Twitter Thread by John Authers



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1) As the miserable year of 2020 reaches its end, it's time to return to the offices of Hindsight Capital LLC.

For those unfamiliar, this great, albeit imaginary, hedge fund invests with the benefit of a style guaranteed to beat all others: hindsight

2) As such perfect vision would allow infinite returns, certain limits are imposed on Hindsight Capital's managers:

■It can't trade during the year
■It can't use leverage
■It can't invest in individual stocks
■It must make broader or sectoral bets
https://t.co/GAAuDinYSV

3) Hindsight can, however, make "long-short" trades.

But the hedge fund must be able to explain how someone might have made such a trade based on only what they knew at the time. Foreknowledge of earthquakes and hurricanes, for instance, is not allowed https://t.co/GAAuDinYSV

4) As for the pandemic, Hindsight Capital's managers were aware of the novel coronavirus in Wuhan and had little difficulty in predicting how the world would react and what its effects would be.

That was crucial, as will be seen in this thread https://t.co/GAAuDinYSV

5) Hindsight Capital always bases itself in the country with the year's weakest currency.

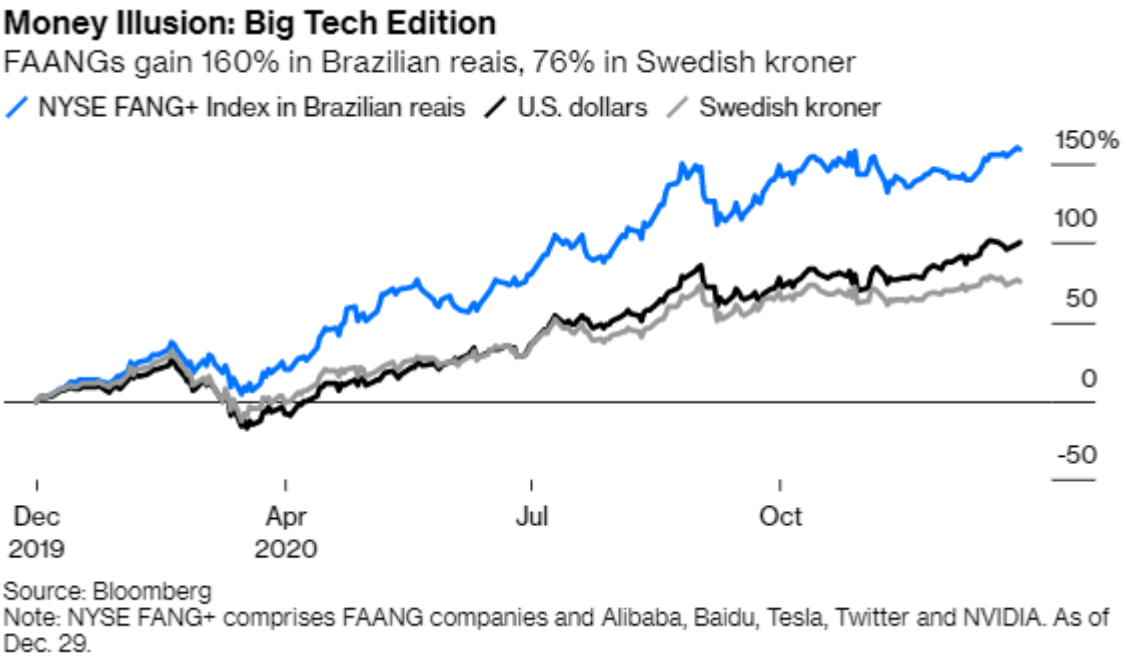
In 2020, that was Brazil, giving its managers a great excuse to live out the pandemic from an office overlooking Ipanema Beach https://t.co/GAAuDinYSV

6) Whenever the world hits a rough patch, it's a safe bet that Latin American assets will be grievously affected.

