Goldman Sachs | Economics Research

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Global Viewpoint

Top Trade Recommendations for 2017

We present the first six of our *recommended Top Trades for 2017*. These trades represent some of the highest conviction market expressions of the economic outlook we laid out in the latest *Global Economics Analyst* and the related investment themes we discussed in our *Global Markets Analyst*.

Top Trade #1: Transatlantic economic divergences and political risks: Long US$ vs GBP and EUR

Top Trade #2: RMB weakening: Long $/CNY

Top Trade #3: Earning the 'good carry' in EM, hedging the China (and CNY) risk: Long BRL, RUB, INR and ZAR, short KRW and SGD

Top Trade #4: Long EM equities with insulated exposures to growth: Long Brazil, India and Poland, FX un-hedged

Top Trade #5: The 'reflation' theme broadens: Long 10-year US$ and EUR inflation

Top Trade #6: Long equity-like 'carry' with little duration risk through dividends: Long EURO STOXX 50 2018 dividends

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1. Finding Strategic Opportunities Amid Uncertainties

It is an unusually uncertain time in which to outline our strategic markets views and recommend a first batch of Top Trades for 2017.

- In the US, the unexpected outcome of the Presidential elections has kicked off a debate as to whether the economic policies under Mr Trump's tenure will support aggregate demand (via lower taxation and higher public spending on infrastructure) or ultimately stifle potential output (through protectionism). Also more uncertain is what the response of the Federal Reserve might be given that the economy is already operating close to full capacity. The FOMC will have the first opportunity to eventually adapt its policy guidance to the new scenario when it next meets on 14 December. A clearer picture of the new Administration's economic plans will only be available early next year.

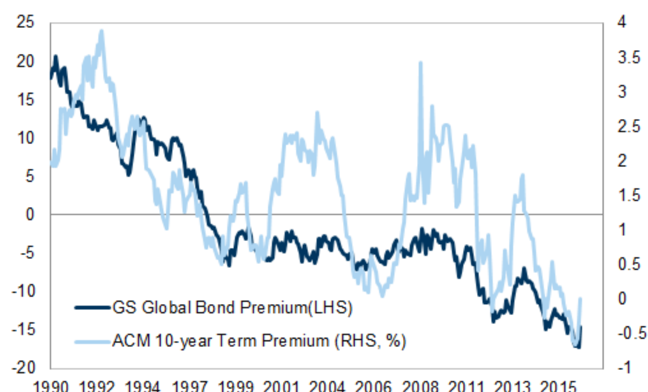
- In Europe, investors are waiting to hear from the ECB on 8 December, specifically on how much longer, at what pace and under which modalities the central bank intends to continue conducting asset purchases. The ECB's bond buying programme, alongside the BoJ's, has been a significant force behind the decline in the term premium across developed markets, and has kept EMU spreads largely in check. Changes to the stock and flow of the central bank buying could have repercussions on how the Euro area asset complex, including the single currency, perform entering the new year, and beyond. The result of the Italian referendum on constitutional reform, scheduled for 4 December, is also under the spotlight. Investors' anxieties over this poll and its potential political repercussions have increased since the Brexit vote in June.

- The OPEC meeting on 30 November will be important for the near-term inflation outlook and for Emerging Markets. There are several moving parts affecting the oil supply outlook: producing countries' incentives not to comply with the agreed production cuts, the Trump Administration's energy policy and its stance towards Iran, and the cost efficiency gains of US shale producers.

In formulating our market views and the trade ideas listed below, we build on our economics team's central outlook for the economy and for policy, summarised in the *Global Economics Analyst*, 'A Catalyst for Tighter Fed Policy', 16 November 2016, and seek to exploit asymmetries in potential pay-outs resulting from the level of risk premium embedded into asset prices.

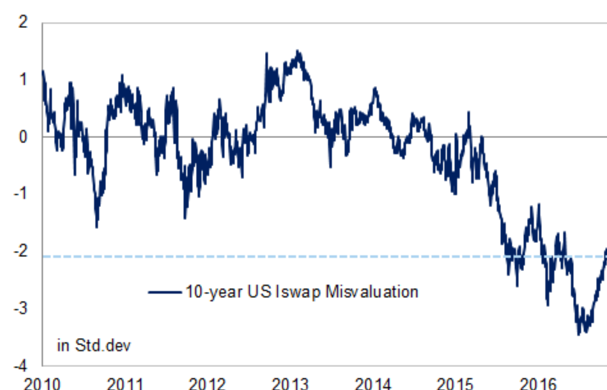
For example, we still find it harder to envisage economic scenarios where the risk premium on inflation and nominal bonds will return to the depressed levels it reached this past Summer. To illustrate, Exhibit 1 charts the term premium (i.e., the excess compensation over and above the expected path for short rates) on US Treasury yields calculated using a methodology developed at the Fed, alongside our measure of the aggregate term premium in the major advanced economies. Exhibit 2 plots the departure of US 'break-even' inflation from our macro-econometric measure of 'fair value'.

