



John Frade – 21st January 2025

Unlocking Alpha for Systematic Hedge Funds: The Case for SIREN FX's 20-Minute Benchmark

In an industry where every basis point counts, systematic hedge funds thrive by uncovering inefficiencies in the market. One such inefficiency has persisted for years: the systematic mispricing between the widely used WM/R Month-End 4pm Fix and SIREN FX's 20-Minute Benchmark. For funds seeking non-directional exposure with low volatility and negligible basis risk, this represents a transformative alpha generation opportunity.

The Problem: A Legacy Benchmark with Hidden Costs

The WM/R Month-End 4pm Fix has long been the go-to reference rate for FX transactions. However, its concentrated nature and susceptibility to market impact often result in unfavourable pricing for large transactions. For hedge funds managing significant portfolios, this inefficiency translates to a drag on performance and limits the potential for non-directional alpha generation.

The Solution: SIREN FX's 20-Minute Benchmark

Our proprietary 20-Minute Benchmark is specifically designed for systematic strategies seeking low-volatility, predictable outcomes. By spreading price determination over a broader 20-minute window, it minimizes market impact while maintaining a negligible basis risk relative to the WM/R Fix. This makes it an ideal tool for funds aiming to optimize execution without introducing directional exposure.

The Results: Quantifying the Alpha Opportunity

We analysed the total and average savings achieved by transacting against the SIREN FX 20-Minute Benchmark across multiple currency pairs over the 12 months from January to December 2024. The findings highlight a compelling case for executing against this benchmark:

- **Total Savings:** Hedge funds transacting \$1 million monthly in the USDJPY pair could have saved \$5,591 over the year, while AUDJPY transactions yielded total savings of \$4,406.

- **Average Monthly Savings:** For EURJPY, the average monthly savings per \$1 million stood at \$440, while GBPJPY led with \$402 in monthly savings.

These savings represent a systematic and scalable source of alpha generation that is entirely independent of directional market moves.

Why This Matters for Systematic Hedge Funds?

1. **Non-Directional Alpha:** The savings from lower transaction costs translate directly into performance gains without adding market risk.
2. **Low Volatility and Predictability:** The extended time window of the SIREN FX Benchmark ensures a stable, transparent pricing mechanism with negligible basis risk.
3. **Scalability:** From \$10 million to \$10 billion in managed assets, the savings scale proportionally, amplifying the potential alpha for larger portfolios.

Take the Next Step

Systematic hedge funds are uniquely positioned to exploit these savings and integrate the SIREN FX 20-Minute Benchmark and SIREN FX's full data suite into their trading strategies. With the year-end results in hand (table below), the question isn't whether this approach can add value, but how much is your fund leaving on the table by not acting?

Let's discuss how SIREN FX can help your fund capture these opportunities. Contact me today to learn more.

Month End CCY Pair	TOTAL Savings per \$Million Jan- 24 to Dec-24	AVERAGE Savings per \$Million Jan- 24 to Dec- 24
AUDNOK	3,382	286
AUDCAD	3,429	286
AUDCHF	3,223	269
AUDJPY	4,406	367
AUDNZD	2,040	170
AUDSEK	4,170	347
AUDSGD	1,632	136
AUDUSD	2,209	184
CADCHF	3,663	305
CADJPY	6,108	509
CHFJPY	6,490	541
CHFPLN	4,075	340
EURAUD	1,865	155
EURCAD	2,845	237
EURCHF	3,469	289
EURCZK	3,487	291
EURDKK	249	21
EURGBP	2,541	212
EURHKD	2,159	180
EURHUF	3,456	288
EURJPY	5,283	440
EURMXN	5,349	446
EURNOK	3,423	285

Month End CCY Pair	TOTAL Savings per \$Million Jan- 24 to Dec- 24	AVERAGE Savings per \$Million Jan- 24 to Dec- 24
EURNZD	2,678	223
EURPLN	2,877	240
EURSEK	3,286	274
EURSGD	1,514	126
EURTRY	3,285	274
EURUSD	2,070	172
EURZAR	6,299	525
GBPAUD	3,224	269
GBPCAD	2,860	238
GBPCHF	2,766	231
GBPJPY	4,829	402
GBPMXN	4,662	389
GBPNOK	3,710	309
GBPNZD	3,595	300
GBPPLN	4,138	345
GBPSEK	5,304	442
GBPSGD	2,349	196
GBPTRY	3,412	284
GBPUSD	3,315	276
GBPZAR	6,528	544
NOKSEK	3,972	331
NZDCAD	4,202	350
NZDCHF	4,310	359

Month End CCY Pair	TOTAL Savings per \$Million Jan- 24 to Dec- 24	AVERAGE Savings per \$Million Jan- 24 to Dec- 24
NZDJPY	5,005	417
NZDNOK	4,584	382
NZDSEK	5,655	471
NZDSGD	1,982	165
NZDUSD	2,476	206
USDCAD	3,167	264
USDCHF	4,197	350
USDCNH	1,627	136
USDCZK	3,659	305
USDDKK	2,174	181
USDHUF	4,389	366
USDILS	5,531	461
USDJPY	5,591	466
USDMXN	4,926	411
USDNOK	4,509	376
USDPLN	3,046	254
USDRON	2,129	177
USDSEK	4,302	359
USDSGD	1,453	121
USDTRY	1,400	117
USDZAR	5,685	474
USDHKD	1,009	84
TOTALS	78,954	286

WMR 4pm Month End versus SIREN FX 20 Minute Benchmark Total Savings 31-Jan to 31-Dec-24 across 68 Currency Pairs