

Investments - Flash

M. Alain Freymond - Partner & CIO



HEDGE FUNDS MISSED THE JULY RALLY

« Short covering » above the 100-day average ?

July proved to be an excellent month for most financial assets, but clearly not for hedge funds (+0.5%), which largely underperformed during this period of recovery in international equities (+7.9%), real estate (+6.9%), private equity (+17.9%) and bonds (+2.1%). Overall, hedge funds do not seem to have anticipated the stock market recovery that began in July and instead maintained a "bearish" strategy during the month. In fact, it even seems that they wanted to reinforce their bearish "bets" during the equity rebound.

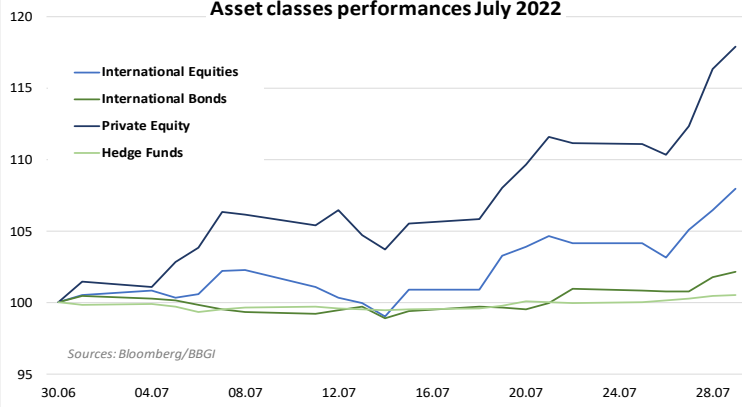
According to the latest CFTC CME releases, hedge funds probably became net sellers in mid-June and have remained so for the past six weeks. Indeed, the total net short position is now similar to that of June 2020. The S&P500's +9.1% rise in July, which is the best monthly performance for 20 months, has not really been captured by the large hedge funds. Overall, there were inflows into equity funds in July, but they were less than the outflows at the end of June and seem to have come in only at the very end of the month.

Therefore, the fact that the earnings season has so far gone better than many had feared could reinforce the flow of funds into risky assets. The S&P500's month-end rise to just above its 100-day average may be difficult for short holders to hold, especially considering that the recession scenario is now widely shared since the release of the second quarter of GDP (-0.9%) on 27 July, which was followed by a +5.7% rise in the S&P500 in three days.

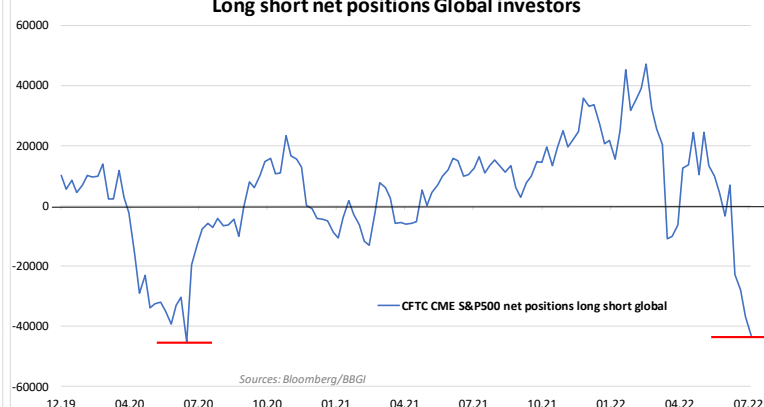
A continuation of the recent progress could therefore attract further portfolio adjustments and sustain the current "rally" for longer.



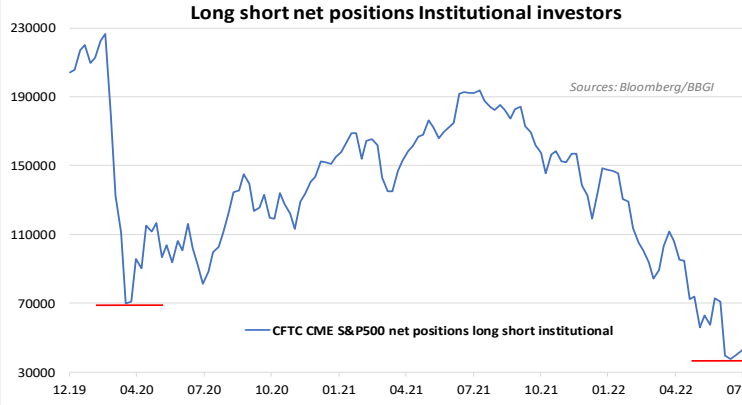
Asset classes performances July 2022



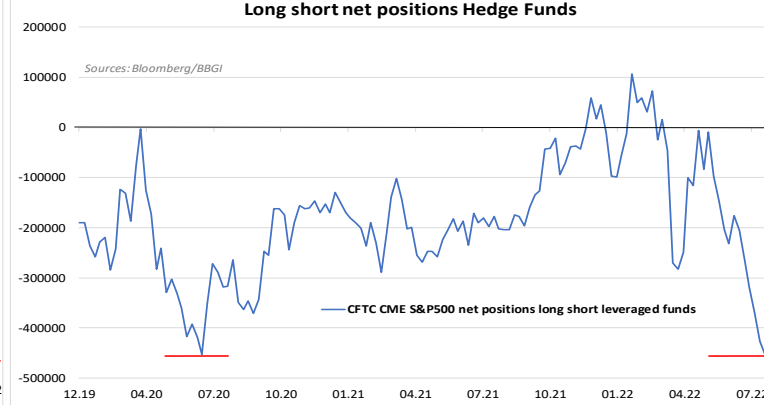
Long short net positions Global investors



Long short net positions Institutional investors



Long short net positions Hedge Funds



Disclaimer: This document and any attachments thereto are confidential and intended solely for the use of the addressee(s) and should not be transmitted to any person(s) other than the original addressee(s) without the prior written consent of BBGI. This document and any attachments thereto are provided for information purposes only and are not an offer or solicitation for any purchase, sale or subscription. BBGI shall not be liable for any decision taken on the basis of the information disclosed herein and no advice, including any relating to financial services, is given herein by BBGI. This document and any attachments thereto are based on public information. Under no circumstances can this report be used or considered as a commitment by its authors. BBGI makes every effort to use reliable, comprehensive information and BBGI makes no representation that it is totally accurate or complete. In addition, the views, opinions and all other information provided herein are subject to change without notice. Prices and margins are indicative only and are subject to change at any time without notice depending on inter alia market conditions. Past performances and simulations are not representative of any future results. The opinion, views and forecasts expressed in this document and any attachments thereto reflect the personal views of the author(s) except for any specific mention, and do not reflect the views of any other person or that of BBGI.