Exhibit 1: Term premium should increase from extremely depressed levels
GS Global Bond Premium measure plotted against ACM term premium for 10-year US Treasuries



Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 2: US inflation is repricing from very low levels
US 10-year Inflation swap misvaluation (Actual minus fair divided by standard deviation) based on GS Iswap model



Source: Goldman Sachs Global Investment Research

Similarly, one of our strong views at this juncture is that both the ECB and the BoJ will try to counter a premature increase in domestic rates stemming from higher policy uncertainty in the US, and continue to offer their respective Treasuries ample 'fiscal space'. Similarly, we expect the Fed to proceed cautiously when increasing real policy rates given that inflation is just returning to target rate after undershooting it for several years, and in recognition of the international spill-overs of its actions. This has important implications for our moderately constructive views on Emerging Markets and Metals.

2. Our First 'Top Trades' for 2017

With these considerations in mind, below are the **first six recommended Top Trades for 2017**. Some of them are a continuation of themes already in play in the second half of this year, others are new.

Top Trade #1: Transatlantic economic divergences and political risks

Long US$ equally weighted against EUR and GBP, with a basket indexed to 100, a target of 110 and a stop at 95. Annual carry on this basket is 1.3%.

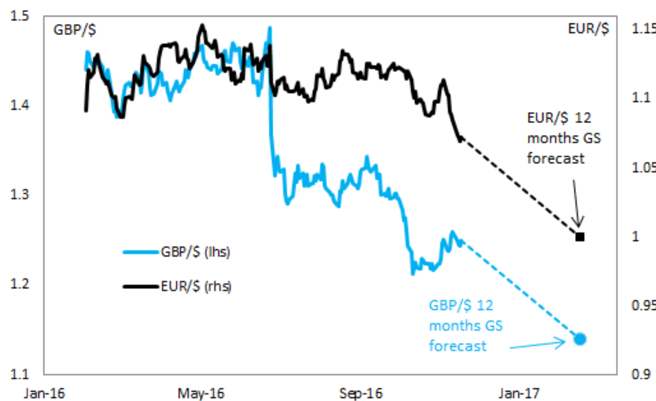
A building theme in global markets is the populist shift in politics, as evidenced by the Brexit vote in the UK and the recent US elections. In the US, events have moved in a USD-positive direction, between the rising likelihood of fiscal stimulus, more protectionism and immigration controls, all of which add up to a more inflationary mix and tighter-than-otherwise monetary policy setting. In Europe, ongoing uncertainty over the Brexit process will likely weigh on the Pound, while the slew of elections, including the Italian political fallout after the constitutional referendum on 4 December and general elections in France, Germany and the Netherlands, will weigh on the EUR (Exhibit 3).

Meanwhile, behind the scenes, divergence in growth and inflation has continued to play out, giving an underlying boost to the Dollar ("Dollar Reset", *FX Views*, 10 November 2016). Markets are debating where populist forces are stronger and more

negative – in the UK or the Euro area. Either way, they are material and we think it is best to split the difference, in essence taking out moves in EUR/GBP. Our first Top Trade consists of going long US$ versus EUR and GBP equally weighted. The position is indexed at 100 with a target of 110 and a stop at 95. As part of this, we are revising our GBP/$ forecast lower to 1.20, 1.18 and 1.14 in 3-, 6- and 12-months from 1.20, 1.21 and 1.25 previously. This is consistent with our analysis that Sterling needs to fall around 20-40% from pre-Brexit levels (Exhibit 4). We have kept our call for EUR/$ parity on a 12-month horizon unchanged.

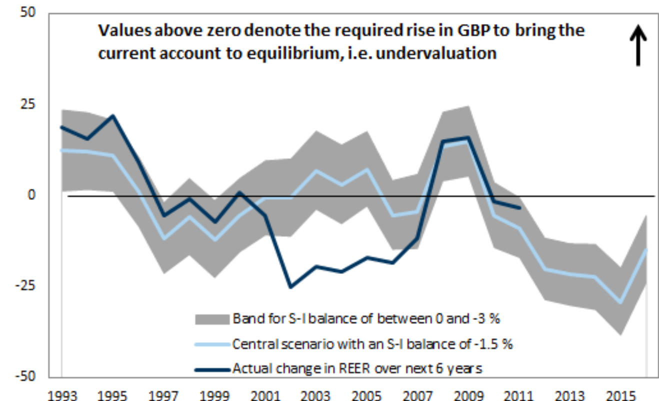
The principal risk to this trade is a premature tapering from the ECB, which could cause EUR/$ to rally, but this is not something we anticipate given the difficult political calendar and the fact that the ECB will want, in our baseline case, to shield European rates from the increase in their US counterparts. A risk is also that the triggering of Article 50 is delayed, which could buoy Sterling. That said, UK Prime Minister May has if anything strengthened her rhetoric on this since the US election and her political fortunes are closely tied to moving forward on Brexit at this point. As a result, even if a delay occurs, we think the course is ultimately set.

