
From: Jeffrey Epstein <jeevacation@gmail.com>
Sent: Wednesday, January 22, 2014 11:20 AM
To: Vinit Sahni
Subject: Re: Jeffrey - Equity positioning survey and more [C]

thanks,

On Wed, Jan 22, 2014 at 4:07 AM, Vinit Sahni <[REDACTED]<mailto:[REDACTED]>> wrote:

Classification: Co=fidential

Jeffrey - think flow of funds / positioning quite critical here as the market needs to shift from beta to alpha. The below client positioning data within the institutional world doesn't surprise me, but highlights some trends / dislocations. Especially in EM, staples, the fact that China remains the biggest concern yet very few hedge that risk, long Europe trade= We are crunching some numbers here, to find the best medium to monetize some of the trades. Wanted to highlight some key points from the survey

Jan contrarian trades: long bonds, short equities, long EM (brazil), short EU, long pharma, short insurance. within stocks, biggest contrarian trade is long staples, short utilities=/u>

Rarely have we seen such bullish growth expectations, mixed with such bleak EM weightings - either EM ready for a breakout or bullish growth expectations wrong

75% of investors expect a stronger global economy in next 12 months, this is a 3y high reading -> explains which was market is skewed, 80% of them expectation below trend growth, therefore reluctant bulls

Sharp drop in China growth optimism in Jan (now 28% expecting weaker Chinese economy). expectations were lower in mid-2013, therefore not a surprise.

2nd highest ever Net % saying US \$ undervalue= (57%)

54% investors think EUR is overvalued, highest since early 2012

Equity investors say cash levels at 4.5% still quite high, different from the credit community. % of investors saying equities are expensive (net 7%) at highest since Sep 2000, explains the high cash holdings

China hard landing biggest tail risk according to investors (trying to find the right tail risk hedge here)<=font>

Commodities still very underowned at 1.7 SD below its average

Allocation to US equities dips to net 6% overweight in Jan 2014, doesn't sound stretched

Net 15% of investors are underweight EM equities which is 2 SDs below 10y average

Allocation to US equities stays high at 41% overweight, back to 2004-2007 levels

Allocation to staples falls to lowest level since aug 2003. Gap between long banks and short staples widest in 10yrs

Best
Vinit

Vinit Sahni

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