

Global macro managers tipped for 2020 comeback

Global macro hedge funds, which suffered disappointing performance last year, are tipped to stage a comeback amid extreme market volatility prompted by the Covid-19 pandemic



By David Ricketts and Tom Teodorczuk

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In recent months, global macro hedge funds, which profit from trading on big economic trends, have seemed terminally out of fashion. Long-term legends of the industry, such as Moore Capital's Louis Bacon, [called time on their careers](#) last year while global macro funds in general struggled to perform against a backdrop of perennially stable markets.

Investors carried their concerns into 2020, yanking \$22bn from global macro hedge funds in the first three months of this year, out of a total of \$33bn pulled from the industry, according to data provider HFR.

But times could be about to change. Volatility is back. And some asset managers who allocate money across different investment strategies say that global macro could be set for a return.

Macro hedge funds are “very nimble and can weather periods of volatility”, said Karen Ward, chief market strategist for Europe, the Middle East and Africa at JPMorgan Asset Management.

A JPMorgan presentation to clients from this month guides that allocating more to global macro hedge funds can offer some protection during a downturn in the economy and when equity prices are falling. The presentation also says that macro hedge funds offer better long-term returns than “core bonds.”

“Macro funds provide some resilience during a recession, but they also provide some longer-term opportunities,” Ward said.

Ward said that global macro funds are a good alternative to government bonds, which are no longer offering the same growth and portfolio diversification as in the past. US government debt yields are at all-time lows, and are unlikely to fall much lower. (Bond yields move inversely to prices.)

Stephen Klein, chief operating officer of New York-based macro trading firm Mistell Management, said “macro is back centre stage”.

Low-volatility equity strategies and passive index investing are among the approaches that are likely to struggle in the current environment, he said.

“Fixed income is at zero, it’s not going anywhere. Good luck with equities. Real macro – like George Soros macro – that’s going to move,” said Klein.

“If you want a fixed income alternative that has the ability to have a relatively smooth yield with drawdown that isn't terrible, you need super high-level professional macro people who have managed billions of dollars. But there is an unbelievable under-supply of macro people who have managed billions of dollars recently.”

Oliver Fochler, a hedge fund investor and adviser at Stone Mountain Capital, said global macro funds are entering “a golden age”.

“Everything that drives macro trading — whether it's interest rates, fixed income, currencies or commodities like gold and the price of oil — has become even more relevant to investors seeking diversification in the past few months.”

Fochler said he thought investors would be allocating more to macro strategies in the months ahead. "Given the returns that have been generated by many global macro hedge funds in recent weeks, I expect we will see investors allocating more capital to macro fund strategies going forward," he said.

So far, performance has also been relatively more resilient than some other investment strategies. Macro hedge fund strategies returned -1.99% collectively between January and March, compared with equity and event-driven strategies, which posted losses of -15.1% and -17.3% respectively, according to data provider Prequin.

Over a 12-month period, macro hedge funds have returned 4.7%, compared with -9.7% for equity strategies and -14.8% for event-driven hedge funds.

Global macro firms have been among the strongest hedge fund performers in the wake of the coronavirus market turbulence. New York-based global macro fund Haidar Capital Management's Jupiter Fund was up 53.5% in 2020 to the end of March and has risen 13% in April, through to 22 April, according to a source familiar with the situation.

Rokos Capital Management's Global Macro Master fund, run by billionaire London hedge fund manager Chris Rokos, was up 20% through to the end of March, according to a person with knowledge of the situation.

Jean-Baptiste Berthon, senior cross-asset strategist at Lyxor, said that he expects global macro to outperform during the looming recession even if it is unlikely they will repeat their “stellar” performances of the 2000s.

Esty Dwek, head of global market strategy at Natixis Investment Managers, said allocation to “liquid alternatives” – including macro hedge funds – made sense in current markets as bond yields are likely to remain low for some time.

“We find that macro hedge funds can help de-correlate from traditional assets and can often adapt to evolving market conditions,” said Dwek.

“They are also typically good at taking advantage of market dislocations that arise in times of crisis.”

Still, not everyone is convinced that global macro will get back into favour any time soon. Paul Jackson, global head of asset allocation research at Invesco, said he preferred real estate and commodities over hedge funds.

“Hedge funds, in their aggregate, history tells you, give you pretty much the same return as US government debt. I’m not convinced they provide much of an alternative to government debt markets at this time.”

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