# Short Term Strategies

Apart from the asset allocation which has been done using the various asset classes, short term strategies can be used to increase the alpha of the portfolio allocation. Three short term strategies have been identified:

* Yield Curve changes - Long 10-year treasuries and short 1-year T-Bill
* Volatility changes - Long 1-year Tbill, Short twice the 10-year treasury and Long 20-year treasury
* Credit changes – Long BBB rated corporate bonds and short AAA rated corporate bonds

## Historical Performance

The Sharpe Ratios of the 3 strategies in the various rate hike periods are as below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Period** | **Yield Curve Strategy** | **Volatility Strategy** | **Credit Strategy** |
| 1999-2000 | -0.56 | 0.147 | 0.709 |
| 2004-2006 | -1.27 | 0.737 | -0.05 |
| Recession | 0.72 | -0.46 | 0.41 |
| Current Period | -0.155 | 0.09 | -0.81 |

As can be seen from the historical data, the Volatility strategy has done the best consistently during the rate hike period.

## Correlation

Next, we would need to calculate the correlation of these strategies with the portfolio which we have formed.