Exhibit 3: We forecast GBP/USD at 1.14 and EUR/USD at parity at end-2017



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 4: Sterling remains overvalued based on our models



Source: Goldman Sachs Global Investment Research

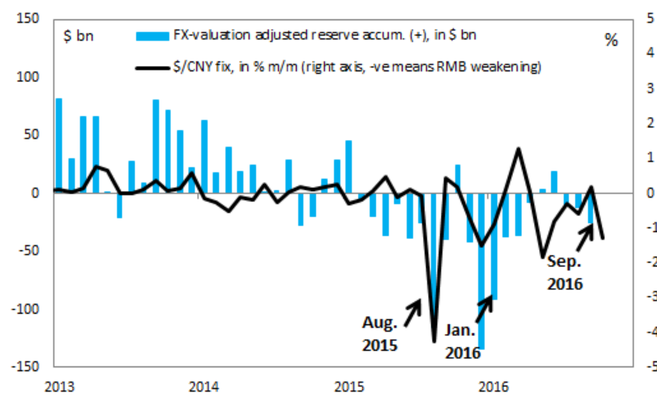
Top Trade #2: RMB weakening: Long $/CNY

Long $/CNY via the 12-month NDF, currently at 7.07, for an initial target of 7.30 with a stop at 6.75.

Since the extreme bearishness on the RMB early in 2016, sentiment has relaxed considerably and many clients seem to be focused elsewhere. As we have argued before ("No Easy Fix to the RMB Problem", *FX Views*, 2 June 2016), the fundamental dilemma of China's currency regime is that, in an environment of a rising Dollar, keeping the CFETS basket stable requires $/CNY to move higher meaningfully, which carries the risk that capital outflows re-escalate (Exhibit 5). Given the re-pricing in Fed hiking expectations, which are still well short of our US economists' forecast, we think it is important to establish hedges at the current juncture, even if hedging costs have risen somewhat from just a few weeks ago (Exhibit 6). Hence, we recommend as our second Top Trade to be long $/CNY via the 12-month NDF. Indeed, our impression is that, despite the sharp move in the Dollar since the US

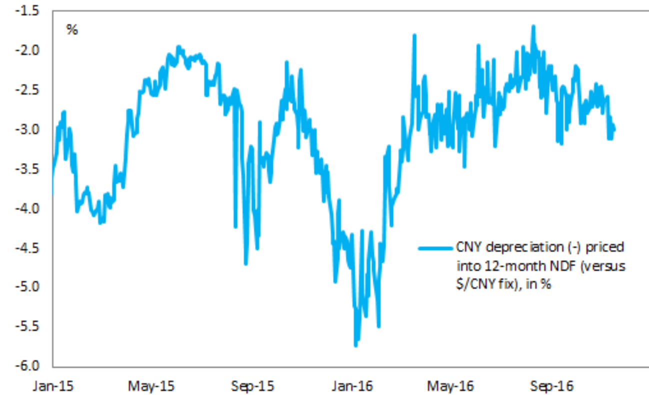
election, market interest in hedging RMB downside is still low, partly because RMB downside hedges failed to pay off early in the year. We think this is notable because asymmetry in the response of RMB to Dollar strength has been pronounced ("Downside RMB Asymmetry", *FX Views, 28* October 2016), making the decision to hedge even more relevant at the current juncture. With this in mind, we are revising our $/CNY forecast higher to 7.00, 7.15 and 7.30 in 3-, 6- and 12-months from 6.70, 6.80 and 7.00 previously, which we established in July. We are also revising our longer-term forecasts to 7.60 and 7.65 for end-2018 and end-2019 (from 7.30 previously) and establishing a new 7.70 forecast for end-2020. As our new forecast reflects, our base case is one where the $/CNY fix continues to grind higher, driven by domestic pressures and in the context of a stronger Dollar ("The US election's potential impact on Asian markets", *Asia Views*, 10 November 2016), rather than a sudden and sharp depreciation. But even under this scenario, our forecasts are meaningfully higher than the forwards. One risk to this view is in some ways that the Dollar rallies too far too fast, causing the Fed to shift dovish in a replay of 2016. But we think the monetary policy landscape has shifted from earlier this year, so that a dovish shift at the Fed is now less likely, all things equal. At the same time, our $/CNY higher forecast is predicated largely on our expectation that Dollar strength can extend ("Dollar Reset", *FX Views*, 10 November 2016). If the Dollar were to fall instead, that would present a serious risk to the trade. But we think the hurdle for the Dollar to outright weaken is substantial ("Backward Induction for the Dollar", *FX Views*, 13 September 2016).

Exhibit 5: Capital outflows from China are expectations-driven…



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 6: …and we think hedging at longer tenors is attractive



Source: Bloomberg, Goldman Sachs Global Investment Research

Top Trade #3: Earning the 'good carry' in EM, hedging the China (and CNY) risk

Long an equally-weighted basket of BRL, RUB, INR, ZAR versus short an equally-weighted basket of KRW and SGD, with an entry level of 100, total return target of 114 and stops at 93. The expected return, including approximately 7% carry (on an annual basis) and 7% price return, is around 14%.

