



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

Performance

July 12, 2024

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

WTD -0.61%

MTD 0.11%

YTD 3.48%

Global Market Summary

Economic data and associated central bank commentary took a backseat to political developments last week. Continued uncertainty about the Democratic nominee for US President and the Republican challenger's apparent increase in support, after surviving an assassination attempt, combined to increase the market's perception of a GOP sweep in November. Such an outcome is assumed to be pro-growth and, paired with presumptions around the GOP candidate's belief in low interest rates to encourage economic activity, these served to give further support to small caps. This sector had, of course, already been bolstered in reaction to the prior week's US CPI readings and the bullish response in short-rate expectations. As a heavily shorted space in equities all year, the sudden change in momentum left all other assets in its wake. While price action is always to be respected, we note that a slowing economic outlook presents headwinds to companies, and we remained focused on potential bottom-up signals from earnings season for signs that corroborate our view that the current economic trajectory has further to go. While election outcomes and the associated policies could have significant bearing on the economic path in 2025, these are months away and extremely challenging to predict and asset allocate to. Consequently, our portfolio does not have any significant election-based thematic trades. Rather, we are assuming a more volatile backdrop going forward and are tactically trading equity volatility from the long side, not least because we view it as being a consensus short in markets. This is not dissimilar to the positional setup in small caps prior to recent events. Further, looking through our multi-asset lens, we observed intraweek - albeit briefly - a similar rapid short squeeze in the Japanese Yen which is the most heavily shorted and fundamentally undervalued G10 currency. Such dynamics seem to be evidenced in the poor performance of CTA strategies this month, where these dramatic momentum swings have tested extreme positioning.

Last week, we wrote about our non-consensus view of some potential upside in China. Domestic Chinese investor expectations remain low and foreign sponsorship for the market has continued to wane. This setup had informed our mild allocation to FXI in a defined downside fashion. However, the Third Plenum concluded without any material signals for the market, hence the disappointing subsequent price action. Nevertheless, we continue to view the need for some

meaningful policy action as it is highly probable that the new incoming US administration, particularly if lead by the Republican nominee, will be laser-focused on China. Getting ahead of this potentially significant headwind would seem to be prudent. The upcoming Politburo meeting still offers potential for signaling. We note that the policy statement, issued at the conclusion of the Third Plenum, acknowledged the need to improve “basic and bottom-up livelihood, solve the most direct and realistic interests of the people and continuously meet the people’s yearning for a better life”. When juxtaposed with comments by the GOP Vice-Presidential nominee, during his speech at last week’s RNC convention, where he stated that there would be no further tolerance for US wage losses on the back of China’s efforts to build its middle class, we see firsthand the impediments to China’s current mercantilist stance.

We look forward to reporting back next week.

Thanks,
Arrow Investment Team

Historical Performance – As of June 30, 2024

	1-Year	3-Year	5-Year	ITD
AGMAAF - Series F	4.46%	0.74%	3.38%	2.88%

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Effective June 25, 2024, Arrow Global Multi-Asset Alternative Class was merged into Arrow Global Multi-Asset Alternative Fund as part of the corporate class fund merger. Effective June 15, 2023, the Fund was renamed Arrow Global Multi-Asset Alternative Class (formerly Arrow Global Advantage Alternative Class).

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