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IR&M Momentum Monitor

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VC-PE INDEX

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IR&M Momentum Monitor

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IR&M Momentum Monitor

By Alexander Ineichen, CFA, CAIA, FRM; www.ineichen-rm.com



Price Momentum

Earnings Momentum

Calendar Week:	Medium-term				Long-term				Medium-term				Long-term			
	2	3	4	5	2	3	4	5	2	3	4	5	2	3	4	5
Equities by region																
MSCI World	-1	-2	-3	-4	3	4	5	-1	-18	-19	-20	-21	-8	-9	-10	-11
Europe (STOXX 600)	9	10	11	12	3	4	5	6	1	2	3	4	27	28	29	30
MSCI Emerging Markets	-17	-18	1	-1	-10	-11	-12	-13	-18	-19	-20	-21	-15	-16	-17	-18
MSCI Asia Pacific ex Japan	-17	-18	1	2	-10	-11	-12	-13	-17	-18	-19	-20	-10	-11	-12	-13
Equities by country																
USA (S&P 500)	11	-1	1	-1	147	148	149	150	-12	-13	-14	-15	149	-1	-2	-3
Canada (SPTSX 60)	-1	-2	1	2	-7	-8	-9	-10	-12	-13	-14	-15	-2	-3	-4	-5
Brazil (Bovespa)	-15	-16	-17	-18	-5	-6	-7	-8	-19	-20	-21	-22	-19	-20	-21	-22
France (CAC 40)	-2	1	2	3	-21	-22	-23	1	1	2	-1	-2	17	18	19	20
Germany (DAX 30)	8	9	10	11	3	4	5	6	49	50	51	52	90	91	92	93
Italy (FTSE MIB)	-5	-6	1	2	-19	-20	-21	-22	-11	-12	-13	-14	-2	-3	-4	-5
Switzerland (SMI)	11	-1	-2	-3	130	131	132	133	35	-1	-2	-3	21	22	23	24
UK (FTSE100)	-5	-6	1	2	-15	-16	-17	-18	-13	-14	-15	-16	-8	-9	-10	-11
Australia (S&P/ASX)	2	-1	1	2	-11	-12	-13	-14	-12	-13	-14	-15	-7	-8	-9	-10
China (Shanghai Composite)	28	29	30	31	23	24	25	26	-12	-13	-14	1	-6	-7	-8	-9
Hong Kong (Hang Seng)	1	2	3	4	28	29	30	31	-11	-12	-13	-14	-1	-2	-3	-4
India (Nifty)	2	3	4	5	64	65	66	67	47	48	49	-1	59	60	61	62
Japan (Nikkei 225)	11	-1	1	2	26	27	28	29	61	62	63	64	98	99	100	101
South Korea (Kospi)	-5	-6	-7	1	-13	-14	-15	-16	6	7	8	9	-84	-85	-86	-87
Bonds																
Barclays Global Aggregate	-19	-20	-21	-22	-13	-14	-15	-16	-19	-20	-21	-22	-12	-13	-14	-15
Barclays Global HY	-19	-20	-21	-22	-12	-13	-14	-15	68	69	70	71	63	64	65	66
Barclays Euro Aggregate	68	69	70	71	63	64	65	66	70	71	72	73	66	67	68	69
Barclays Asia Pacific Aggregate	70	71	72	73	-10	-11	-12	-13	-10	-11	-12	-13	-5	-6	-7	-8
Barclays Global Emerging Markets	-10	-11	-12	-13	-5	-6	-7	-8	15	16	17	18	52	53	54	55
Barclays US Aggregate	15	16	17	18	52	53	54	55	-8	-9	-10	1	-8	-9	-10	-11
Barclays US Corporate HY	-8	-9	-10	1	-8	-9	-10	-11	Commentary							
<p>Long-term price momentum for the MSCI World turned negative at the end of January. Long-term momentum in some broad bond indices remains negative. Long-term momentum of earnings estimates for the MSCI World turned in November and has been negative ever since. The USD has positive momentum. The balance sheet of the main central banks are expanding.</p>																
Hedge Funds																
HFRX Global Hedge Funds	-15	-16	-17	-18	-11	-12	-13	-14	21	22	23	24	26	27	28	29
HFRX Macro/CTA	21	22	23	24	26	27	28	29	10	-1	1	2	4	5	6	7
HFRX Equity Hedge	10	-1	1	2	4	5	6	7	-17	-18	-19	-20	-13	-14	-15	-16
HFRX Event Driven	-17	-18	-19	-20	-13	-14	-15	-16	-26	-27	-28	-29	-18	-19	-20	-21
HFRX Relative Value Arbitrage	-26	-27	-28	-29	-18	-19	-20	-21	-17	-18	-19	-20	-13	-14	-15	-16
HFRX Fixed Income - Credit	-17	-18	-19	-20	-13	-14	-15	-16	Tutorial							
<p>The momentum numbers count the weeks of a trend based on moving averages. Green marks a positive trend, red a negative one. Example: In week 22, the S&P has been in a long-term bullish trend for 123 weeks. See www.ineichen-rm.com for more information and/or trial issue.</p>																
Commodities																
Thomson Reuters/Jefferies CRB	-27	-28	-29	-30	-19	-20	-21	-22	1	2	3	4	-17	-18	-19	-20
Gold (Comex)	1	2	3	4	-17	-18	-19	-20	-20	-21	-22	-23	-17	-18	-19	-20
Copper (Comex)	-20	-21	-22	-23	-17	-18	-19	-20	-27	-28	-29	-30	-20	-21	-22	-23
Oil (WTI)	-27	-28	-29	-30	-20	-21	-22	-23	Purpose							
<p>The momentum monitor was designed to help investors with risk management, asset allocation, and position sizing. Tail events do not always happen out of the blue. They often occur when momentum is negative. Negative momentum makes hedging more important and suggests position sizing should be more conservative. In a bull market one ought to be long or flat but not short. In a bear market one ought to be short or flat but not long.</p>																
FX																
USD (trade-weighted, DXY)	34	35	36	37	26	27	28	29	-35	-36	-37	-38	-28	-29	-30	-31
EURUSD	-35	-36	-37	-38	-28	-29	-30	-31	-24	-25	-26	-27	-19	-20	-21	-22
JPYUSD	-24	-25	-26	-27	-19	-20	-21	-22	Central banks' balance sheets							
<p>Fed balance sheet</p>																
ECB balance sheet	7	8	9	10	109	110	111	112	1	2	3	4	140	141	142	143
BoJ balance sheet	140	141	142	143	147	148	149	150	16	17	18	19	41	42	43	44
BoE balance sheet	16	17	18	19	41	42	43	44								

