



Carpenter Analytical Services

Market Models & Metrics

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Hedge Fund Analytix

HFA Weekly; August 1, 2008

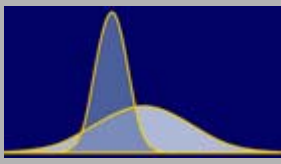
Current CTA Hedge Fund Exposures:

- **Stocks.** Equity exposure remains net short...and this week a little shorter. Current 10th percentile of bull market era is clearly “too negative” (red hash marks on page 3). Within the bear market range of 2000-2002, however (when equity exposure was almost continuously negative), the current level is at 71st percentile (as marked by *blue* hash marks on page 3). As it happens, both bull era position and bear era position have led to positive average 1-month outcomes. But at 3-months out, implications diverge widely (bull market up and bear market down, of course). Note the exposure path is *downward* over the last two weeks’ *rally*; this counter-trend action (hedge fund caution) is quite different from chasing a trend downward (over-confidence). Market implication is negative if it continues a bit more (at which point that 71st bear percentile would rapidly shift to 6th or 5th decile with negative 1-month and 3-month outcomes).
- **Bonds.** Fixed income exposure at +.012 is near zero and nearly unchanged on the week, moving only from 49th to 48th percentile. So it’s still very close to net neutral both in absolute and range-context terms. Still, the gradual reduction from last winter’s high exposure persists, with mild negative implication for prices.
- **Currency.** The dollar short is reduced a bit this week, from -.130 to -.113, remaining firmly net short (and slightly more so). Relative measure is at 42nd percentile, which is clearly mid-range. So the confident but non-extreme short continues, with continuing implication for dollar weakness.
- **Commodity.** Although exposure dropped from 51st to 36th percentile, the five-year range is so constricted that this likely overstates the change. Commodity position is essentially holding in mid-range in spite of 14% drop in aggregate prices over the past month. No sign of CTA concern for falling prices.

Managed Futures hedge funds (CTAs) are aggressive competitors. They go long and short; they use multiple asset classes; they rapidly adapt to emerging market trends. Aggressive trend following leads to over/under exposures at market turning points. *Hedge Fund Analytix* reports CTA exposures weekly. *HFA 4th Friday* provides monthly analysis with statistical inference;

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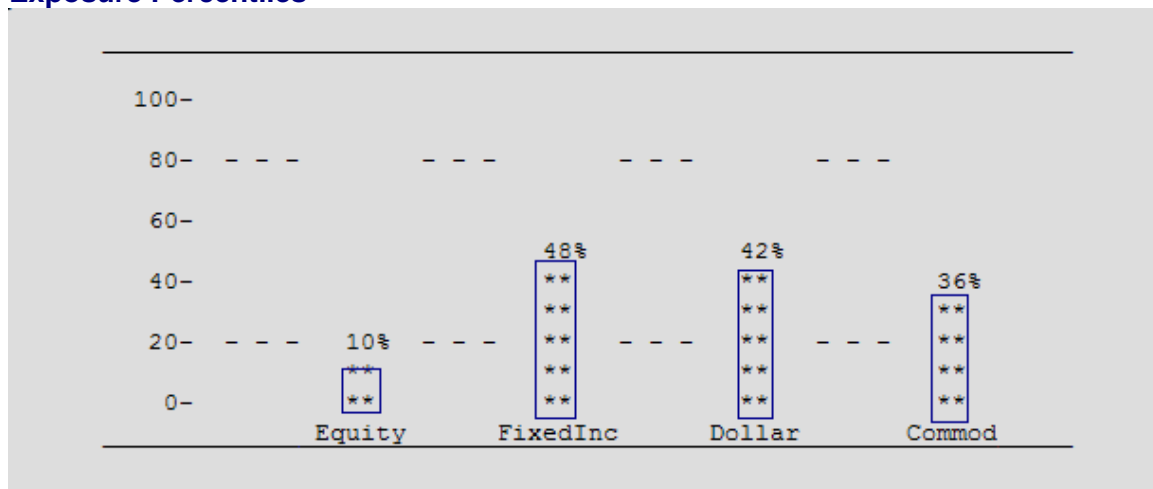
Exposures Data Summary