Our third recommended Top Trade exploits the fact that there are a number of 'good carry' candidates in EM FX space: BRL, RUB, INR, ZAR – countries where external balances have strengthened materially, inflation is on a declining trajectory, the

'carry' in real terms is generous and there are prospects of stronger growth in the year ahead.

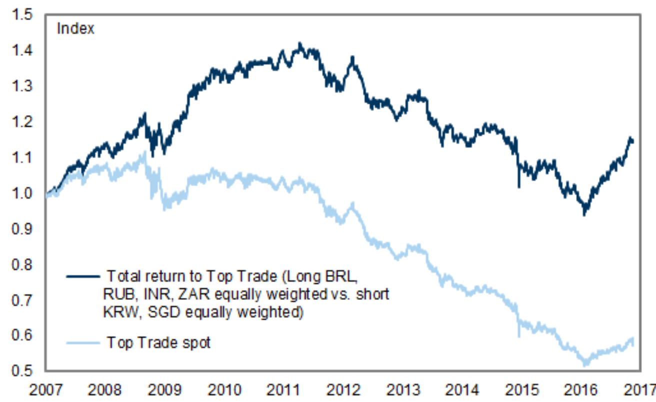
The 'Trump tantrum' of the past week has also seen meaningful pressure on many of these high-yielding currencies, providing more attractive entry points. In all four cases, our 12-month forecasts are meaningfully stronger than forward market pricing. Specifically, relative to spot, we have the most appreciation in $/ZAR (12-month forecast of 13), reflecting that it has been one of the laggards to the global re-balancing story, but has now seen a clear narrowing in the current account deficit in recent quarters. There is more limited room for appreciation relative to spot levels in the other three currencies (our 12-month forecasts are 62 for $/RUB, 3.40 for $/BRL and 68.5 for $/INR). But all three should be more resilient to a modest further extension of the increase in US bond yields given the more compelling domestic dis-inflationary stories in each case.

The countries represented on the long side of our FX basket also have more limited exposure to US trade/demand risks if the protectionist rhetoric from President-elect Trump is transformed into action. Risks emanating from gyrations in crude oil should also be relatively well diversified, given that both India and South Africa are net oil importers, while Russia and Brazil are oil exporters.

On the short side of the trade, we recommend KRW and SGD – two low carry Asian currencies. While rate risk is front-and-centre of EM investor concerns at the current time and has affected high-yielders with heavy positioning, in the medium term the risks related to the unwinding of the Chinese debt build-up, and the depreciating CNY that goes alongside that, is probably the more systematic risk.

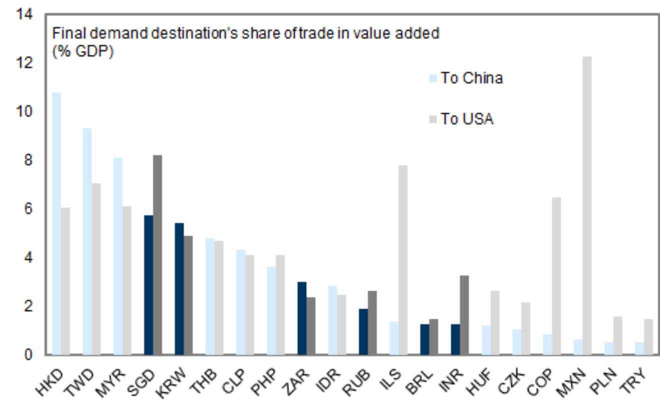
Korea has a high export similarity to China and is therefore exposed to the weakening trend in the CNY, which we expect to extend, as discussed above. There are also independent reasons for a weaker currency. Given the need to undertake difficult corporate restructurings in Korea against the backdrop of subdued global trade, a weaker Won is likely to be a key part of delivering easier financial conditions. And in the case of Singapore, the NEER basket has large weights in MYR, CNY and JPY – all of which we expect to weaken beyond forwards, and the low level of domestic inflation means that we continue to expect SGD to trade on the weak side of the band.

Exhibit 7: A basket of 'good carry' stories in EM (BRL, RUB, INR, ZAR) ...



Source: Goldman Sachs, Goldman Sachs Global Investment Research

Exhibit 8: ...less exposed to China and US trade risks



Source: OECD, Goldman Sachs Global Investment Research

Top Trade #4: Long EM equities with insulated exposure to growth

Long Brazil, India and Poland equities (BOVESPA, NIFTY, WIG) FX-unhedged, with an entry level of 100, for a target return of 120 and a stop of 90.

We remain positive on the EM ex-China growth recovery story heading into 2017 and see a good entry point in expressing this view via EM equities. After a long two-year stretch of poor EM corporate profit data (EPS have fallen continuously from $101 in Q2 2014 to $68 in Q1 2016), EM earnings have finally bottomed and are making a tepid recovery (forward EPS currently stand at $73). The improvement so far has been largely generated by commodity-related companies, but we expect a transition to domestic-facing sectors in coming months, largely because financial conditions have eased during most of this year. Furthermore, EM equities have just dipped below our macro measure of 'fair value' (841 vs. 860) for the first time since February, suggesting that valuation has once again become a positive factor for taking un-hedged EM equity exposure.

