When Markets Get Complicated, Your Toolkit Should Be Ready

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Key Takeaways

- In August 2026, markets are neither cleanly bullish nor bearish, with tariff escalation, Fed uncertainty and a bifurcated equity market creating a persistently complex backdrop.
- The WisdomTree Managed Futures Strategy Fund (WTMF) applies four distinct sub-strategies across equities, commodities, currencies and Treasuries, each using momentum-based signals calibrated to different time horizons.
- We believe WTMF's multi-layered architecture, spanning macro risk regimes, sector-specific commodity models and a graduated Treasury conviction system, offers return streams historically uncorrelated to stocks and bonds.

There is a phrase that gets thrown around in portfolio construction circles.

*Diversification is the only free lunch in investing.*1

The problem is that most investors interpret that to mean owning a lot of stocks and a handful of bonds. In calm markets, that works well enough. In markets like the one we are navigating right now, it can feel like eating the same meal every day and wondering why you are not getting healthier.

August 2026 may be presenting investors with a specific kind of challenge. This is a market that appears neither cleanly bullish nor cleanly bearish, but persistently uncertain.

- Tariff escalation has become a structural backdrop rather than a temporary episode, with corporate management teams increasingly citing trade policy unpredictability as a reason to defer investment decisions.
- The Federal Reserve is threading a needle between still-elevated inflation and moderating growth, and every economic data release, from employment to consumer spending, is being scrutinized for signals that could reshape rate expectations almost overnight.
- Meanwhile, energy markets remain sensitive to Middle East developments, and the equity market has bifurcated sharply between AI-driven winners and everything else.

This is precisely the environment where a strategy like the WisdomTree Managed Futures Strategy Fund (WTMF) warrants a serious second look.

What Managed Futures Actually Does

Managed futures is one of the most frequently misunderstood asset classes in the exchange-traded fund (ETF) universe. It is not a leveraged equity bet, it is not a hedge fund strategy accessible only to institutions, and it is not just a "short the market" play for bearish investors. At its core, it is a systematic approach to capturing trends across multiple asset classes simultaneously, equities, commodities, currencies, and fixed income, using futures contracts to take both long and short positions depending on what the models signal.

WTMF is organized around four distinct sub-strategies, each targeting a different part of the market with its own momentum-based logic.

Tactical Equity Rotation Model

The **Tactical Equity Rotation Model** sits at the center of the fund's equity exposure, which nominally represents 40% of the allocation. Rather than simply going long a broad index, this component manages a globally diversified basket of equity futures contracts, with such underlying exposures as S&P 500, Nikkei 225, Euro Stoxx 50, S&P/TSX 60 and Russell 2000, and it applies both a broad macro risk regime signal and index-specific signals to determine how much equity risk to hold at any point. When the model reads conditions as Risk-ON (drawing on VIX2 levels and high-yield spreads relative to historical norms), it tilts toward a long-only equity posture. When conditions shift to Risk-OFF, it rotates into a long/short configuration designed to profit from or hedge against equity market stress. Within that structure, each individual equity futures contract has its own correlation and short-term momentum overlay, because an index going through an internally fragmented, high-correlation phase (historically a precursor to drawdowns) warrants different treatment than one with healthy dispersion.

Enhanced Commodity Model

The **Enhanced Commodity Model** covers 40% of the fund and spans 21 commodity futures contracts across energy, industrial metals, precious metals, grains, livestock and softs, each weighted equally and each evaluated using sector-specific momentum signals. One insight embedded in this model is underappreciated.

Not all commodities trend on the same time horizon.

Energy and refined products tend to respond to shorter-term momentum signals, while industrial metals and grains align better with medium-term lookbacks, and precious metals respond to longer-term trends. Using a single lookback period for all commodities would mean the signal for crude oil is always slightly wrong, or the signal for gold is always slightly right, but the model for copper is somewhere in the middle. WTMF's approach calibrates sector by sector, with the additional discipline that a position is only taken when two independent momentum signals agree, avoiding the noise that comes from a single indicator firing in isolation.

Enhanced Currency Model

The **Enhanced Currency Model** (10% nominal weight) focuses on tactical rotation between the ICE U.S. Dollar Index and a diversified basket of emerging market currency futures, such as the Mexican peso, Brazilian real, Chinese yuan, South African rand, Polish zloty and Russian ruble. The model uses a momentum signal on the Dollar Index to determine when to hold long dollar exposure versus rotating into the EM basket, which has historically shown the ability to generate returns that are substantially uncorrelated to equity or bond movements.

Treasury Model

The **Treasury Model** (10% nominal weight) provides a standalone long/short position in 10-year and 30-year Treasury futures, independent of the Treasury allocation already embedded in the equity rotation component. A composite momentum score across three different time horizons determines position size, with 100% of the nominal weight allocated when all three signals align, scaling down to 67% when two of three agree. This graduated conviction model is, in our view, a thoughtful piece of engineering, in that it prevents the strategy from going all-in on a Treasury directional bet when the evidence is mixed, which matters in a rate environment as complex as the current one.

