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AQR Researchers Study Trend-Following Strategies as Rates Rise

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AQR researchers Lasse H. Pedersen, Brian K. Hurst, Yao Hua Ooi and Erik Stamelos address two key questions about trend-following investing styles in a new paper called "[Trend Following and Rising Rates](#)."

Given the current low yields in global bond markets and the possibility of a rising rate environment going forward, the researchers seek to find if trend followers can benefit from rising yields and if trend-following strategies maintain their diversification properties if investors short fixed income.

The paper examines the performance of a simple trend-following strategy in a historical period of secularly rising rates. The data demonstrates that trend followers may not have required declining rates to generate meaningful returns, and that trend following's portfolio diversification properties may not be diminished during rising rate regimes.

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