

## **„Trend and Crisis Timing Abilities of Commodity Trading Advisors”**

### **Paper 1: Duration Dependence, Behavioral Restrictions, and Market Timing Ability of Commodity Trading Advisors (Gert Elaut, Michael Frömmel, Alexander Mende)**

This paper addresses a conflict occurring in research on market timing abilities: While empirical tests seem to work best on a daily basis, the standard benchmark for a good market timer is incongruent with reality at this sampling frequency, which may be the reason for the ambiguous results in the literature. We therefore adapt the Henriksson-Merton (1981) test for market timing by using a less restrictive assumption on the manager’s objectives. In particular, we relax the assumption that the manager bases its market timing decisions on (monthly) excess returns. Instead, we use results from the literature on bull- and bear markets and test whether the manager can successfully time these trends in financial markets. We make use of a proprietary dataset of daily CTA returns to show that Commodity Trading Advisors (CTAs), on average, are able to time the bull- and bear markets identified.

### **Paper 2: The Crisis Alpha of Managed Futures: Myth or Reality? (Nicolas Dierick, Michael Frömmel, Alexander Mende, Pieterjan Tilleman)**

We analyze the ability of commodity trading advisors (CTAs), commonly associated with managed futures, to provide investors with important diversification benefits in times of crisis. By developing a systematic identification methodology and employing a unique dataset, we show that managed futures do acquire positive gains in most sector crises that stem from two sources. Firstly, the asset class is diversified across multiple futures markets. As a result, positive yields in other markets are able to counterbalance the lacking performance in the crisis sector. Secondly, the downward adjustment of managed futures exposure to their focus market allows them to put a halt to the fall in their sector performance. Owing to CTAs ability to adjust to a turbulent market environment their sector performance does not weigh down the composite industry’s return throughout crises.