

Investor Sentiment and Commodity Trading Advisor Fund Performance

Authors : Tian Lan

Abstract : Arbitrageurs participate in a variety of techniques in response to the existence of fluctuating sentiment, resulting in sparse sentiment exposures. This paper found that Commodity Trading Advisor (CTA) funds in the top decile rated by sentiment beta outperformed those in the bottom decile by 0.33% per month on a risk-adjusted basis, with the difference being larger among skilled managers. This paper also discovered that around ten percent of Commodity Trading Advisor (CTA) funds could accurately predict market sentiment, which has a positive correlation with fund sentiment beta and acts as a determinant in fund performance. Instead of betting against mispricing, this research demonstrates that a competent manager can achieve remarkable returns by forecasting and reacting to shifts in investor sentiment.

Keywords : investment sentiment, CTA fund, market timing, fund performance

Conference Title : ICFEMAPM 2023 : International Conference on Finance, Empirical Methods and Asset Pricing Models

Conference Location : New York, United States

Conference Dates : April 24-25, 2023