

NEWS

STATISTICS

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► After declining 1.6 per cent during November, Ferrell Capital Management's FX Index fell a further one per cent during December, based on 36 of the 44 programs comprising the index reporting. The median returns for November and December were -1.5 and -1.6 per cent, respectively. Sixteen of the 36 programs reporting posted positive results for the month. Preliminary full-year results show the multi-advisor currency portfolio benchmark losing 6.49 per cent of its value, Ferrell officials say.

Swiss-based Peter Panholzer Advisory, with a 2.1 per cent gain, was the second-best performing program in the FX Index for December. "We follow very small time- intervals says Peter Panholzer, the company's founder and president. "On December 28 in particular, a liquidity void developed in the dollar, and you couldn't trade for 100 pips, which is very unusual. If you weren't nimble, that move caught you. We were able to get out of most of our positions before the market actually collapsed."

Panholzer says that such conditions have been considered more characteristic of stock prices than currency rates, which for system trading purposes rely on continuous price action and some type of normal distribution of rates.

"This type of activity, which has become increasingly characteristic of the major currencies over the past year, invalidates most system trading assumptions," he says. "It has always been assumed that the forex market, being a global, 24-hour-a-day market, would not have such gap problems."

Panholzer and his colleagues changed their trading methodology during December, moving from a systematic, trend-following system to one based on market psychology and sentiment indicators that the company has developed. Panholzer says the system is short-term in nature, typically holding positions anywhere from a few hours to a few days.

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