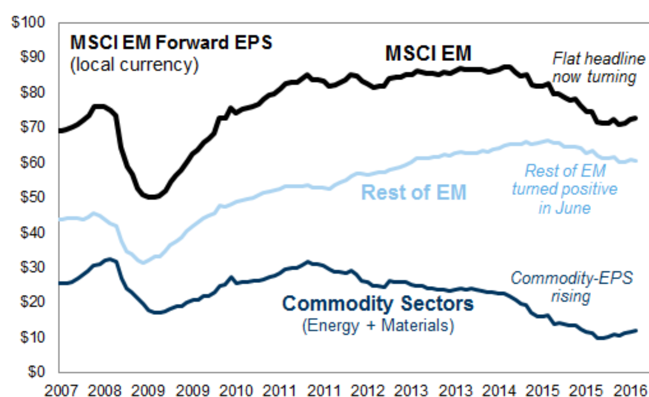
In contrast, we remain wary of China growth risks emanating again as we enter 2017 and are accordingly averse to taking deep cyclical exposure in EM equity over the medium term. Similarly, the US election has created an air of uncertainty over US trade policy, which could directly impact a number of EMs with high US sales exposure, such as Mexico, Korea and Taiwan, as well as China.

Looking across the EM equity spectrum, we find that Brazil, Poland and India offer an 'insulated exposure' to the EM growth recovery story, without being particularly exposed to China growth or US trade policy. While Brazil is often characterised as a China-growth proxy, the country's equity market has shifted meaningfully in its composition in recent years (commodity companies make up 25% of current market cap today vs. 52% at the beginning of 2010), distinguishing itself from most its Latin American peers. In EMEA, there are a number of idiosyncratic stories (Russia and South Africa) where we are keen to take FX exposure, but we find less valuation support (South Africa) and little domestic exposure (Russia) in the equities there. Rather, it is Poland that has been the laggard, particularly when compared with the strong performance of European cyclicals. We recognise that Poland is geared

towards the political situation in both Europe and Russia, and Polish banks have come under pressure as a result of the high contribution to social programmes. But with a positive growth momentum and insulation from both China and US policy shocks, we expect some catch-up room there.

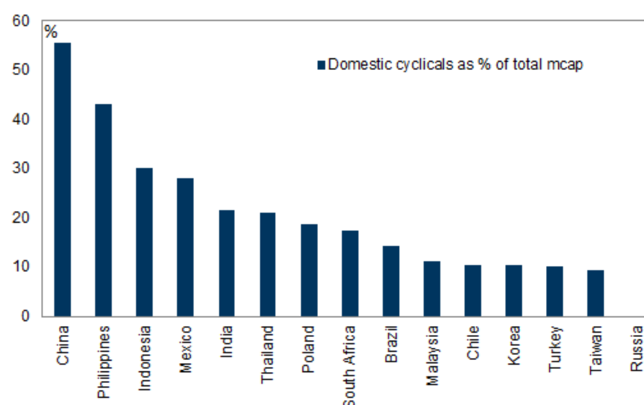
In Asia, both India and ASEAN equities offer strong domestically-exposure growth stories; however, we find ASEAN to be much more interest rate sensitive, and would shy away from that exposure in the near term. Indian equities have had a strong run since 2013, and while we believe the majority of the rally is behind us, we continue to see a positive risk/reward relative to other Asian equities that are heavily China-exposed. We are conscious of potential near-term volatility from recent policy announcements in India, but have put a wide stop-loss that should cushion downside risk and allow for outperformance.

Exhibit 9: Improvement in earnings seen broadly across EMs



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 10: India, Poland and Brazil equities have insulated exposures to domestic growth



Source: FactSet, Goldman Sachs Global Investment Research

Top Trade #5: The 'reflation' theme extends and broadens

Long US 10-year US TIPS 'break-even' inflation at an entry level of 1.90%, with an initial target of 2.30% and stop at 1.60%, and long Euro 10-year inflation via swaps at an entry level of 1.25%, with a target of 1.60% and a stop at 1.00%.

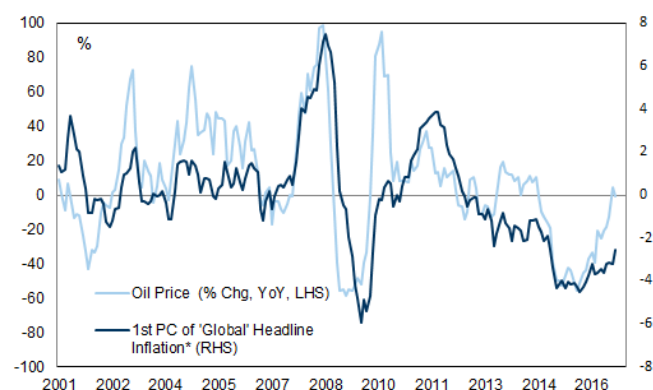
'Reflation' already features as one of our top investment themes for this year, and one of our 2016 Top Trades recommended last November was meant to capitalise on the view ('long US 10-year break-even inflation'). As things turned out, the fortunes of the Top Trade were mixed at best. The China-led risk shakeout during the first quarter, and subsequently the Brexit 'policy shock' in June, affected the pricing of spot crude oil and longer-dated nominal yields, both depressing inflation forwards. The market price of inflation did start moving higher since the Summer, and is now around 40bp above where we recommended the trade a year ago.

