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PROFITING IN A

NEW WORLD ECONOMY

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GLOBAL MACRO TRADING

Profiting in a New World Economy

Greg Gliner

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To My Family

Preface

Global Macro has been one of the most intriguing and most often-covered trading strategies, and it has also been responsible for creating some of the most legendary hedge fund managers. Conversely, it is also one of the most difficult strategies and possibly the least understood. After working as a Portfolio Manager in London I joined Tudor Investment Corporation as an Analyst, and I recall often feeling frustrated that there was no primer or reliable reference guide I could go to in times of need. Luckily, I was surrounded by extremely talented and brilliant people who gave me so much of their time. As I progressed, I found that more and more friends who worked for other hedge fund strategies had a lot of questions about Global Macro. It dawned on me that there existed a need for an introduction to the strategy of Global Macro and an explanation of how it is applied. The combination of my early frustrations and then becoming aware of this need is what compelled me to write a book on Global Macro Trading that could serve as both an introduction and a handy reference tool.

Global Macro Trading is separated into Part I and Part II. Part I provides a broad overview of Global Macro while Part II offers a deeper look into the foundation for Global Macro Trading. Part I spans Chapters 1 to 6 and Part II spans Chapters 7 to 12. Additionally, you'll find Bloomberg Cheat Sheets at the end of certain chapters to help navigate ways to use Bloomberg for that specific chapter and topic.

Part I

Chapter 1 examines the landscape of Global Macro as an asset class. It provides an overview of the strategy and

returns and discusses why managers allocate to the strategy. Chapter 2 provides a detailed explanation of the trading process, as well as how to size trades and evaluate performance. It includes information on different types of bias, stress testing, risk utilization, and other risk management tools. Then, in Chapter 3, we tackle the construction of basic backtests and queries and analogs and provide the reader with framework to make trading evaluations. Chapter 4 starts to look at the four product groups, which serve as the building blocks for Global Macro. Part II will cover these in greater detail. Chapter 5 provides detail on technical analysis, including different types of charts, trends, moving averages and various oscillators such as Elliott waves, Fibonacci numbers, parabolics, seasonals, cycles, and crowd psychology. Chapter 6 explores the basic construction of systematic models and trading, as well as some commonly used strategies.

Part II

Chapters 7 through 10 explore the individual product groups: foreign exchange, equities, fixed income, and commodities. Chapter 7 looks at foreign exchange, and Chapter 8 examines equities. These chapters aim to provide the reader with some background, as well as some ways to value the respective asset classes on a macro level. Chapter 9 delves into the different aspects of fixed income. Chapter 10 examines commodities and separates them into energy, precious metals, agriculture, and industrial metals. It also serves as a reference tool about the main producers and consumers, as well as crop calendars. Chapter 11 explores central banking and takes an in-depth look at the Fed, ECB, and some of the recent programs following the financial crisis, as well as the importance of the main central

banks in Global Macro Trading. Finally, Chapter 12 looks at important data releases followed by every macro trader, which is also meant for use as a reference tool.

The thorough information provided in *Global Macro Trading* enables readers to navigate Global Macro markets with confidence. After reading this book, you will understand the basic concepts behind the asset class and ways to trade it. You will also have a reference guide that will serve as a valuable tool in navigating the various regimes and market conditions. This information will empower the reader with a confident and competent understanding of Global Macro.

Acknowledgments

I would like to thank Dave Abner, who I met when I started as an analyst at BNP Paribas. He ran their ETF business during my time at BNP, and we kept in touch through the years. Dave has served as both a personal and professional role model for me. He is the author of *The ETF Handbook* and *Visual Guide to ETFs* and is the best-selling author for ETF books. When I ran the idea of writing a book on Global Macro Trading by him, he was more supportive than I ever could have imagined. He helped by connecting me to Wiley and boosted my confidence throughout the entire process, especially at points when my morale was low or I was plagued by self-doubt. He was my mentor throughout the entire process, and I am truly grateful to him and greatly admire his craft. He is the best in the ETF market and one of the greatest people I have the privilege of knowing.

I would like to thank Amit Hampel, who brought me on to join his team at Tudor Investment Corporation. Amit was the greatest mentor and boss I could have asked for. A large part of this book can be credited to the foundation I built while working for Amit. He was always one of the first in the office, and his unrelenting persistence and aim for perfection still resonate with me today. To this day, every time I have an investment idea, I ask myself how Amit would respond to it. I am honored to have worked for him and to call him a friend, an older brother, and a mentor.

I have been fortunate to work beside some of the most brilliant and morally sound associates I could have found in any profession. I would like to thank everyone I worked beside in my professional career. I want to thank former and current colleagues for making me a better person and for being my friends. I want to thank Mark Mitten, Todor

Georgiev, Brian Martin, Donn Davis, Frank Leitner, Pat O'Brien, Beau Cummins, and Amit Hampel for being my mentors over the years.

Given the broad coverage of this book, I am grateful that I was able to call on some close friends and former colleagues who were instrumental in getting me to the finish line. I am very lucky to have had feedback from these incredibly knowledgeable industry participants: Dave Abner, Namik Immelback, Josh Smith, Frank Leitner, Kobi Platt, Charley Powers, Ray Fischer, Jay Hammarstedt, and Brett Steenbarger.

The expertise of the dedicated team at Wiley has been invaluable to me throughout the entire process. I want to thank Pamela Van Giessen, who helped me find this opportunity. Additionally, Evan Burton, Emilie Herman, Judy Howarth, Tula Batanchiev, and Steve Kyritz, who helped me take this book from conception to fruition, and I would like to thank Wiley as a whole for making this book a reality. Also, I would like to thank Mary Barbour, who I worked with as my editor for countless hours. I am grateful for all her care and attention; she is an extraordinary professional and I am grateful for her contribution.

Last, I want to thank my family for always being there for me. What they have achieved in the face of their many struggles served as my drive when I wanted to give up. I am so lucky to have parents who sacrificed so much to give me the life they never had. I love them and truly admire the example they set for me—I am so grateful to have inherited such high moral standards and to have had their support and encouragement throughout my entire life.

Part One

An Overview of Global Macro