Source: IR&M, Bloomberg. Notes: Medium-term based on exponentially weighted average over 3 and 10 weeks. Long-term based on simply weighted average over 10 and 40 weeks. Earnings momentum is based on 12-month forward consensus EPS estimates.



Alexander Ineichen is founder of Ineichen Research and Management AG, a research firm founded in October 2009 focusing on risk management, absolute returns, and thematic investing.

Alexander started his financial career in derivatives brokerage and origination of risk management products at Swiss Bank Corporation in 1988. From 1991 to 2005 he had various research functions within UBS Investment Bank in Zurich and London relating to equity derivatives, indices, capital flows, and alternative investments, since 2002 in the role of a Managing Director. From 2005 to 2008, he was a Senior Investment Officer with Alternative Investment Solutions, a fund of hedge funds within UBS Global Asset Management. In 2009, he was Head of Industry Research for the hedge fund platform at UBS Global Asset Management.

Alexander is the author of the two publications “In Search of Alpha: Investing in Hedge Funds” (October 2000) and “The Search for Alpha Continues: Do Fund of Hedge Funds Add Value?” (September 2001). These two documents were the most-often printed research publications in the documented history of UBS. He is also author of “Absolute Returns: The Risk and Opportunities of Hedge Fund Investing” (Wiley Finance, October 2002) and “Asymmetric Returns: The Future of Active Asset Management” (Wiley Finance, November 2006). Alexander has also written several research pieces pertaining to equity derivatives and hedge funds including AIMA’s Roadmap to Hedge Funds (2008 and 2012), which has been translated into Chinese and was the most-often downloaded document from their website at the time.

Alexander holds a Bachelor of Science in Business Administration with a Major in General Management from the University of Applied Sciences in Business Administration Zürich (HWZ) in Switzerland. Alexander also holds the Chartered Financial Analyst (CFA) and Chartered Alternative Investment Analyst (CAIA) designations and is a certified Financial Risk Manager (FRM). He is on the Board of Directors of the CAIA Association and is a member of the AIMA Research Committee.