

Spotlight International Startups: RCM Trust.



In this section we investigate what's new in the financial world, whether it's a trend, technique, website, product and service or an "out of the box" innovative startup. It is not a call to follow such techniques or deal with any institution but an attempt to give the reader an idea of what's going on in the real world of finance.

Introduction

Summer 2007 won't be a happy memory for many financial institutions. Many experienced significant losses, closed funds or halted redemptions when the credit markets seized up. RCM Trust⁽¹⁾ was among those managers who were able to sidestep the blows that afflicted the industry.

RCM is a private Investment Club based in Europe. It was founded by Raffaele Mugno, an outstanding financial professional who has the expertise

on revision of expectations and probability theory are applied to trade the markets in real time intraday and daily basis. A solid money management model is optimized as necessary to minimize risks and maximize returns. Using an investment strategy that relies on frequent buying and selling creates an opportunity for investors to capitalize on market trends and capture its turning points. In order to do so, RCM has defined three major types of market dynamics: the Symmetry, the Zig-Zag and the Random⁽³⁾. As a result, it is possible to earn absolute returns through analyzing market dynamics. RCM operates using state-of-the-art technologies. Most trading operations are automated using advanced proprietary algorithms developed and modeled into place over time, through endless testing and reviews. A robust password system is in place to secure all market operations. Given the very active nature of the service, RCM invest exclusively in very liquid electronic traded financial products.

and the academic background to produce one of the most promising financial theories of our days.

Due to Raffaele's knowledge, skills and techniques, the trust escaped any dent during that period and was able to make money. This is partly because it does not use borrowed money to leverage its investments and acts quickly to sell out any adverse investments.

RCM's Investment Strategy in Managing Funds

The trust⁽²⁾ uses an active investment strategy to manage the investment. Quantitative Analysis techniques based

When we interviewed Raffaele, he explained the underlying logic and the results of the investment strategy⁽⁴⁾. Although trading Equity index Futures, RCM's returns are not correlated to the stock market, hence, RCM often makes money even in periods when the Standard & Poor's 500 Index, the benchmark U.S. stock index, is down.

Raffaele says: «I'm a risk manager, which I believe is the most important thing in active management.» He analyzes market dynamics and responds with corresponding trades, going long or short.

Despite RCM's respect for coincidence,

it does not allow its trading positions to the vicissitudes of chance. «The most important lesson I learned as a trader is to cut losses when a position moves against me,» Raffaele said. He applies this rule in every single trade with no exceptions. The math behind these contained losses is the RCM's money management model.

Due to its advanced, in-house developed Money Management model, RCM appreciates risk and reward associations. Before opening any position, the maximum potential risk and the maximum potential reward are assessed. The most interesting fact is that the maximum risk RCM takes is always (at least) equal to the potential reward, and often that risk is half of the corresponding reward.

Raffaele stressed: «The first brick of our investment strategy is 'minimizing the risk' and the last brick, 'minimizing the risk.' The whole focus for the business is 'every time we lose, we want this loss to be half of the potential profits' of course according to market conditions and not to personal risk aversion. This allows us to end on a net profit even if it is minimal, even if our model would give us only 35 percent of the winning trades.»

Many fund managers, especially the ones who use qualitative models, like to talk about conviction, to stay put when other investors are jamming the exits.

Raffaele Says: «From my experience, I do not see how you could 'think' the markets. The most comfortable behavior to me is to treat the market using a solid probability theory. When my model indicates a high probability trade I send the order, either long or short. What matters is the probability assigned to that particular dynamic.»

Risking more than five percent of capital in any one daily trade is something RCM has never done, and generally we prefer to trade on an intraday basis where the limit for any one intraday trade is 0.5 percent. Raffaele added, «Our one day maximum loss in (Mini Dow Jones) intraday trading, up to now, has been \$125 over \$15000 man-

aged per single Mini Dow Jones futures contract. This loss was made over seven losing trades.»

On the other hand, the potential profit is not limited. The technicalities involved would become a bit complex, but just to say that among fixed targets, established before sending the order to the markets, it is also managed what is the so called 'runner' which will not limit the potential profit with a predefined target price, but will stay open until the market dynamic will indicate to close that position. Historically (2002-2007), on a statistical basis (see table 1 MC YM), the average profit on any one daily trade is about 16 percent.

Following is a brief description of RCM's new service, Morning Calls Pro.

Morning Calls is a daily advisory service of the US futures markets disseminated via email. This can be extended to other products per client request. Lists of changes and impacts are sent out to clients daily at least one hour before markets open weekdays.

This service is principally for professional money managers and investors who take part in trading. It is unique in terms of quality and quantity of analysis. RCM methodology studies the market dynamics, which makes it possible to earn absolute returns even in efficient markets.

Products offered currently include Equity Futures, Interest Rates Futures and Commodities, such as Energy, Metals, and Agriculture, limited only to liquid and electronic traded instruments.