The Portfolio Architecture Problem in 2026

The canonical 60/40 portfolio rests on one foundational assumption.

*Stocks and bonds have a negative or at least low correlation to each other.*3

For most of the period from the 1980s through 2021, that was largely true. Then 2022 happened. The S&P 500 fell roughly 18%, the Bloomberg U.S. Aggregate Bond Index fell roughly 13%, and the conventional diversification framework had its worst year in decades, precisely when it was most needed. Managed futures strategies, by contrast, were up approximately 20% in 2022, capturing the sustained trends in energy, commodities and rates that the macro environment generated.4

The structural conditions that made 2022 a difficult year for 60/40 portfolios, persistent inflation, a rate-hiking cycle, and energy price shocks, have not fully resolved. They have simply become more complex. Inflation in 2026 is not raging at 2022 levels, but it remains stubborn enough that the Fed cannot declare victory. The tariff environment is adding a cost-push layer to price pressures that monetary policy cannot easily address. Treasury yields remain elevated relative to pre-pandemic norms, meaning the duration risk embedded in traditional bond allocations is still a live consideration. The equity market, while

supported by genuine AI-driven earnings momentum in certain pockets, is priced for a world with less macro uncertainty than we actually have.

In this environment, uncorrelated return streams have real value. WTMF's historical behavior, profit potential in both rising and falling markets, adaptability across inflationary and deflationary environments, maps directly onto the risks that investors are still living with.

A Different Kind of Diversification

The concept of multi-level diversification, not just across asset classes, but across momentum signals, time horizons, and hedging regimes, is what distinguishes WTMF from simpler alternatives. The strategy does not simply go long commodities and short stocks when it senses stress. It applies a layered system.

- A macro risk regime signal sets the directional orientation
- Index-specific signals fine-tune individual contract exposures
- Sector-calibrated commodity models avoid applying energy-momentum logic to precious metals
- A Treasury model scales conviction based on signal agreement rather than binary on/off positions

For investors and advisors building portfolios in an environment where the traditional tools of diversification are under stress, that kind of systematic, multi-layered architecture is worth understanding carefully. The goal is not to make managed futures sound simpler than it is, but it is to be precise about what it actually does, which is systematically follow trends across a diversified set of markets, adapt positioning as conditions change, and provide return streams with historically low correlation to the equity and bond positions that make up most of everything else in a portfolio.

In a market defined by complexity, that is a meaningful offering.

1 Source: This concept is widely attributed to Harry Markowitz, even if in the course of time it is debatable if he said these exact words. The concept is from: Markowitz, H. M. (1952). Portfolio selection. *The Journal of Finance, 7*(1), 77–91.

2 The VIX, or CBOE Volatility Index, measures the market's expectation of S&P 500 volatility over the next 30 days, often called Wall Street's "fear gauge."

3 Source: Ibbotson, R. G., & Sinquefield, R. A. (1976). Stocks, bonds, bills, and inflation: Year-by-year historical returns (1926–1974). *The Journal of Business, 49*(1), 11–47.

4 Sources for returns: S&P Global. (2023). *S&P 500 index: Annual total returns*. S&P Dow Jones Indices; Bloomberg Index Services Limited. (2023). *Bloomberg U.S. Aggregate Bond Index (LBUSTRUU): Historical returns*. Bloomberg Professional Services; Société Générale Prime Services. (2023). *2022 CTA index performance review*. Société Générale. The SG CTA Index finished 2022 up 20.1%, its best annual gain since Société Générale began calculating the index in 2000.

Important Risks Related to this Article

There are risks associated with investing including possible loss of principal. An investment in this Fund is speculative, involves a substantial degree of risk, and should not constitute an investor's entire portfolio. One of the risks associated with the Fund is the complexity of the different factors which contribute to the Fund's performance, as well as its correlation (or non-correlation) to other asset classes.

These factors include use of long and short positions in commodity futures contracts, currency forward contracts, swaps and other derivatives. In addition, bitcoin exchange-traded products (ETPs) and bitcoin futures are relatively new and the markets may be less developed. They are subject to unique and substantial risks, and historically, have been subject to significant price volatility. As a result, the markets for bitcoin futures and bitcoin ETPs may be less developed, and at times, potentially less liquid and more volatile, than more established commodity futures and ETP markets. While the bitcoin futures market has grown substantially since bitcoin futures commenced trading, there can be no assurance that this growth will continue. Derivatives can be volatile and may be less liquid than other securities and more sensitive to the effects of varied economic conditions.

The Fund should not be used as a proxy for taking long only (or short only) positions in commodities or currencies. The Fund could lose significant value during periods when long only indexes rise (or short only) indexes decline. The Fund's investment objective is based on historic price trends. There can be no assurance that such trends will be reflected in future market movements. The Fund generally does not make intra-month adjustments and therefore is subject to substantial losses if the market moves against the Fund's established positions on an intra-month basis. In markets without sustained price trends or markets that quickly reverse or "whipsaw" the Fund may suffer significant losses.

The Fund is actively managed thus the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs. **The Fund will not invest in bitcoin directly.** Please read the Fund's prospectus for specific details regarding the Fund's risk profile.