We think there is scope for the 'reflation' trade to perform better in 2017 for a combination of factors. First, thanks to base effects from energy components, headline CPI inflation will rise entering 2017 across the major advanced economies, and this could influence inflation expectations positively. Second, with 'austerity' now in the rear-view mirror, the onus of stimulating demand appears to be shifting from central banks towards the fiscal authorities. We forecast a relatively large,

synchronised support to GDP growth from the public sector in Japan, China, the US and Europe. Only part of this will go to expand potential output, with the bulk potentially stoking inflationary pressures. Third, the major central banks have been aiming for inflation to run at/above their 2% target for some time to compensate for the undershooting in recent years. With this objective, the ECB, BoE and BoJ are all creating more 'fiscal headroom' for their respective Treasuries through large-scale purchases of government bonds. We expect these purchases to continue throughout 2017. In this context, we think that greater attention will be given by both the BoJ and the ECB to prevent an excessive flattening of their respective nominal term structures of rates. This should allow the inflation forwards to expand.

Exhibit 11: A 'Global' Factor (oil price) explains 50% of headline inflation dynamics

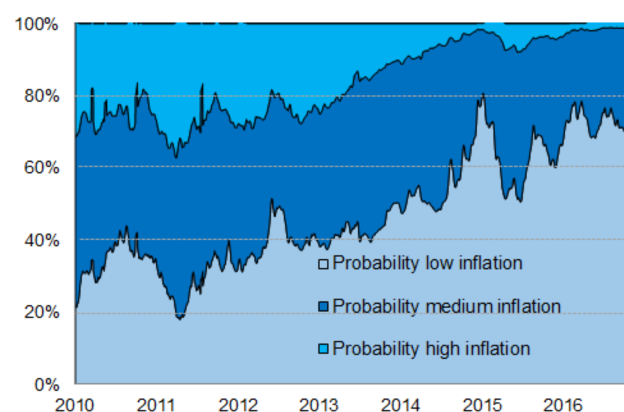
YoY WTI Price Changes mapped against 1st Principal Component from Headline Inflation of Major Economies (*Countries included are US, UK, Japan, Germany, France, Canada, Sweden, China, Mexico, South Korea, Russia, Singapore)



Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 12: Inflation expectations in Euro area remain very pessimistic

Option-implied probability distribution of 5-year inflation by strike 'clusters': low inflation (≤1%), medium, and high (≥3%)

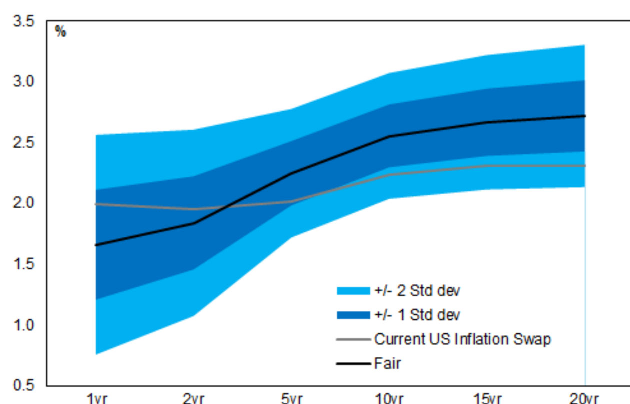


Source: Bloomberg, Goldman Sachs Global Investment Research

With these considerations in mind, our fifth Top Trade for 2017 consists in being long both US$ and EUR 10-year inflation. We like the US leg of the trade because expansionary fiscal policies in an economy already operating close to full capacity will likely push up domestic price and wage inflation. Along with our dovish views on the ECB, there are two more reasons why we like the EUR leg of this trade: (i) the potential for EUR to depreciate in line with the views of our FX strategists should push up the inflation risk premium in EUR inflation swaps and (ii) we are starting from a very pessimistic skew in inflation expectations in the Euro area, underscored by the inflation options market assigning a 70% chance of CPI staying below 1% over the next 5-years.

