Contents

Preface xiii

PART ONE: AN OVERVIEW OF GLOBAL MACRO

CHAPTER 1
Surveying the Global Macro Landscape 3
Types of Global Macro Strategies 3
Return Profile and Allocations 6
Hedge Funds and Global Macro 7
Summary 10

CHAPTER 2
Trading Process, Sizing Trades, and Monitoring Performance 11
Maintaining a Stringent Process 12
Objectivity and Bias 12
Taking Losses 15
Position Sizing 16
Unit Size 17
Volatility Adjusting Position Size 17
Risk/Reward 18
Correlation 19
Gap Risk 20
Position Sizing Sheet 21
Thematic Trade 21
Sharpe Ratio 22
Sortino Ratio 23
Drawdowns 23
Value at Risk (VaR) 23
Risk Utilization 24
Stress-Testing 26
Monitoring Performance 27
<table>
<thead>
<tr>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trend Analysis</td>
</tr>
<tr>
<td>Bloomberg Shortcuts</td>
</tr>
<tr>
<td>Summary</td>
</tr>
</tbody>
</table>

**CHAPTER 3**

**Back-Tests, Queries, and Analogs** | 33
--- | ---
Simple Back-Tests and Queries | 33
An Example of Building a Query | 34
Historical Correlations and Analogs | 40
Summary | 43

**CHAPTER 4**

**The Building Blocks of Global Macro Trading:**
*The Importance of Equities, Fixed Income, Foreign Exchange, and Commodities in Global Macro* | 45
--- | ---
The Four Product Groups | 45
Assessing the Relationships between Assets | 50
Summary | 53

**CHAPTER 5**

**Technical Analysis** | 55
--- | ---
Strengths and Weaknesses of Technical Analysis | 55
Types of Charts | 56
Volume and Open Interest | 63
CFTC Positioning | 64
Trend | 66
Moving Averages | 66
Bollinger Bands | 67
Reversal Patterns | 67
Head and Shoulders | 68
Trend Lines | 69
Triple Tops and Bottoms | 69
Continuation Patterns | 70
Triangles | 70
Oscillators | 71
Elliott Wave Theory | 74
Parabolics | 80
Seasonals | 82
Cycles | 83
Crowd Psychology and Contrarian Views | 84
Chartered Market Technician (CMT) | 87
Bloomberg Shortcuts | 88
Summary | 89
CHAPTER 6
Systematic Trading
A Brief Definition of Systematic Trading 91
Framework for Constructing a Systematic Model 92
Assets or Product Groups 92
Strategies 93
Factors 97
Risk Factors 98
Risk Premia 99
Risk Parity 100
Summary 103

PART TWO: GLOBAL MACRO TRADING FOUNDATION

CHAPTER 7
Foreign Exchange in Global Macro 107
The Role of the U.S. Dollar 107
Trading Currencies 109
Currency Regimes 111
Valuation Techniques for Foreign Exchange 120
Bloomberg Shortcuts 134
Summary 135

CHAPTER 8
Equities 137
Equity Indices Overview 137
Equity Derivatives 140
Valuation Techniques for Equities 149
Bloomberg Shortcuts 159
Summary 161

CHAPTER 9
Fixed Income 163
Funding/Money Markets 163
London Interbank Offered Rate (LIBOR) 170
Interest Rate Swaps 172
Federal (Fed) Funds 172
Overnight Indexed Swaps (OIS) 173
Forward Rate Agreements (FRAs) 176
U.S. Fixed Income Futures 177
Sovereign Credit 180
Sovereign Curve 181