TrackMacro - A Reality Check

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TrackMacro ™ is a software tool providing equity risk signals in 40 countries

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The TrackMacro AI program has now been in operation for two years and three months. It's time for an objective assessment of its performance, major calls, and its errors.

Global Performance

TrackMacro managed to mitigate equity risk almost universally and generated alpha in more than 50% of the 40 equity indices tracked by the system.

Sample: 40 countries	TrackMacro Success Rate
Return	57.5%
Risk-adjusted return (Sharpe ratio)	80%
Medium risk (Volatility)	100%
Large risk (maximum drawdown)	92.5%

TrackMacro' systematic risk management process massively increased the diversification power of portfolio construction, as illustrated in a world portfolio composed of 40 countries weighted by their GDP.

World Portfolio	Equity Portfolio	TrackMacro
Return p.a. in USD	5.5%	9.2%
Volatility	11.4%	3.8%
Maximum drawdown	-15.0%	-2.9%
Sharpe ratio	0.4	2.3

TrackMacro similarly outperformed the three regional portfolios automatically tracked by the system (BRICS, Europe, Asia) in all risk and return matrixes.

Major TrackMacro Calls

TrackMacro identified two risk periods since July 2015.

> A global risk-off period: 10 months, through to the end of March 2016. TrackMacro World's average equity exposure was of 18.3% during the period, while the MSCI World returned a cumulated -1.7%.
> The risk-off period was spotted by the system via a combination of insufficient USD liquidity, deteriorating world trade, and weaker growth in most countries with the exception of Hungary.
> A subsequent global risk-on period: 18 months, through to October 2017. TrackMacro's average equity exposure stood at 78.2%, while the MSCI World returned a cumulated +24.2%.

The World USD base is tracked by the system as a leading indicator of global liquidity. The USD base turned positive at the end of April 2017, following a three-year period of USD shortage. Increasing liquidity favors risk assets in general and ex-USA equities, in particular. It also tends to inflate commodity prices, as illustrated with oil prices dropping by -17% during the USD shortage period, and showing upward pressure ever since.

TrackMacro Errors

TrackMacro reduced equity exposure from circa 100% to 40% during the second quarter 2017, on the back of an anticipated decelerating world trade. The deceleration was confirmed a few months later by the Netherlands Bureau for Economic Policy Analysis, but it had no actual impact on equity returns. The risk reduction turned out to be overly cautious.

TrackMacro measured a dangerous combination for Germany and other Western European countries at the end of August 2017, with the mix of an accelerating inflation and probable decelerating growth. TrackMacro's growth rule (called *the 4 Quadrants*) turned red and flashed a risk-off equity signal. The risk of inflation remains a concern for the system, but the call on decelerating growth seems erroneous, now corrected for October.
Despite this inaccurate forecasting, TrackMacro's Western European portfolio still outperforms its equity benchmark, returning 8.8% per year vs. 8.1% since launch, with a maximum drawdown of -4.6% vs. -14.8%.