

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

Performance

September 27, 2024

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

WTD 0.32%

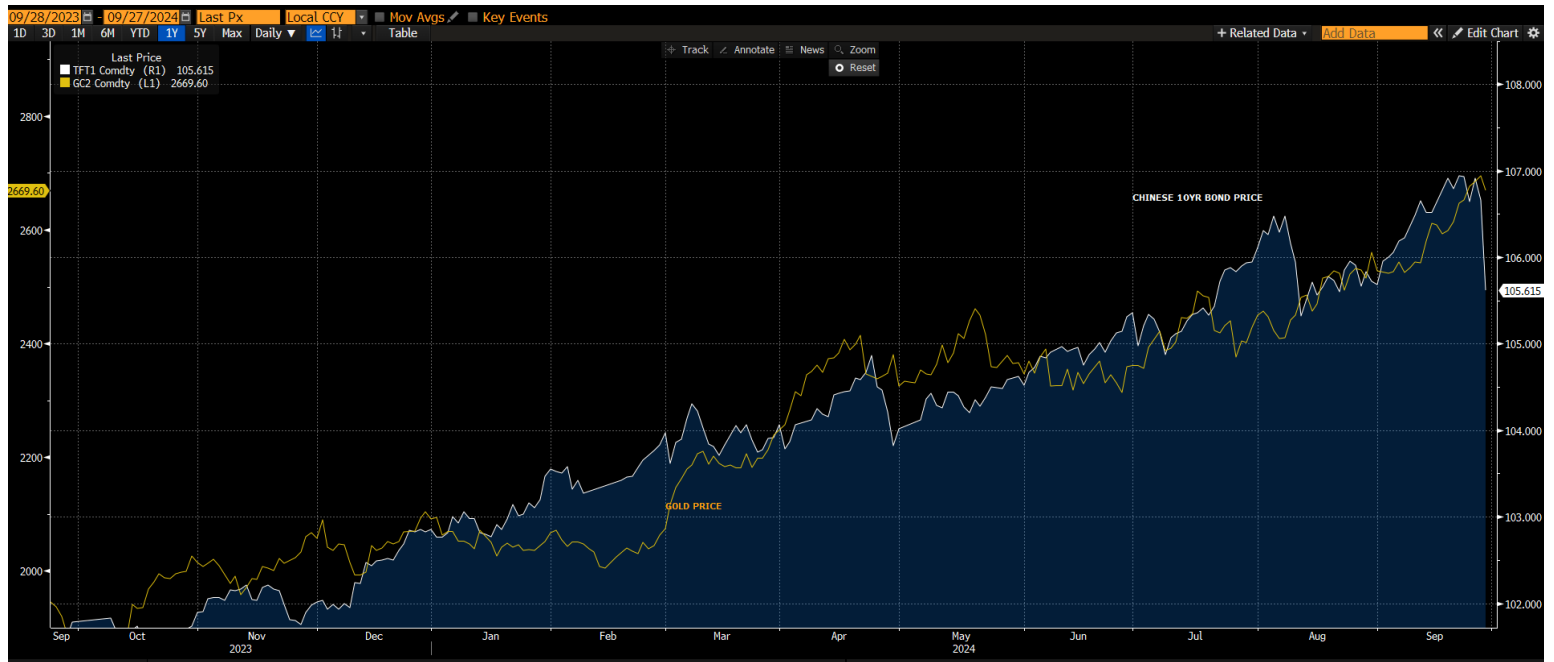
MTD 1.02%

YTD 4.51%

Global Market Summary

China and the US Dollar took centre stage across the multi-asset space last week. Having disappointed markets in the summer with a lack of policy plans emanating from the Third Plenum and the subsequent Politburo meeting, announcements made regarding a broad stimulus package surprised many and resulted in a rapid absolute and relative re-pricing of Chinese assets. A significant feature of domestic Chinese flows this year, reflecting the burgeoning distrust of public policy, has been the steady decline in Chinese government bond yields. Concurrent with this defensive rotation that also saw Chinese sponsorship of local equities collapse and those indices become favoured shorts or underweights by global equity funds, was the appetite for Gold (see chart below). Bond yields rose sharply as the policies unfolded:

CHINESE 10YR BOND FUTURE vs GOLD PRICE



Source: Bloomberg

With Chinese risk assets being so under-owned, yet still a component of benchmarks e.g. ACWI, there was a reflexive rotation into local stocks, both on and offshore. We would posit that this policy initiative reflects the ruling party's dawning realization that a trend-weakening domestic economy and the probable furthering of US trade policy targeting, China post the US election (irrespective of which side of the aisle wins), represents a potentially threatening macro-economic risk. Actions taken, and those potentially yet to be enacted, suggest a desire to get ahead of these risks.

These actions aided risk in other markets to rally too, including Europe despite awful economic data out of Germany. Unsurprisingly, there was a concomitant impact on the USD as markets repriced the aggregate global growth outlook, as well as the carryover effects of the Fed's recently declared easing bias. We, however, continue to think broad USD downside risk is moderate but recognize the binary nature of incoming data in the short-term, especially next week's key indicators of jobs which are already seeing forecasts revised lower. We viewed recent relative strength in CAD as unwarranted on a macro basis and instead reasoned it as being idiosyncratic in nature, as a function of large local institution hedging flows at both month and quarter end. This interpretation encouraged us to look for downside in CAD against other currencies, adding to our GBPCAD view (see prior weekly). We chose to short CAD vs JPY in a defined downside manner and were encouraged by the subsequent rally in JPY after the Japanese leadership elections were settled.

Looking through the mosaic of US data reported over the week, and with bonds testing the lower end of the range we anticipated post-FOMC, we chose to reduce some fixed income hedges.

Thanks,

Arrow Investment Team

Historical Performance – As of August 31, 2024

	1-Year	3-Year	5-Year	ITD
AGMAAF - Series F	4.67%	0.32%	3.07%	2.81%

Published September 30, 2024

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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