% in the last 12 months**

### Carry Strategies (CLAXCAR Index) -0.43% in Oct, -3.55% 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%	-0.17%	-0.29%	0.91%	-0.84%	-1.05%	1.42%	-5.05%	1.49%	-0.43%			-4.52%

FX Carry strategies posted gains this month, up +1.3% on average, as they benefitted from declining lower yield currencies in the G10 group<sup>2</sup>. EM currencies were weak too<sup>3</sup> except for three outliers (the Argentine Peso, +21.0%, the Turkish Lira, +10.6%, and the Brazilian Real, +9.1%) which benefitted from a correction supported by geopolitical factors. G10 strategies were up +1.6% (across 11 indices) while Global and EM algorithms were up +1.1% (across 15 indices). These profits were fully offset by losses in equity carry algorithms, mostly on Euro Stoxx 50 dividend strategies (down -1.5% on average across 10 indices, before leverage). The inherent market exposure in these strategies was in full play this month during which the Euro Stoxx 50 index lost -5.9%.

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

Arbitrage - Carry	Oct-18 return	YTD return	1Y Sharpe	1Y return
1) BNP Paribas Galaxy Regional Global FX Carry Arbitrage	4.6%	1.7%	0.1	2.1%
2) BNP Paribas Galaxy Diversified Global FX Carry Arbitrage	3.6%	-0.7%	-0.2	0.9%
3) Societe Generale FX G10 Carry G10 FX Carry Arbitrage	2.8%	9.1%	0.6	5.7%

### Commodity Yield Optimisation (CLAXCYO Index) -0.04% in Oct, +4.94% 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%	2.16%	0.73%	-1.37%	1.75%	-3.26%	2.10%	2.34%	-2.48%	-0.04%			3.71%

The Commodity Arbitrage sub-index stayed broadly flat in October. As WTI crude oil futures went from backwardation back into contango (at the front of the curve), strategies made gains on steepening positions, but lost on the flattening of Natural Gas futures<sup>4</sup>, as well as from rolling futures outside the benchmark roll window. Pure congestion arbitrage algorithms lost -0.2% across 11 indices, while congestion and curve arbitrage positions were up +0.3% across 30 indices. The residual loss came from the cost of leverage applied to the sub-index.

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

Arbitrage - Commodity Yield Optimization	Oct-18 return	YTD return	1Y Sharpe	1Y return
1) Citi Commodities Congestion Dynamic A Commodity Congestion Arbitrage	2.1%	3.0%	1.2	5.5%
2) RBS Aquantum Pegasus Zeus Commodity Future Arbitrage - 13 commodities	1.9%	5.7%	1.0	6.7%
3) Morgan Stanley HEZ Outperformance Dy Commodity Future Arbitrage - Dynamic Roll - GSCI We	1.4%	2.6%	0.4	2.6%

<sup>2</sup> The EUR, CHF, SEK and DKK lost -2.8%, -3.0%, -3.3% and -2.9%, all versus the USD. Source: Bloomberg

<sup>3</sup> The MSCI EM Currency Index was down -1.1%. Source: Bloomberg

<sup>4</sup> The Dec 2019 over Dec 2018 spread in WTI crude oil futures rose from -4.5% to +0.2%; for Natural Gas futures it fell from -7.7% to -10.2%. Source: Bloomberg

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## Arbitrage Strategies (CLAXARB Index)

**-0.68% in October, -1.46% in the last 12 months**

### Fixed Income Arbitrage Strategies (CLAXFIA Index) +1.53% in Oct, +4.40% 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%	0.31%	1.16%	0.27%	1.70%	1.24%	0.84%	0.53%	-1.64%	1.53%			6.50%

The Fixed Income Arbitrage sub-index was up +1.53% in October. Except for credit carry strategies, all algorithms produced gains. At the top of the list were Forward Rate Bias strategies in USD and EUR, which benefitted both from the rise in USD short term rates and the fall in EUR short term rates<sup>5</sup>. Accordingly, FRB algorithms posted average gains of +0.3% before leverage, across ten indices. Ten year swap rates finished mostly lower: -3bps in EUR, -6bps in GBP, and -3bps in JPY (but were up +11bps in USD). This environment also benefitted carry strategies positioned in longer tenors, such as SGI's BOSS, Barclays' Star 20 and SABER, or Nomura's Macro Duration, which gained +0.7% on average. Finally, US Muni Bond arbitrage strategies managed to stay positive despite a drop in the sector's bond prices<sup>6</sup>.

