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Macro Trading and Investment Strategies: Macroeconomic Arbitrage in Global Markets

Author: Gabriel Burstein | Publisher: Wiley

Overview Key Concepts Trading Strategies About the Author Specifications

1. Overview of Macro Trading and Investment Strategies

This book provides a comprehensive examination of global macro trading strategies, with a particular focus on introducing and detailing global macroeconomic arbitrage. It explores how to leverage macroeconomic mispricings in global financial markets to develop innovative trading and investment approaches.

The content covers both traditional global macro strategies and the author's original macroeconomic arbitrage framework, offering insights into identifying and capitalizing on discrepancies between market prices and underlying macroeconomic values.

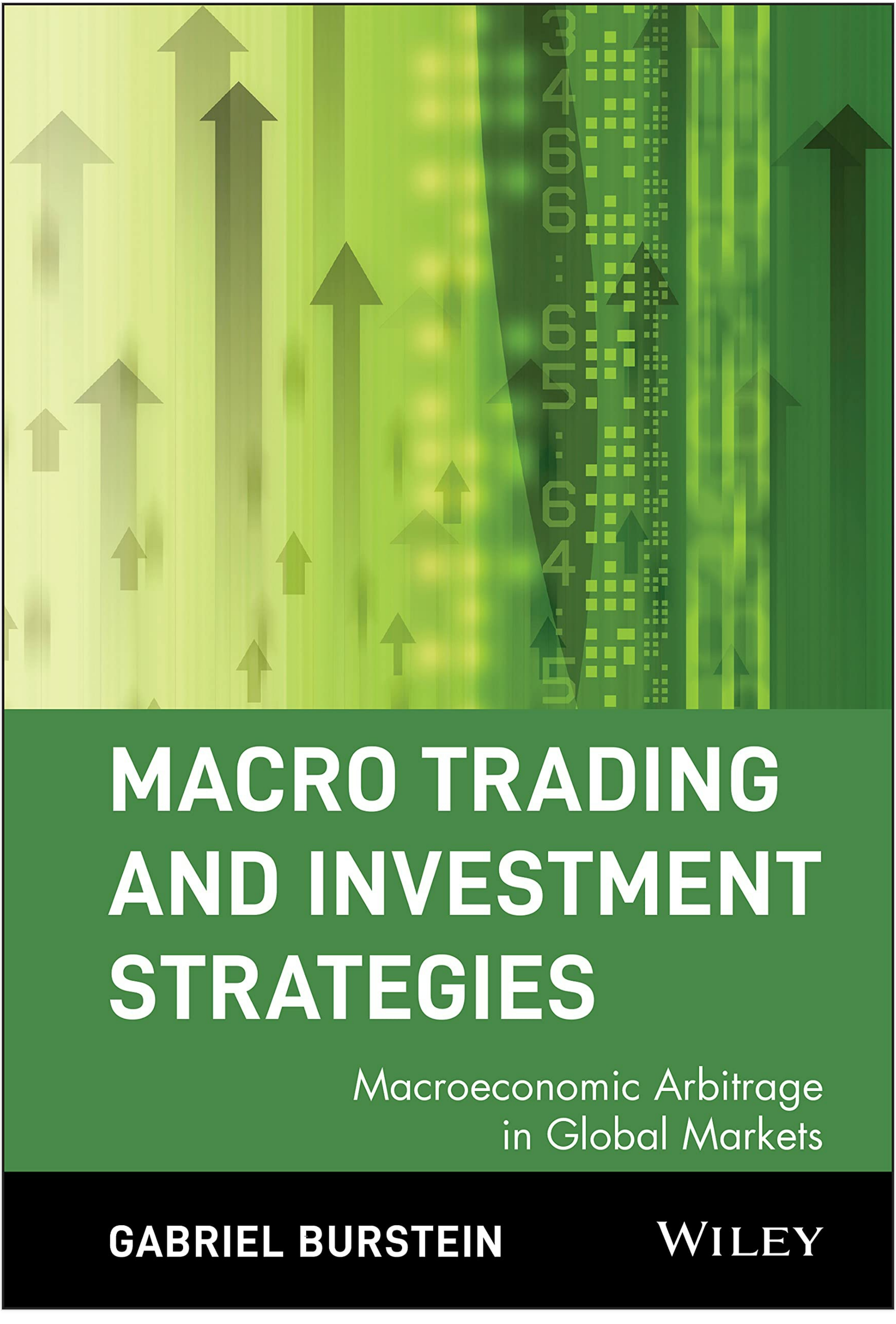

Image 1.1: Front cover of "Macro Trading and Investment Strategies" by Gabriel Burstein. This image displays the book's title and author,

providing a visual representation of the publication.

