

September 28, 2016

BWR: What Have We Done for Clients Lately?

Getting the big picture right is a major part of our business. And while it is always challenging to predict what the world will look like twelve months from now, our model has continued to excel in accuracy. Highlighted below are several specific calls made during the year, which have helped keep our clients ahead of the curve. (Note: performances are measured as of recent market close September 27, 2016.)

Domestic Calls:

- **S&P 500 call early January: 2016 Outlook: “On Verge of Deflationary Recession” (1/5/16)** – on January 5th. We predicted a 10% + selloff due to inappropriate Fed hawkishness, followed by a V-shaped recovery as the Fed would pivot back to dovishness. **This has been correct. In the first quarter the market had fallen 10.51% by the close of February 11. It is now up nearly 6% on the year.**
- **LONG Treasuries: “Fed’s Policy Error = Today’s Opportunity” (1/8/16)** – We advised clients Fed hawkishness was hurting growth outlook and would drag yields lower. **We closed out of the long-term bond exchange traded fund, TMF with ~22% gain.**
- **LONG Oil: 2016 Outlook: “On Verge of Deflationary Recession” (1/5/16)** – We advised clients to go long oil in January when oil was \$36. **It now trades 25+% higher.** Our year-end target is higher still.

Global Calls:

- **SHORT Turkey: “High Conviction Macro Trades: Commodity & EM Opportunities” (4/23/16)** We initiated a short recommendation on Turkey citing increasing geopolitical risk and policymaking uncertainty. **We closed our Turkey short on May 18 for a 15% gain.**
- **Dismissed Brexit Doom, Got Pound Correct: “Brexit, Fed Trade & Market Outlooks” (6/22/16)** As we put it on June 22, "If the Leave camp succeeds we imagine a quick retracement of the risk-on move in global markets since June 16. We would likely see the pound weaken below \$1.40/£. But we are not buying the doom and gloom scenarios of a Brexit, such as a 20% equity sell-off suggested by George Soros." **We have been correct. Since June 24, the FTSE 100 is up nearly 11%, the pound is at \$1.3/GBP.**
- **Positives Out of Dilma’s Impeachment: “Brazil: The Law That Could Change Everything” (5/17/16)** Back on May 17 we alerted clients to growing will in Brazil's capital to free up Petrobras from having to become a partner in new Deep-Water bids, which would be win-win for Petrobras and Brazil’s oil fields. That political momentum has since grown. Meanwhile, **the Brazilian country exchange-traded fund, EWZ, and the Petrobras ADR, PBR, are up 23% and 29%, respectively, since our client letter.**
- **LONG Russia: “High Conviction Macro Trades for a Post Brexit Environment” (6/29/16)** We recommended going long Russia, via the Russian small-cap exchange traded fund, RSXJ, citing rising oil and improving geopolitics. **Since our recommendation in late June, RSXJ has appreciated nearly 18%.**

Bretton Woods Research

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