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

Arbitrage - Fixed Income	Oct-18 return	YTD return	1Y Sharpe	1Y return
1) Societe Generale BOSS Global Yield Curve Carry Arbitrage	1.2%	4.9%	1.0	4.6%
2) Barclays Star 20 EUR Curve Steepening	0.8%	2.9%	0.1	1.9%
3) Credit Suisse Adaptive Term Premium USD & EUR Forward Rate Bias Arbitrage	0.7%	0.3%	-1.1	-0.7%

### Volatility Arbitrage Strategies (CLAXVOA Index) -2.15% in Oct, -6.73% 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%	-7.10%	-0.76%	0.79%	-0.93%	0.51%	1.22%	0.13%	0.87%	-2.15%			-8.24%

Volatility arbitrage strategies suffered another large setback in October, finishing down -2.15%. Fixed Income and FX strategies were spared<sup>7</sup> (they gained +0.2% and +0.3% on average, respectively; see also table below), but they are a minority in this group (15 out of 58 indices). Commodity strategies were hit by high volatility in oil prices (the 20-day realised volatility of WTI crude oil futures rose from 20.6% to 25.0%) and lost -0.7%, on average. The bulk of losses however came from Equity indices, all 38 of which declined (with a median at -4.1%). Losses came as the VIX and VStoxx indices rose +9 and +6 points respectively (to 21.2 and 20.3), and 20-day realised volatilities for the S&P 500 and Euro Stoxx 50 indices went from 5.7% to 25.0%, and 11.2% to 16.2%.

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

Arbitrage - Volatility	Oct-18 return	YTD return	1Y Sharpe	1Y return
1) BOA Merrill Lynch Short Synthetic Variance Short Bund Future Variance Swaps	1.5%	-1.2%	-0.5	-1.9%
2) Societe Generale G4 FX Smile Premium FX Volatility Arbitrage - Short Straddles - 4 pairs	1.1%	-0.4%	-0.2	0.8%
3) DB USD Rates Long Volatility Long 10Y20Y hedged swaption straddles	1.0%	3.2%	-0.3	1.3%

<sup>5</sup> 2 year swap rates were up +9bps in USD, and down -0.5bps in EUR. Source: Bloomberg.

<sup>6</sup> The S&P US Municipal Bond Index (SPMUNUST) was down -0.7%. Source: Bloomberg.

<sup>7</sup> For example, the 20-day realised volatility of the EUR/USD cross dropped to 5.6%, from 6.7% last month. Source: Bloomberg.

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## Economic Indicator Strategies (CLAXECI Index)

**-2.48% in October, -4.58% in the last 12 months**

### Research Strategies (CLAXRES Index) -3.28% in Oct, -9.08% 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%	-0.51%	1.89%	-0.87%	-0.02%	-2.17%	-1.75%	-0.17%	-1.89%	-3.28%			-9.77%

Equity factor strategies had a terrible month, finishing down -3.28%. The worst affected were Momentum (-1.2%), Quality (-0.8%) and Size (-0.8%) factors, as well as traditional Multi-Factor strategies which lost -1.7% (all before leverage). Strong headwinds could be observed for benchmark indices: the Nasdaq Composite index was down -9.2%, the Russell 2000 index was down -10.9%, the Stoxx 600 Technology index was down -8.7%, while the S&P 500 and the Euro Stoxx 50 indices were only down -6.9% and -5.9%. Value and Low Vol factors, on the other hand, continued to recover: on average, value strategies were up +0.4% (after +0.3% gains last month) and low vol strategies up +1.2% (+0.1% last month), before leverage. Equity factor strategies are now the worst performing sub-index in the database on a year-to-date basis (-9.77%).

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

Economic Indicators - Research	Oct-18 return	YTD return	1Y Sharpe	1Y return
1) Societe Generale SLS Emerging Global Equity Long/Short EM Factor	3.1%	-3.8%	-0.5	-3.5%
2) JPMorgan Equity Risk Premium Global V. Global Equity Long/Short Value Factor	3.1%	-5.2%	-0.5	-1.7%
3) DB Equity Sector Neutral Value Factor Global Equity Long/Short Value Factor	2.8%	-3.9%	-0.8	-3.6%

### Macro Strategies (CLAXMAC Index) -1.37% in Oct, +1.54% 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%	-0.96%	0.93%	0.48%	-0.54%	0.49%	-0.53%	-0.82%	2.22%	-1.37%			-0.03%

The Macro sub-index gave back some of last month's gains, finishing down -1.37% and flat year-to-date. Commodity value (or backwardation) strategies caused most of the losses (-1.4% on average across 23 indices) as both long Energy and short Agriculture positions finished in the red<sup>8</sup>. Equity strategies declined -1.8% across six indices, due to long positions held in the S&P 500 and Euro Stoxx 50 indices. FX value strategies were up +0.2% on G10 positions that were long CHF and short JPY<sup>9</sup>. Fixed Income strategies contributed to profits too (+0.3% across 15 indices), helped by Deutsche Bank's long 3 month versus 6 month basis swap strategies, which gained +2.5% on average in the sell-off<sup>10</sup>.

