CTA Intelligence

Red Rock makes seven straight months of gains

By Matt Smith, Editor
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Chicago-based Rock Red Capital's new systematic commodities program has notched up a seventh straight month of consecutive positive returns.

The firm's Commodity Long-Short investment program, which launched in September, returned 27.47% during the period, according to an investor letter.

It comes as a number of high-profile commodity funds have closed shop and J.P. Morgan, Deutsche Bank and most recently Barclays have all announced exits from the global commodities trading business.

After a 4.12% loss last year Newedge Commodity Trading Index was up 2.36% at the end of the first quarter, while the Newedge Trend Index, which ended 2013 up 2.67%, plummeted by 5.89% over the first three months.

"Physical commodity futures are more susceptible to supply and demand shocks than are financial futures", said Red Rock CIO Tom Rollinger, who worked alongside quant hedge fund pioneer Edward O. Thorp.

"While most CTAs were waiting for clear global trends to develop across interest rate and currency markets, we were successfully exploiting inefficiencies that clearly manifested themselves in physical commodities markets – which explain our outperformance verses our peers."

While the program has not had a losing month, Rollinger said it "went live" at an "opportune time" and expects it to make losses in the future.

Red Rock, founded by Scott Hoffman in 2003, implements "long" or "short" outright directional positions on a universe of 20 diversified physical commodity futures across the agricultural, energy, base metals, precious metals, and soft commodities sectors. The firm also has a systematic global macro program.