Every Call will contain, the entry price, the initial stop price (with the potential loss per contract), and the initial targets (with the potential reward per contract). Then, the position is managed daily, modifying initial stops and target levels.

Advantages of the Service:

- Predefined statistical characteristics. The tests are run manually and on 'out of sample' periods, which covers the entire market life period, using state-of-the-art technologies to assure the

absence of technical under-over estimation of the performance.

- Fully transparent. The client-subscriber always knows when his portfolio is being managed, what is being bought or sold, the potential risk and the potential reward.

- Not Discretionary. The Calls are extremely clear, indicating only two possible outcomes; whether verified or not.

- Not time consuming. Anyone, even those not familiar with brokerage accounts and markets, via a support service, can access and use the service.

What's more important, RCM offers a full two months free trial period to prove their performance. Therefore, there is no need to rely on previous records while interested people can experience actual market movement.

Conclusion:

RCM investment strategy is to invest in leveraged instruments, such as futures contracts on securities, commodities and stock indices traded on national exchanges and boards of trade. Futures allow the trust to pursue its objectives without investing directly in securities and to use a different proportion to that represented on the indices.

The strategy is very robust; 100 percent exposed to assets in a liquid category. Investments are in liquid instruments, electronically traded, with quick transaction bailouts. An investment is locked-in for only a year because of the efficiency of the products traded and to allow flexibility for RCM to use its strategies effectively and they are very proud of their fully transparent policy. Clients have access to view performances or the value of their portfolio in real time, allowing for total transparency. Table 1 shows simulated trades for mini Dow Jones (YM), Equity Index Futures and continuous contract regular session. (The prices are expressed in Mini Dow Jones index points; one YM point values \$5). The entry column indicates the price at which the position was opened and its date. The signal column indicates the type of trade, long or short and the date

(1) RCM stands for Raffaele, Carlo e Mariano Mugno

(2) (RCM is self regulated trust (A legal instrument to manage client's money), hence manages the money as per the agreement with the client and bases the client's risk profile with full transparency.)

(3) We will have Raffaele contributing to Mustashar Magazine in the near future, to enable readers to benefit from his technical universe.

(4) We have seen certified and statistical results, we believe that the methodology used to test historical data is not discretionary and do not overestimate the results by any means. Also we had the opportunity to see real time trades both intraday and daily positions.

ندوة استثمارية في مدينة نيويورك



of closing the position. The Stop/Runner column indicates:

1) When red, the Stop price that was hit (Loss).

2) When pale the Runner price that was hit (Profit). (The Stop/Runner level is the same for all the contracts; this means that all Target cells in white col-

or do take the value of the Stop/Runner cell. When the Stop/Runner cell is red, there is a loss of that specified dollar amount and that loss does apply to all the Target cells in white color. When the Stop/Runner cell is pale it means there is a gain of that specified dollar amount and the gain does apply to all

the target cells in white color.)

The T1...T5 columns indicate the price target levels and the corresponding dollar amount (right below the price). The green color in the Target cells indicates that level has been hit.

Mini Dow Jones IA Futures Contract Daily Calls 2007			RCM Trust Morning Calls				
Entry	Signal	Stop Runner	Target				
			T1	T2	T3	T4	T5
12450	Short	12524	12400	12380	12350	12300	12250
05/01/2007	closed 09-01-07	370	250	350	500	750	1000
12566	Long	12591	12616	12636	12666	12716	12766
11/01/2007	closed 18-01-07	125	250	350	500	750	1000
12686	Long	12754	12736	12756	12786	12836	12886
13/02/2007	closed 20-02-07	340	250	350	500	750	1000
12189	Short	12188	12139	12119	12089	12039	11989
13/03/2007	closed 14-03-07	5	250	350	500	750	1000
12385	Long	12523	12435	12455	12485	12535	12585
20/03/2007	closed 26-03-07	690	250	350	500	750	1000
12684	Long	12752	12734	12754	12784	12834	12884
13/04/2007	closed 19-04-07	340	250	350	500	750	1000
13348	Long	13544	13398	13418	13448	13498	13548
11/05/2007	closed 23-05-07	980	250	350	500	750	1000
13553	Long	13628	13603	13623	13653	13703	13753
29/05/2007	closed 05-06-07	375	250	350	500	750	1000
13600	Long	13741	13650	13670	13700	13750	13800
13/06/2007	closed 18-06-07	705	250	350	500	750	1000
13633	Long	13694	13683	13703	13733	13783	13833
02/07/2007	closed 10-07-07	305	250	350	500	750	1000
13272	Short	13273	13222	13202	13172	13122	13072
03/08/2007	closed 07-08-07	5	250	350	500	750	1000
13071	Short	12986	13021	13001	12971	12921	12871
14/08/2007	closed 17-08-07	425	250	350	500	750	1000
14150	Long	14082	14200	14220	14250	14300	14350
01/10/2007	closed 03/10/2007	340	250	350	500	750	1000
14150	Long	14151	14200	14220	14250	14300	14350
05/10/2007	closed 10/10/2007	5	250	350	500	750	1000
14075	Short	14042	14025	14005	13975	13925	13875
15/10/2007	closed 17/10/2007	165	250	350	500	750	1000
12999	Short	12998	12949	12929	12899	12849	12799
19/11/2007	closed 26/11/2007	5	250	350	500	750	1000
13299	Long	13300	13349	13369	13399	13449	13499
28/11/2007	closed 04/12/2007	5	250	350	500	750	1000

