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news flash

hedge fund industry

Hedge funds achieved respectable returns in 2007 and continue to grow

The HFRI FOF Index was up 10% for calendar year 2007 according to Hedge Fund Research Inc, with the best performance coming from the Emerging Market Index which was up 25%. The hedge fund industry has grown past the $1.8 trillion mark with record net inflows for the year of $195 billion, compared to $126 billion in 2006.

Financial markets off to a "shaky" start in 2008, as equity markets tumble on fears of a US recession

The sub-prime crisis and global credit squeeze impacted markets negatively during the first month of this year and triggered record losses at some of the US's largest banks. For the month of January the MSCI World Equity Index was down 7.6%, effectively "wiping out" all the gains of 2007. The HFRI FOF Index was however, down only 2%. It is therefore no surprise that institutional investors are increasing their allocation to hedge funds – the big attraction being the low correlation to other asset classes.

US Fed cuts interest rates twice in nine days – most aggressive in decades!

The Federal Reserve lowered interest rates by 1.25% within nine days in January seeking "to nip an incipient recession in the bud". The first cut happened on 22 January and came as a big surprise to the market, as it was taken outside its time-tabled rate-setting Open Market Committee meetings. The last time the Fed cut rates as much as 75 basis points was in August 1982, almost 26 years ago! This was followed by another 50 basis points cut at the Fed meeting on 30 January. The big question now facing the Fed is whether it has done enough.

Institutional investors to show a stronger interest in alternative asset classes in 2008 – say the experts (7 January 2008: ft.com)

- *"Hedge funds are coming back to the fore in 2008 as they become more uncorrelated to equity markets in terms of returns" – Mike Turner (Global Strategist at Aberdeen Asset Managers);*
- *"The best value potential lies in hedge funds and any strategy that delivers absolute returns" – Paul Trickett (European Head: Watson Wyatt).*

Greenspan becomes advisor to hedge fund manager

Alan Greenspan, the former chairman of the US Federal Reserve, is to become an advisor to the well known hedge fund manager *Paulson & Co*. Paulson will be the only hedge fund that Mr. Greenspan will work with in terms of the agreement.

SEC Commissioner warned against blaming hedge funds for sub-prime and credit crunch

Speaking at the French business school's research center, Edhec, one of the SEC's commissioner's, Paul Atkins, has warned against blaming hedge funds for the sub-prime market collapse and ensuing credit crunch. *"Hedge funds are likely to be an important part of the solution to the sub-prime crisis"* – he said. (www.finalternatives.com).