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Sal Naro
Born: Queens, NY
Lives: Locust Valley, NY
Educated: Long Island University
Hidden talent: (American) football: listed in Long Island University Hall of Fame, but no longer plays

We would be thrilled with rising rates

Sal Naro is chief executive and chief investment officer of Coherence Capital, a firm he established in 2012.

Naro was head of credit trading at Bear Stearns from 1989 to 1998 and went on to become global co-head of fixed income at UBS, before setting up Sailfish Capital Partners in 2005.

After a stint at Markit, in 2011 he joined Jefferson National Financial (a US-based insurer) and helped lead its buy-out nine months later by Citibank Private Ventures. Jefferson's asset management business was spun off into Coherence Capital Partners.

Coherence Capital manages a $300 million long-short fund focusing on US and European liquid credit. The fund trades corporate and sovereign bonds and credit default swaps. It has put in an annualised return of 12.25% since inception with a Sharpe ratio of just 2.76.

Explain your firm's name.

We chose the name Coherence because it represents consistency and continuity – in terms of both our investment processes and the working relationship between our principals. [President and co-senior portfolio manager] Vincent Mistretta and I have worked together on and off since Bear Stearns in 1989.

We characterise ourselves as seasoned pilots, but pilots who are still excited about flying every day.

What is the best investment in credit today?

Some of the best opportunities arise when a company is likely to be upgraded or downgraded, especially between investment grade and high yield.

We have a multifactor model we use to screen candidates, taking signals from across equity and fixed income markets. Right now, some of our favourite long positions are bank hybrid bonds such as cocos. We also like some high-yield media names such as Altice.

What was your best ever trade?

Our best investment over the past three years has been a long in the Bank of Ireland, a position we still own. We bought a subordinated piece of paper that was rated Ba2 in 2012 and it has returned more than 16% a year as Ireland has continued to lead Europe's rebound.

And the worst?

Last June we invested in a European high yield issuer named Boparan, one of the largest chicken processing and food supply companies in Europe. Shortly afterwards, the company was implicated in a Guardian newspaper investigation into hygiene failings in the poultry industry. The bonds traded down six points in four days. We were quick to cut our position but still lost four points.

What was your first job in credit?

My first job in the business was working for the Dreyfus Service organisation, starting on the mutual fund side in 1982. I learned about the business from the point of view of both the equity and fixed income markets, and I still believe that the equity markets are the leading indicator of near-term market moves and longer-term corporate performance.

Where are markets heading?

As the US economy continues to improve, rates should rise modestly sooner rather than later. We would be thrilled with a rising-rate scenario as it would lead to more credit differentiation and therefore more opportunities for alpha generation.

What makes you bang the table?

Regulation has resulted in less market liquidity as investment banks allocate less capital to market making. Regulators forget that we now have a growing global credit market and it needs something like a dealer community to provide liquidity.

Efforts around electronic trading of credit products have a long way to go. Credit indices, which are regulated by the CFTC, have for the most part moved to electronic trading and clearing. But on the single name side, which is regulated by the SEC, we are still waiting for the necessary changes to occur.

Is liquidity really much worse than in the past?

Yes. The volume of bonds we traded at Bear Stearns in the early 1990s was much greater than the amount anyone is trading now. During 2001 and 2002 there was a big sell-off in credit, but there was an orderly market. My fear is that the next sell-off will be less orderly, and will be driven by the ETF markets, which can be a one-way train.