Although these trades have been certified by a major Broker platform and executed in simulation mode with state of the art technologies, the results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Unlike an actual performance record, simulated results do not represent actual trading. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown.

تاريخ سوق رأس مال الأردن وأخر التطورات التشريعية والتكنولوجية والكمية التي شهدها، مؤكداً بأن بورصة عمان قد تمكنت من اجتذاب المزيد من الاستثمارات الخارجية بحيث تجاوزت (45%) من مجمل القيمة السوقية بسبب ثقة المستثمرين بالاستثمار في بورصة عمان والتي تتمتع بحرية كاملة لحركة رأس المال وعدم وجود ضرائب على الأرباح الرأسمالية والتوزيع في ظل ظروف من البنية الاستثمارية الجاذبة والانفتاح الاقتصادي. وأضاف السيد طريف بأن بورصة عمان قد تمكنت خلال السنوات الأخيرة من تحقيق نقلة نوعية في مختلف المجالات التشريعية والتكنولوجية وأنها قد استكملت متطلبات الانضمام كعضو دائم في اتحاد البورصات العالمية WFE والذي سيصوت على انتخاب بورصة عمان للعضوية الكاملة في منتصف الشهر الحالي بمدينة شنغهاي. وشارك في هذه الندوة مجموعة من الشركات الأردنية المساهمة العامة المدرجة لدى البورصة وهي: البنك العربي، والشركة الأردنية للتعمير، وشركة المستثمرين العرب المتحدون، وشركة مجمع الشرق الأوسط للصناعات الهندسية والإلكترونية والثقيلة، وشركة الثقة للاستثمارات الأردنية، وشركة مناجم الفوسفات الأردنية، والبنك الأردني الكويتي وشركة الاتصالات الأردنية. وقام ممثلو الشركات المذكورة بتقديم شركاتهم من

تحت رعاية هيئة الأوراق المالية عقدت بورصة عمان وبالتعاون مع بنك نيويورك The Bank of New Mellon وشركة أرباخ جريسن Auerbach Grayson وبمشاركة مركز إيداع الأوراق المالية ندوة استثمار خاصة بسوق رأس المال الأردني Jordan Capital Market Conference في مدينة نيويورك خلال الفترة 3-4 تشرين الأول لعام 2007، وذلك لغاية استثمارية تحقيق التواصل مع الأسواق المالية العالمية والمستثمرين الدوليين والسياسة التسويقية للبورصة. وعرض الدكتور بسام الساكت أهم المؤشرات الاقتصادية، والأطر القانونية التي تحكم سوق رأس المال في الأردن والمهام التي تقوم بها هيئة الأوراق المالية في مجال الرقابة والتشريع وتطبيق القانون وحماية المستثمرين، ونوه إلى التطور الذي شهده سوق رأس المال الأردني في مجال الإفصاح والشفافية. وأضاف بأن اللقاء مع المستثمرين في مدينة نيويورك هو ترجمة عملية لأحد بنود إستراتيجية سوق رأس المال والتي تسجّم مع توجيهات جلالة الملك عبد الله الثاني ابن الحسين المعظم - حفظه الله في تعميق السوق وتعزيز جذب الاستثمار الأجنبي وتطوير بيئة استثمارية جاذبة ليصبح الأردن مركزاً مالياً متقدماً في المنطقة. واستعرض جليل طريف المدير التنفيذي لبورصة عمان فرص الاستثمار في بورصة عمان واستعراض

الحقوق العمالية
والأبعاد الاقتصادية لإصابات العمل

كيف تختار التأمين المناسب
لك في مختلف مراحل حياتك

Deriving Benefits from Derivatives

Regional Conferences:

3rd Annual Middle East Retail Banking Forum

1st SME Finance Conference

كيف تتحدث مع أولادك عن النقود؟ 20 طريقة لادخار



شارك في بناء القدرة المالية للأردنيين وانضم إلى قائمة خبراءنا العالميين!



نحن نسعى لانضمامك معنا في مستشار وذلك بإرسال مشاركتك إلى article@mustashar.net

الرجاء إرفاق سيرتك الذاتية