



MACROECONOMICS

The August of Our Discontent

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The author notes "some significant turmoil in the normally rather staid world of quantitative investing" at the time the article was written. He added that the turmoil led to a lot of questions about quant investing in general and specific questions about what happened in the few weeks of late July through mid-August of 2008. "In an effort to help," the author wrote, "we've tried to assemble and answer many of the questions or statements we've heard — from the subtle and insightful to the silly."

In the author's view, cheap companies with high-quality earnings and improving prices and fundamentals are still going to beat their counterparts over the long term. As for now, substantial money has left the strategy (through deleveraging) and value spreads are above historic norms, both of which the author said were positive for the medium-term. However, short-term investors may view the strategy as riskier than it used to be, which could cause further reductions in positions. "We are not in the business of predicting the short-term," the author wrote.

"But," he adds, "to be doing the same strategies we've done for years (albeit using today's versions which we think are better than in the past) at wider spreads and with fewer competitors makes us fairly excited about the medium-term prospects, and much more excited than we've been in quite a while."

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