Brazil made its position worse with President Jair Bolsonaro's handling of Covid-19 https://t.co/GAAuDinYSV

7) Whatever the investment, a weak currency transforms it (a phenomenon known as money illusion): hot “FAANG” stocks (Facebook, Amazon, Apple, Netflix and Alphabet) gained:

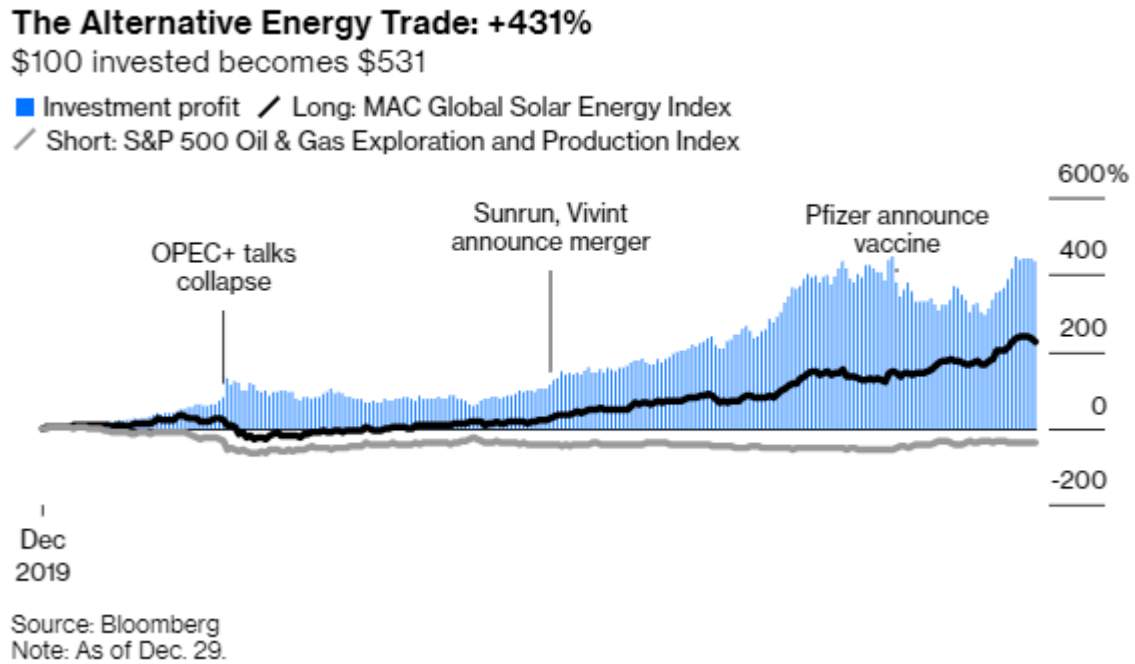
■■160% in Brazilian reais
■■Only 76% in Swedish kroner, 2020’s strongest currency https://t.co/GAAuDinYSV



8) The coming pandemic would mean lower demand for oil.

Normally, lower oil prices would hurt alternative energy, but 2020 saw breakthroughs in solar power technology. It was a spectacular success.

