
New Barclays Capital index enables policy arbitrage

By Editor Test *Wed, Mar 9, 2011*

“The spread between European and US short-term rates... presents the possibility of extracting value,” said Jose Mazoy, Director, Index Portfolio and Risk Solutions at Barclays Capital.

Barclays Capital has launched the Barclays Capital iCRYSTAL Index, which aims to extract value from both consistent and divergent monetary policy cycles in the U.S. and Europe.

Monetary policy cycles in the US and Europe have historically exhibited extended periods of synchronous and asynchronous behavior. For instance, in the early part of the 2007 to 2009 slowdown, US monetary policy clearly preceded European policy, causing a divergence in short-term interest rates. As the full impact of the recession hit in the second half of 2009, US and European policy became unified in cutting rates, reducing this divergence.

“The spread between European and US short-term rates has demonstrated trending behavior, reflecting the differences in monetary cycles which present the possibility of extracting value provided we identify the direction in a timely fashion,” said Jose Mazoy, Director, Index Portfolio and Risk Solutions at Barclays Capital. “The Barclays Capital iCRYSTAL Index is designed to make the most of such phenomena.”

Other Barclays Capital indices include the Fixed Income Alpha Indices, which aim to provide systematic alpha from interest rate markets, the Capital Global Target Exceed Index and the PRISM Index.

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