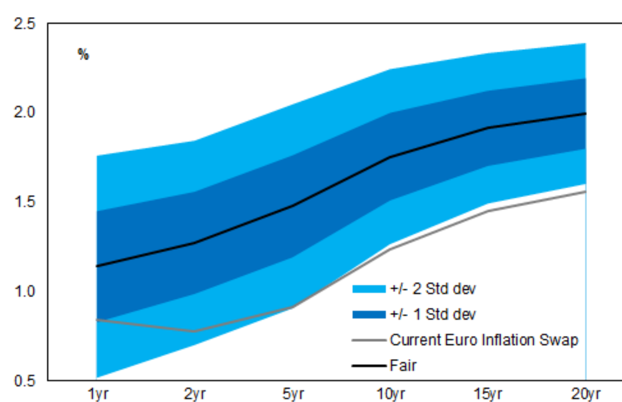
There is clear systemic risk to the trade relating to the evolution of the general economic outlook. Unlike in 2016, we think that the downside risks from commodity prices are lower thanks to base effects and better valuations in the complex.

Exhibit 13: Long-dated US inflation is normalising from historically cheap levels...
Fair value of US inflation swaps as implied by our iSwap model



Source: Goldman Sachs Global Investment Research

Exhibit 14: ...But is still too low in the Euro area
Fair value of Euro inflation swaps as implied by our iSwap model



Source: Goldman Sachs Global Investment Research

Top Trade #6: Long equity-like 'carry' with little duration risk through dividends: Long EURO STOXX 50 2018 dividends

Long EURO STOXX 50 2018 dividends (BBG: DEDZ8 Index) equity-like 'carry' with little duration risk; target 125, now at 112 (12% unfunded return), stop at 105.

Dividend swaps, as a hybrid between credit and equities, currently appear attractive in a cross-asset context. We forecast a high 'carry' compared with other assets, which reflect both fundamental risks and supply/demand imbalances from structured products issuance (for details, see Dividend Swap Monitor: Dividends in multi-asset portfolio: high carry hybrid between credit & equity, 14 November 2016). Our sixth Top Trade recommendation consists of going long EURO STOXX 50 2018 dividends for a potential 12% unfunded return. 2018 dividends are based on 2017 fiscal year earnings and thus uncertainty should decline over the course of 2017 (consider that 70-80% of dividends are usually announced during the European dividend season at the end of Q1). While we do not expect strong earnings growth in Europe next year, current implied dividend growth for 2018 is only -4%, which leaves a buffer for disappointment. European equities have been stuck in their 'fat and flat' range in 2016 – they have struggled to make new highs owing to a lack of earnings growth, while elevated valuations have more frequent drawdowns due to political and policy shocks. This has resulted in poor Sharpe ratios for equities, a scenario that looks set to continue in 2017. Despite little earnings growth in 2016, EURO STOXX 50 2017 dividends delivered a return of 6% with a volatility of 7% YTD.

The beta of EURO STOXX 50 dividends increases with time until maturity, and really longer-dated (2020+) trade-like equities – but shorter-dated dividends – have offered better attractive risk-adjusted returns and have traded more similar to credit. With less time until maturity and when getting closer to the dividend season (Q1 2018) the so-called 'pull-to-realised' effect lowers both the beta and volatility. As a result, shorter-dated dividends are less driven by changes in equity valuations and more closely linked to underlying earnings and cash flows – they become more comparable to a credit investment. As a result, dividend swaps, especially shorter-

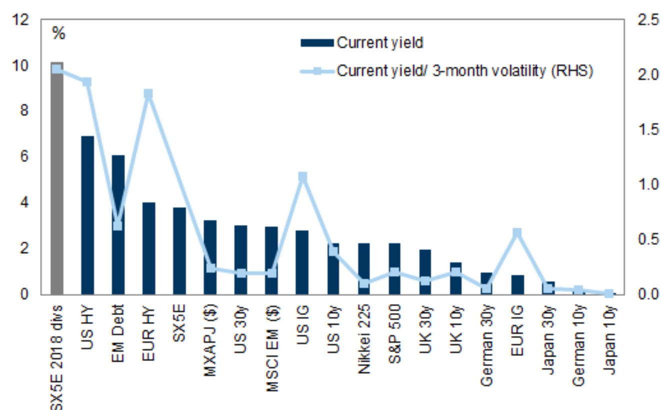
dated dividend swaps, offer better asymmetry than equities but better returns than credit with less duration risk.

Structural excess supply of dividend risk is contributing to the attractive risk premium for dividends – banks own dividend risk usually around 5-7 years forward as a result of structured product issuance (capital guaranteed products, reverse convertibles, autocallables). Lower bond yields have driven more demand for autocallables in recent years, which has resulted in more dividend supply. And with regulatory and risk budget constraints, banks are usually keen to reduce that risk. This results in a discount, which is larger for longer-dated dividends. The latter, however, tend to have a higher 'beta' and sell off more in equity corrections when banks are forced to de-risk. As a result, we prefer shorter-dated dividends to generate more attractive risk-adjusted carry. During the GFC and the Euro area crisis, 1- and 2-year forward dividends also traded with a higher beta due to illiquidity. But, in recent years, investor demand has increased for shorter-dated dividends. Liquidity and trading volumes in dividend markets have improved materially with dividend futures – EURO STOXX 50 dividend futures open interest and traded volumes have stabilised at healthy levels.