Putting the trades together made 431% https://t.co/GAAuDinYSV

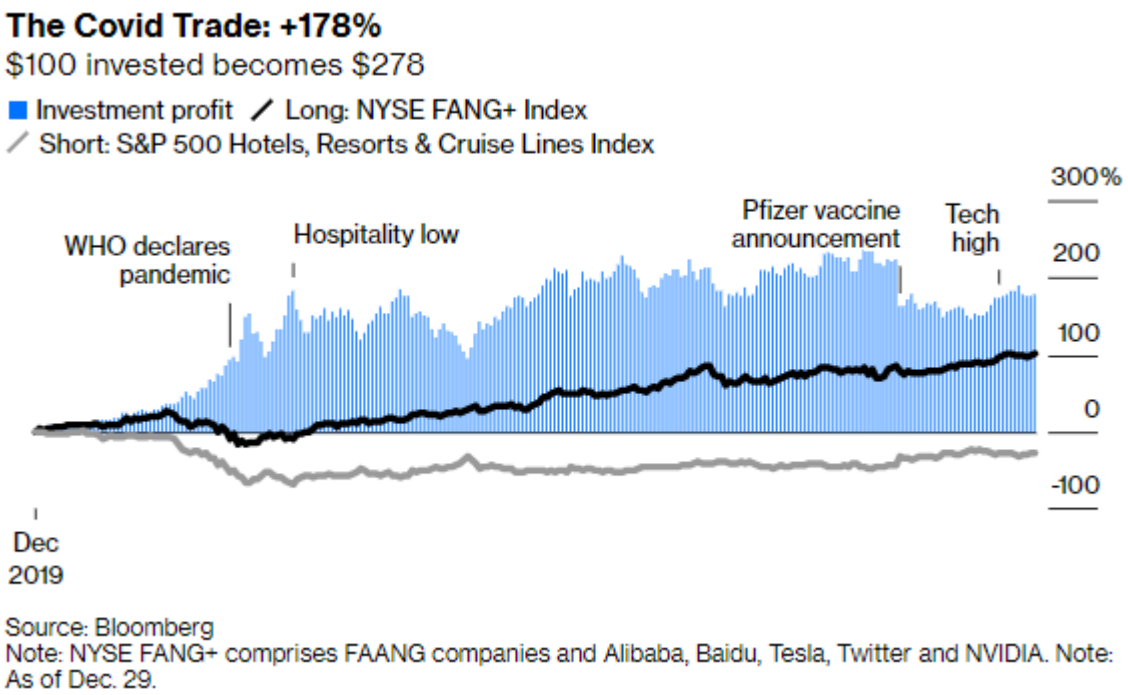


9) The pandemic would also freeze travel, so Hindsight bet against hotels, resorts and cruise lines.

As for beneficiaries: Companies that make it easier for us to work from home.

■FAANGs: 100%
■Hotels: Fell 28%

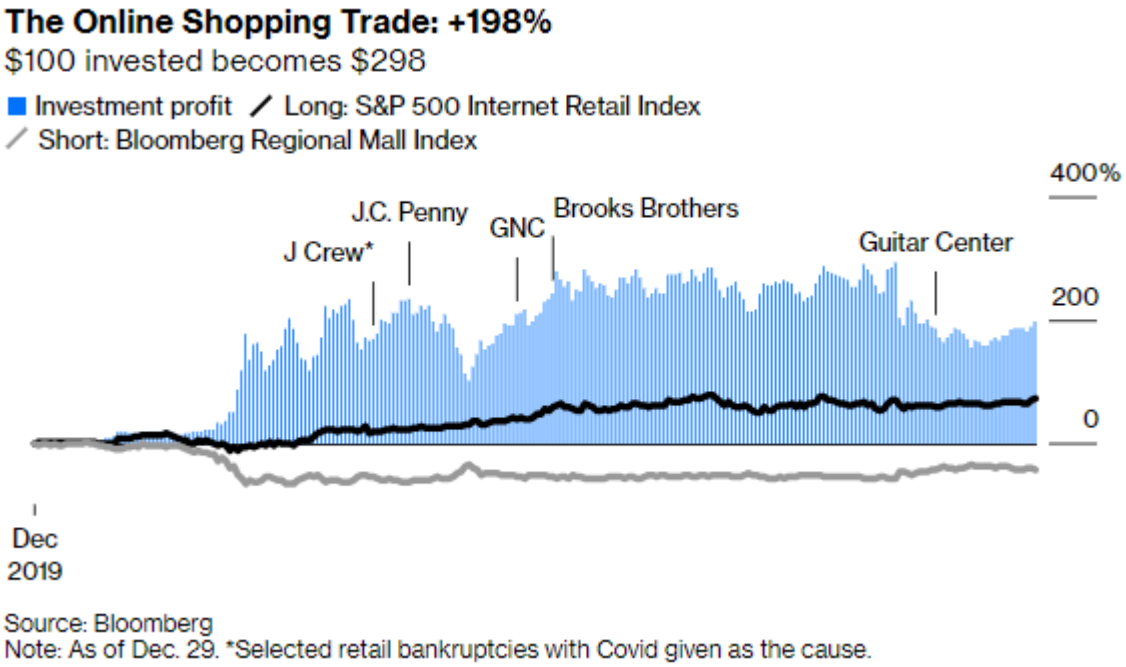
Hindsight made 178% on the trade https://t.co/GAAuDinYSV