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

Economic Indicators - Macro	Sep-18 return	YTD return	1Y Sharpe	1Y return
1) Credit Suisse FX Metrics Value Global FX Value Convergence	4.5%	0.6%	0.0	1.5%
2) Societe Generale Commodity Curve Mon Commodity Backwardation - GSCI Weights	4.1%	-4.8%	0.1	2.6%
3) Credit Suisse Backwardation RV Commodity Backwardation	3.7%	10.5%	1.1	10.7%

<sup>8</sup> For example, WTI crude oil Dec 18 futures fell -10.6%, Corn Dec 18 futures gained +2.0%; the former curve was backwardated, the latter in contango. Source: Bloomberg.

<sup>9</sup> The JPY rallied +3.4% against the CHF. The JPY is undervalued compared to the CHF by reference to most value measures. Source: Bloomberg.

<sup>10</sup> The USD 3m versus 6m basis swap spread (1Y tenor) nearly doubled during the month, from 6 to 11 bps. Source: Bloomberg.

# Monthly Report – October 2018

## Momentum Strategies (CLAXMOM Index) -2.96% in October, -4.66% in the last 12 months

### Mean Reversion Strategies (CLAXMRE Index) -2.81% in Oct, -8.00% 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%	-6.31%	0.37%	0.81%	-0.45%	0.37%	1.37%	0.43%	-0.76%	-2.81%			-8.31%

Mean Reversion strategies were the second worst performers in October, down -2.81%, as equity indices in the US and Europe registered mostly negative daily returns<sup>11</sup> within broader monthly losses (-6.9% for the S&P 500, -5.9% for the Euro Stoxx 50 index). As such, statistical short term mean reversion strategies on Euro Stoxx 50 and S&P 500 indices declined -3.3% on average, across 21 indices. Predictably, buy-write strategies did nothing to improve these results: the seven algorithms produced average losses of -3.8%. On the other hand, three mean reversion strategies in Fixed Income and FX made gains of +0.5% on average.

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

Momentum - Mean Reversion	Oct-18 return	YTD return	1Y Sharpe	1Y return
1) DB Emerald EM EM Equity Mean Reversion	2.0%	-2.9%	-0.4	-6.9%
2) DB EMERALD Bi-Weekly S&P 500 Mean Reversion Delta	1.2%	-0.8%	-0.1	-1.4%
3) Societe Generale FX-G10 Mean Reversio G10 FX Mean Reversion	0.8%	1.6%	0.6	3.2%

### Trend-Following Strategies (CLAXTRF Index) -3.05% in Oct, -3.40% 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%	-2.55%	-0.13%	-0.27%	0.01%	-0.10%	-0.42%	0.51%	-0.52%	-3.05%			-4.03%

FX trend following strategies were the only ones positive in October (+1.5% across 14 indices) as Emerging Market currencies (and some G10 currencies, such as the Euro) resumed their downward trends<sup>12</sup>. These gains were not sufficient to compensate losses in commodity and equity trend following algorithms, as price corrections in these asset classes were severe<sup>13</sup>. Commodity strategies were down -2.8% (across 17 indices) while equity strategies lost -4.1% (across six indices), on average. Fixed Income trend following strategies remained broadly unchanged. Finally, multi-asset trend following sustained losses of -3.5% across 33 indices, undermined by the correction in equities, commodities and bond prices. October 2018 is the worst month on record for trend following strategies in our database since 2008.

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

Momentum - Trend Following	Oct-18 return	YTD return	1Y Sharpe	1Y return
1) Societe Generale Forex Trend Following Global FX Trend Following	4.6%	7.6%	0.4	6.3%
2) JPMorgan Momentum FX EURUSD EUR/USD Trend Following	2.9%	5.3%	0.8	7.7%
3) Societe Generale FX EUR/USD Momentu EUR/USD Trend Following	2.7%	5.6%	0.3	3.5%

<sup>11</sup> The S&P 500 index was down on 16 days and the Euro Stoxx 50 index was down on 15 days, out of 23 trading days. Source: Bloomberg

<sup>12</sup> The J.P. Morgan EM Currency Index was down -1.2% in October. It is down -10.6% in the twelve months ended September 2018. Source: Bloomberg

<sup>13</sup> The BCOM Energy sub-index is down -5.7% and the S&P 500 index is down -6.9% in October. They are up +26.0% and +15.7% respectively in the twelve months ended September 2018. Source: Bloomberg