

From: "jeffrey E." <jeevacation@gmail.com>

To: "Thomas Jr., Landon" <[REDACTED]>

Subject: Re: EUROPEAN MULTI ASSET COVERAGE MEETING IMPRESSIONS: Eyes on Real Money outflows; Christmas comes early for most of macro players, hedge funds. Absolute majority bet on HRC to win, but majority still made good money because

Date: Mon, 14 Nov 2016 15:34:18 +0000

thx

On Mon, Nov 14, 2016 at 10:32 AM, Thomas Jr., Landon <[REDACTED]> wrote:

The latest thinking from London hedge fund crowd

----- Forwarded message -----

From: Ozan Tarman <[REDACTED]>

Date: Mon, Nov 14, 2016 at 9:40 AM

Subject: EUROPEAN MULTI ASSET COVERAGE MEETING IMPRESSIONS: Eyes on Real Money outflows; Christmas comes early for most of macro players, hedge funds. Absolute majority bet on HRC to win, but majority still made good money because

To:

Classification: Public

EUROPEAN MULTI ASSET COVERAGE MEETING IMPRESSIONS: Eyes on Real Money outflows; Christmas comes early for most of macro players, hedge funds. Absolute majority bet on HRC to win, but majority still made good money because Hillary bets worked as Trump trades.

Wider, steeper core rates, stronger USD, weaker EM is the Rage. The last one, EM, is the big loser out of Trump Reflation Theme. DM over EM and divergence within DM are very much in vogue. All gains of EMBI since March are gone!

For Rates & FX, it does feel like early days of Taper Tantrum trade of 3 years ago. Both dominated by US price action. In both, hedge funds have now caught the moves, play offense & ride the Trump narrative. Real Money is on the ropes, caught long Fixed Income/duration/carry and cannot play defense fearing Outflows.

In Emerging Markets, most outflows are retail, ETF driven. All eyes on next leg of institutions. In equities, banks big winners; FANGs losing. I asked partners 2 questions. 1) Would the "this will be great for business, feel good factor" wave out-run "if real yields go up, equities are a sell" fear. Clients are torn, but the former, bullish camp wins for now, my colleagues suggest. There are skeptics though.

2) In Europe, do fears over Renzi losing & Le Pen winning climb over the big momentum behind banks etc. Again, my equity team suggests, "no, reflation wave may win over Italy referendum anxiety,, for now." Renzi is now widely expected to lose, so a "yes" would be the big surprise trade. And the bigger elephant in the room is Le Pen. If she wins in May, Europe as we know it may really shake.. But for now this is more in the radars of Euro & EBG traders.

Core rates are driven by the speed of TY sell-off. And in G5 FX, the big driver is USD/JPY. The stronger "we should believe in Trump reflation narrative" winds are, the more USD/JPY buyers we see.

Some in Research warn that Trump may succeed in "tax cuts, faster than any infrastructure spending," but few macro are in mood to listen. A few players believe, looking at trade weights of each with US and magnitude of

sell-off, Asia FX may have more weakness to come than MXN. Will copper/infrastructure rally eventually help Chile?

Most macro love NKY, willing to love it more. Bringing it home; fast macro money players are rushing to erase losses, year long pains through wider rates, longer USD, weaker EM, stronger equities.

Real Money is in defensive, remembering Taper Tantrum days, fearing institutional outflows & forced selling of carry hope positions.

Those who want to "fade" Trump rally, seek valuation in EM, believe core rates can tighten to get a breather are in Minority.

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