Exposure Ranges

OVERALL FROM 2000				
	Equity	FixedInc	Dollar	Commod
High	.33	.45	.42	.49
Low	-.59	-.44	-.66	-.23
Last	-.06	.01	-.11	.14
Percentile	34	33	40	50
LAST FIVE YEARS				
	Equity	FixedInc	Dollar	Commod
High	.33	.26	.42	.49
Low	-.16	-.44	-.66	-.23
Last	-.06	.01	-.11	.14
Percentile	10	48	42	36
5 Days Ago	14	49	36	51

Exposures in top or bottom quintiles indicated by red rectangle.

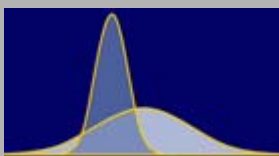
Exposure Percentiles



Exposures tracking reveals strategy and sentiment in *Managed Futures* hedge funds. High and rising exposures reflect bullish position; low and falling exposures reflect bearish position. Extreme exposures (top and bottom quintiles, and especially deciles) imply over/under-confidence, and likely reversal.

"5 Days Ago" percentiles can differ slightly from prior week report due to source data revision, or from advance of the "moving" five-year analysis span.

HFA Weekly is posted weekly on Fridays. Once a month HFA Fourth Friday adds forward return distributions, statistical significance and directional inference.



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HFA Weekly; August 1, 2008

Exposure Paths: Stocks & Bonds

Equity Exposure



Blue hash marks show equity bear market quintile boundaries (3/31/00 to 12/31/02)

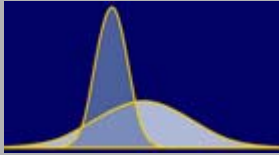
Bond Exposure



Red hash marks show quintile and "outside" decile boundaries.

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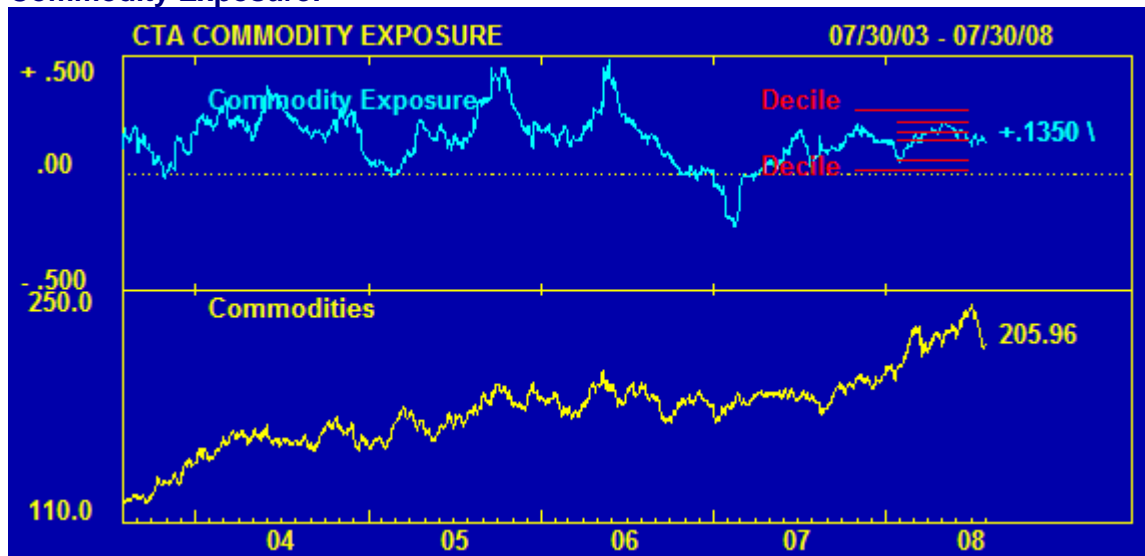
HFA Weekly; August 1, 2008

Exposure Paths: U.S. Dollar & Commodities

Dollar Exposure:



Commodity Exposure:



Red hash marks show quintile and "outside" decile boundaries.

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