2. Key Concepts and Principles

2.1 Global Macro Strategies

Global macro strategies involve using macroeconomic information to anticipate market direction. These strategies can be categorized into:

- **Global Directional Macro:** Based on directional views of individual assets (e.g., bonds, currencies, stock indices) influenced by economic variables like interest rates, CPI, and GDP. This leads to buying/overweighting or selling/underweighting decisions.
- **Long/Short Macro:** Focuses on relative views between two related assets or groups of assets. The strategy involves simultaneously buying/overweighting an asset expected to outperform and selling short/underweighting one expected to underperform, betting on the spread between them.

2.2 Macroeconomic Arbitrage

The book's central contribution is the concept of global macroeconomic arbitrage. This is a non-directional, objective long/short macro strategy that identifies and exploits macroeconomic mispricings in global markets.

- **Objective Mispricings:** Unlike traditional macro strategies that rely on subjective views, macroeconomic arbitrage focuses on objectively detectable mispriced representations of macroeconomic variables and their relations within asset markets.
- **Market Discrepancies:** A macroeconomic mispricing is defined as a gap where market prices diverge from the value of underlying explanatory macroeconomic variables or indicators. This can also apply to relations between assets versus relations between underlying macroeconomic variables.

3. Trading Strategies and Case Studies

The book provides detailed examples and case studies to illustrate the application of these strategies, particularly in volatile market conditions.

- **Causes of Mispricings:** Examination of factors leading to macroeconomic mispricings and how to address secondary macroeconomic variables in trades.
- **Technical Timing:** The significance of technical timing in executing macro arbitrage strategies.
- **Volatility Analysis:** Comparison of volatility between macro arbitrage strategies and relative-value strategies.
- **Historical Opportunities:** Analysis of mispricing opportunities arising from events such as the Asian crisis (1997-1998) and the EMU convergence in equity markets.
- **Specific Mispricings:** Discussion on mispricings related to retail sales, GDP, industrial production, interest rates, and exchange rates within stock markets.

The text emphasizes that global financial crises, while disruptive, often create significant macro arbitrage opportunities by acting as catalysts for correcting pre-existing macroeconomic mispricings.

4. About the Author

Gabriel Burstein, PhD, is a distinguished expert in macro trading. He previously served as a macro proprietary trader with Goldman Sachs. Currently, Dr. Burstein heads Specialized Equity Sales & Trading at Daiwa Europe Ltd. in London, a department he established to provide European equity products to hedge funds, focusing on long/short macro and

relative-value strategies.
Dr. Burstein is a frequent speaker at worldwide alternative investment and hedge fund conferences, where he discusses new long/short macro strategies and the European Monetary Union (EMU). He holds a PhD in mathematics from Imperial College of the University of London and has published numerous papers on mathematical control theory and mathematical modeling in various scientific fields.

5. Product Specifications

Book Details

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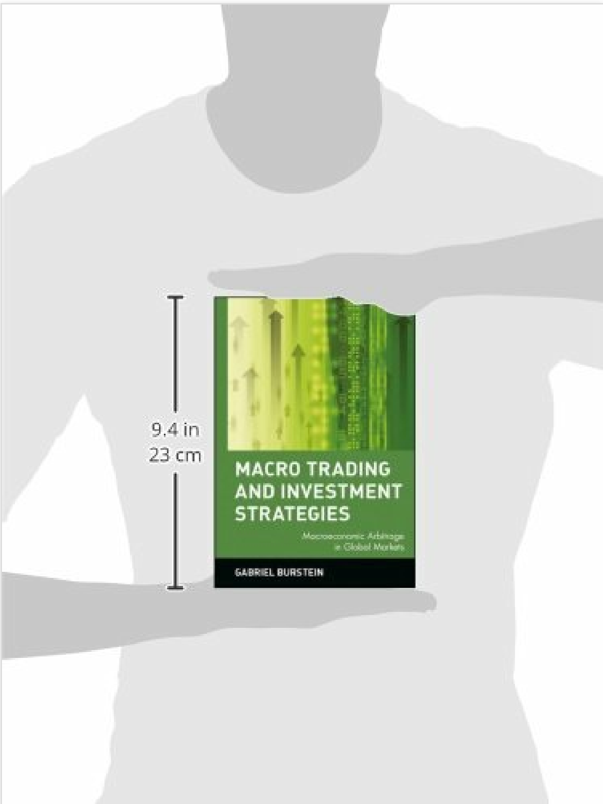

Image 5.1: Visual representation of the book's dimensions, indicating a height of 9.4 inches (23 cm). This image helps to understand the physical size of the hardcover edition.