Alternative Intelligence is a curated newsletter featuring hedge fund news from around the web along with additional content including podcasts and academic research papers.

Monday August 10, 2020

Latest News

Calpers CIO’s Mysterious Exit Was Preceded by Months of Torment
Bloomberg
What finally drove him to quit wasn’t only the public pressure, it was a Wall Street sin every rookie in the business knows to avoid: He steered the fund’s money into investments that could benefit him personally.

The Best Deal in Markets Right Now: Talent.
Institutional Investor
As layoffs, cutbacks, and furloughs hit asset management, Massachusetts’ $77 billion public investment arm saw an opportunistic play. “We’ve been debating internally: What’s the best investment we can make right now?” said Eric Nierenberg, chief strategy officer for MassPRIM. The answer: “Talent.”

Oil Bonanza at U.K. Firm Casts Light on Price-Blind Trades
Bloomberg
TAS’s vulnerability lies in the fact that it allows traders to quietly build a position without affecting the price, according to Craig Pirrong, a professor at the University of Houston who wrote a paper on the subject last year.

Trend following hedge funds enjoy summer surge with best monthly performance this year
Hedgeweek
Trend following strategies posted a 3.07% return last month, according to the SG Trend Index. The benchmark, which tracks the net daily gains of a pool of trend-following hedge
Citadel Outperforming Its Rival Hedge Fund Companies  
*Business Insider*

The $34 billion firm is up more than 16% in its flagship Wellington Fund for the year through July, while its standalone Global Fixed Income fund is up nearly 12% over the same stretch, a source familiar with the firm told Business Insider. In July, Wellington was up 2.7% and Global Fixed Income returned 2.1%.

Why the Cushing Storage Hub Matters to Oil  
*CME Group*

The crude oil hub in Oklahoma provides the physical delivery mechanism for the benchmark WTI futures contract.

Power Traders Flock to Japan And Its $136 Billion Market  
*Bloomberg*

While western markets are increasingly dominated by renewable energy and shrinking profit margins, the potential for price volatility and arbitrage in Japan are a trader’s dream:

Silver vs. Gold: How the Two Metals Compare as Investments  
*The Wall Street Journal*

The world’s two best-known precious metals have surged this year. But there are differences that investors need to consider.

ESG funds attract record inflows during crisis  
*Financial Times*

Funds that invest according to environmental, social and governance principles attracted net inflows of $71.1bn globally between April and June this year, pushing assets under management in the products to a new high of just over $1tn, according to Morningstar.

Report highlights asset owners climate best practices  
Pensions & Investments

Efforts by 10 large assets owners to identify and manage climate-related risks in their portfolios have been highlighted in a series of profiles by Ceres. The profiles outline initiatives undertaken by the assets owners to help limit global warming to no more than 1.5 degrees Celsius.

The Savvy Symbiosis of GSO and Blackstone  
*Institutional Investor*

Since Covid-19 struck, the credit shop has been making the most of its parent company — and vice-versa.

The World’s Best Pension Funds Are Canadian. Sorry.  
*Institutional Investor*

Here’s why they’re producing superior returns, according to researchers from McGill University.
shorting Tesla
Saltwire
Jim Chanos has been cast as the “Darth Vader of Wall Street”, the “Catastrophe Capitalist” and the “LeBron James of short selling”.

A warning about real estate and REITs from famed hedge fund manager Seth Klarman of Baupost
Seeking Alpha
In the Baupost Group’s Q2 investor letter, Klarman discusses the changes wrought by COVID-19 which he believes will be long lasting, and includes a section called "Real Estate Becomes More Challenged as an Asset Class with Deteriorating Fundamentals for Retail, Hotel, and Possibly Office Properties".

To Some Investors, 10-Year Treasury Note Isn’t What It Was
The Wall Street Journal
Pension funds, endowments and people saving for retirement have long assumed that when times got tough, they could park their cash in Treasurys, a risk-free asset that still produced returns. In 1987, when Black Monday sent stocks tumbling, the 10-year note yielded nearly 10%. When Lehman Brothers declared bankruptcy in September 2008, the yield was around 3.5%. Now it has closed below 0.6% for two consecutive weeks.

Harnessing Data to Map Fund Manager Exposures to Material ESG Risks
Albourne
Will Bryant of Albourne outlines a cutting-edge technique to identify exposures to material ESG risks.

Millennium Management Hires Ex-New York Fed Official Simon Potter
Bloomberg
Millennium, which manages almost $44 billion in assets, hired Potter in June as vice chairman, fixed income, to be an adviser to the hedge fund’s debt portfolio managers.

Winter Coats, Apocalyptic Vibes Greet Workers Returning to Deserted Offices
Bloomberg
In the final week of July, just 6.9% of employees had returned to offices in Manhattan that are managed by CBRE Group Inc., the world’s largest commercial real estate services firm.

Goldman names new head of digital assets in bet that blockchain is the future of financial markets
CNBC
McDermott, who is based in London, has a radical vision for markets: a future in which all of the world’s financial assets reside on electronic ledgers, and activities that today require squadrons of bankers and lawyers like initial public offerings and debt issuances could be largely automated.
nearly 20 institutions already filed paperwork with the SEC last quarter, showing they invested in the Grayscale Bitcoin Trust (GBTC)

**Alternative Media**

**In The Know with Cathie Wood**

*Ark Invest | Video*

Join ARK's CEO & CIO, Cathie Wood as she provides a short review during this period of uncertainty related to the coronavirus (COVID-19) pandemic. On this episode of In the Know, Cathie Wood talks fiscal policy, monetary policy, market signals, economic indicators, and innovation as related to recent earnings.

**Academic Corner**

**Gold, the Golden Constant, COVID-19, “Massive Passives” and Déjà Vu**

_Claude B. Erb, TR, Campbell R. Harvey, Duke University - Fuqua School of Business; National Bureau of Economic Research, Tadas E. Viskanta, Ritholtz Wealth Management; August, 2020_

Currently the real, inflation-adjusted, price of gold is almost as high as it was in January 1980 and August 2011. Since 1975, periods of high real gold prices have occurred during periods of elevated concern about high future price inflation. Five years after the real price peaks in January 1980 and August 2011 the nominal (real) prices of gold fell 55% (67%) and 28% (33%), respectively. Today’s high real price of gold suggests that gold is an expensive inflation-hedge with a low prospective real return. However, “massive passive” ETF financialization of gold ownership may introduce a period of “irrational exuberance”.

Editorial: **Peter Lacalamita**
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