



TRADING 707®
Making a difference

105-120 →
WALL S

Popular Hedge Fund Strategies



Long/Short Equity:

Long/short equity works by exploiting profit opportunities in both potential upside and downside expected price moves. This strategy takes long positions in stocks identified as being relatively underpriced while selling short stocks that are deemed to be overpriced.

Equity Market Neutral:

Equity market neutral (EMN) describes an investment strategy where the manager attempts to exploit differences in stock prices by being long and short an equal amount in closely related stocks. These stocks may be within the same sector, industry, and country, or they may simply share similar characteristics such as market capitalization and be historically correlated. EMN funds are created with the intention of producing positive returns regardless of whether the overall market is bullish or bearish.

Merger Arbitrage:

Merger Arbitrage or risk arb involves simultaneously purchasing and selling the stocks of two merging companies to create riskless profits. A merger arbitrageur reviews the probability of a merger not closing on time or at all.



Global Macro:

A global macro strategy bases its holdings primarily on the overall economic and political views of various countries or their macroeconomic principles. Holdings may include long and short positions in equity, fixed income, currency, commodities, and futures markets.

Volatility Arbitrage:

Volatility arbitrage attempts to profit from the difference between the forecasted future price-volatility of an asset, like a stock, and the implied volatility of options based on that asset. It may also look to volatility spreads to either widen or narrow to predicted levels. This strategy employs options and other derivative contracts.

Convertible Bond Arbitrage:

Convertible bond arbitrage involves taking simultaneous long and short positions in a convertible bond and its underlying stock. The arbitrageur hopes to profit from movement in the market by having the appropriate hedge between long and short positions.