



Weekly performance, macro context, current positioning, and future expectations.

Performance

June 14, 2024

Arrow Global Multi-Asset Alternative Class (Series F):

WTD 0.75%

MTD 0.46%

YTD 3.87%

Global Market Summary

Market price action last week was dominated by event risk. The previous week's idiosyncratic "Risk-off" moves had been contained to specific popular FX carry trades like the Mexican Peso (in response to a surprise political outcome) and associated rallies in lower yielding funding currencies, notably the CHF. However, news that European parliament elections had prompted President Macron of France to call a snap election warranted a much larger global macro response. European peripheral bond spreads widened dramatically with the French government bond ("OAT") market gapping out in spread terms to German Bunds with fear that a rightward shift could result in a much looser fiscal stance by France. This spread now sits at levels markedly above those that prevailed at the onset of the pandemic, just before DM central banks globally expanded their balance sheets with widespread asset purchases. At a press conference this past Friday though, ECB Chair Lagarde described the situation as "contained". The chart below might suggest otherwise as did the move in German 2Y yields which fell, in classic flight to quality fashion, by over 30bps.

French Government 10Y OAT spread over German 10Y Bunds

Meanwhile, the FOMC lowered its expected degree of policy easing in 2024 in reaction to the more muted decline in inflation relative to their expectations earlier in the year. Ironically, this happened on a day when CPI missed all estimates with a softer than expected outcome, closely followed by a weaker PPI report. Coupled with the fact that, notwithstanding the increasingly unreliable non-farm payroll series surprise upswing on June 7, a closer look at the data clearly shows moderation in the economy. Indeed, some of the sources of alternative data we are beginning to weave into our analysis support what we have seen in other official releases of labour force data. It would appear that US economic growth is on a journey back towards trend growth which, ultimately, policymakers will be happy to see and able to respond to.

Markets, however, were not as sanguine as The Fed. This was evident in price action in the second half of the week after Chair Powell's press conference. Bunds and Treasuries were the winners and within equities only Quality gained (SPW is down on the month while SPX has rallied over 250bps). Our portfolio was positioned long bonds in the form of Germany & the US. Tactically, we continue to see upside risk against the backdrop of this rise in political uncertainty as well as our ongoing softer growth thesis. Additionally, we continue to like owning volatility in the equity space. We had removed all long equity exposure coming into the week and still view this, on balance, as tactically appropriate. Our more idiosyncratic FX risk was an unfortunate drag on the portfolio's overall performance.

We look forward to reporting back next week.

Thanks,
Arrow Investment Team

Historical Performance – As of May 31, 2024

	1-Year	3-Year	5-Year	ITD
AGMAAC - Series F	3.18%	0.82%	3.57%	2.93%

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Effective June 15, the Fund was renamed Arrow Global Multi-Asset Alternative Class (formerly Arrow Global Advantage Alternative Class).

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More information about the Fund can be found on our website www.arrow-capital.com.