There are fundamental risks and mark-to-market risks related to this Top Trade. Fundamental risks are mainly related to the prospect of dividend cuts, in particular for the banks and oil sectors, which are two of the largest dividend payers in the EURO STOXX 50. Our 'bear case' scenario for EURO STOXX 50 2018 dividends is close to 100, which is equivalent to a 50% cut of dividends for both those sectors. And until we get closer to the dividend season, they are likely to trade with a beta of 0.4-0.5 to EURO STOXX 50, which could drive mark-to-market risk. In our asset allocation we are Underweight Europe for 3-months due to the uncertainty over ECB policy (the next meeting is on 8 December), widening Euro area periphery yields, as well as political risks into next year (see GOAL: Reflation, equity/bond correlation and diversification desperation, 14 November 2016). As a result, near-term volatility in both European equities and EURO STOXX 50 dividends could pick up. But we think that, eventually, the ECB will extend QE and anchor yields again. Also, we would recommend hedging the currency in this trade.

Exhibit 15: EURO STOXX 50 2018 offers relatively attractive risk-adjusted carry

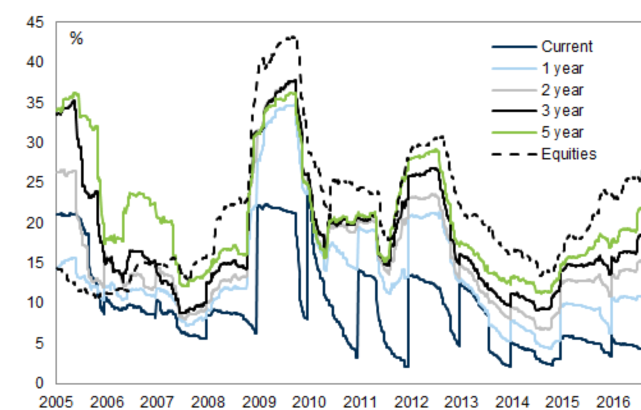
Current expected, annualised yields across assets and current yield / 3-month realised volatility



Source: Bloomberg, Datastream, Goldman Sachs Global Investment Research

Exhibit 16: Shorter-dated EURO STOXX 50 dividends tend to have lower volatility than equities

1-year rolling realised volatility for different dividend swap maturities



Source: Goldman Sachs Global Investment Research

3. Our 2016 Top Trades in Review

This year was admittedly not a good year for our Top Trade recommendations. After a relatively healthy start in November and December, five of our eight Top Trades hit their stop-loss between mid-January and February, when a sharp correction ran across risk assets, volatility and cross-asset correlations increased, and liquidity dried up. Only two of the eight Top Trades (long US mortgages and long EM exporters vs EM banks) ultimately returned a potential profit. An additional two Top Trades (long US inflation and long US HY Oil & Gas hedged against crude) would have turned out to be ultimately profitable. That said, the mark-to-market losses incurred should the stop-losses not have been triggered would have been higher at first.

As we discussed when launching these investment ideas last November, 'energy' featured as a prominent risk factor running through most of the exposures (e.g., long 'break-even' inflation, long US banks, long currencies of oil exporting countries). The considerable volatility in crude oil (the front WTI contract traded between US$26 and US$51 per barrel over the past 12 months) negatively affected the potential returns. The best performing trade was long US Commercial Mortgages, opened in May. The worst performing asset was the MXN, which was part of a basket of currencies on which we recommended going long.

Exhibit 17: Performance of Recommended Top Trades for 2016

	Recommended Top Trades for 2016	Opened on	Opened At	Target Level	Stop Loss	Closed on	Potential Return
1	Long USD against an equally weighted basket of EUR and JPY	19-Nov-15	100	110	95	09-Feb-16	-5%
2	Long US 10yr inflation breakeven (USGGBE10 Index)	10-Nov-15	1.60%	2.00%	1.40%	18-Jan-16	-21bp
3	Long an equally-weighted basket of MXN and RUB versus short an equally-weighted basket of ZAR and CLP	19-Nov-15	100	110	95	21-Jan-16	-6.6%
4	Long a basket of 48 non-commodity exporters (GSEMEXTD Index) and short a basket of 50 EM banks stocks (GSEMBNKS Index)	18-Nov-15	1.12	1.3	1.04	04-Mar-16	3.9%
5	Long 5-year 5-year forward Italian sovereign yields vs short 5-year 5-year forward German yields	18-Nov-15	160bp	100bp	190bp	09-Feb-16	-59bp
6	Long large cap US banks through the BKX Index relative to the S&P500	18-Nov-15	100	110	95	11-Jan-16	-5.4%
7	Long commercial mortgages via the CMBX Series 9 BBB- index	27-May-16	596bp	500bp	675bp	14-Nov-16	6.4%
8	Long the iBoxx HY Oil & Gas total return swap vs. the S&P GSCI Crude Oil total return index, at a 1.5x1 notional ratio	15-Sep-16	0	10%	-7%	03-Oct-16	-7%

Source: Goldman Sachs Global Investment Research

The Global Markets Team

The authors would like to thank Lorenzo Incoronato and Matteo Crimella, interns with the Global Markets team, for their contribution.

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