Quant insight

24.01.2022

Crowded longs

- There are estimates that the average US equity long/short fund is down just over 4% year-to-date. However, the same source* puts crowded longs down 12.5% YTD – the worst start since 2010.

- GVIP is an ETF that tracks the top stock picks of blue chip Hedge Funds. At the end of 2021 the fund factsheet suggested the “very important positions” had a tech heavy skew. Today, the long positions seem split across asset managers, banks, energy as well as tech.

- It is, first-&-foremost, a bottom up stock picking strategy. But while holdings are selected according to company fundamentals, macro has become increasingly important. **Qi’s GVIP model confidence is now 65% - it is back in a macro regime**.

- The valuation gap is at an extreme. GVIP is 2.7 sigma, 8.6% cheap to the macro environment. Critically though **model fair value is trending lower**. The prevailing macro conditions are deteriorating, it is just that spot has moved lower at a quicker pace.

- The new regime has a distinct Goldilocks feel – reflation, easy monetary policy, healthy risk appetite. Given the Fed’s hawkish pivot in 2022, that explains the move lower in both spot & model value. The good news for the optimists is **a lot of bad news is now priced**. But, as always, Qi would prefer to **wait for macro-warranted model value to bottom out & inflect higher** before taking advantage of the FVG signal.

* Source: Morgan Stanley Prime Brokerage

Quant
insight

Quant Insight Limited
42-46 Princelet Street
London E1 5LP
United Kingdom
Tel: +44 203 9941310
www.quant-insight.com