10) With people stuck indoors, the moment for a final coup de grace to the traditional retailing model had arrived.

Hindsight bet against real estate investment trusts investing in regional malls. Amazon had guaranteed profits.

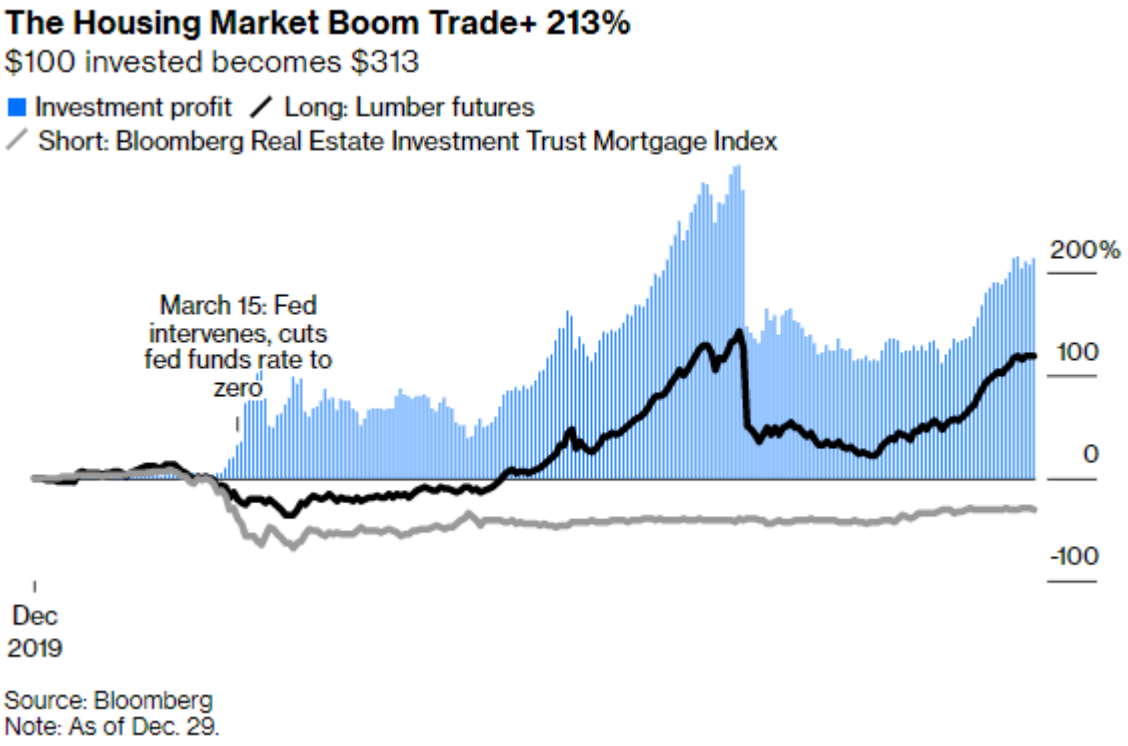
The trade made 198% https://t.co/GAAuDinYSV



11) The pandemic spurred many people to try to leave cities.

So, Hindsight bought futures in lumber, where the housing boom would show up first. Meanwhile, life was very difficult for mortgage REITs.

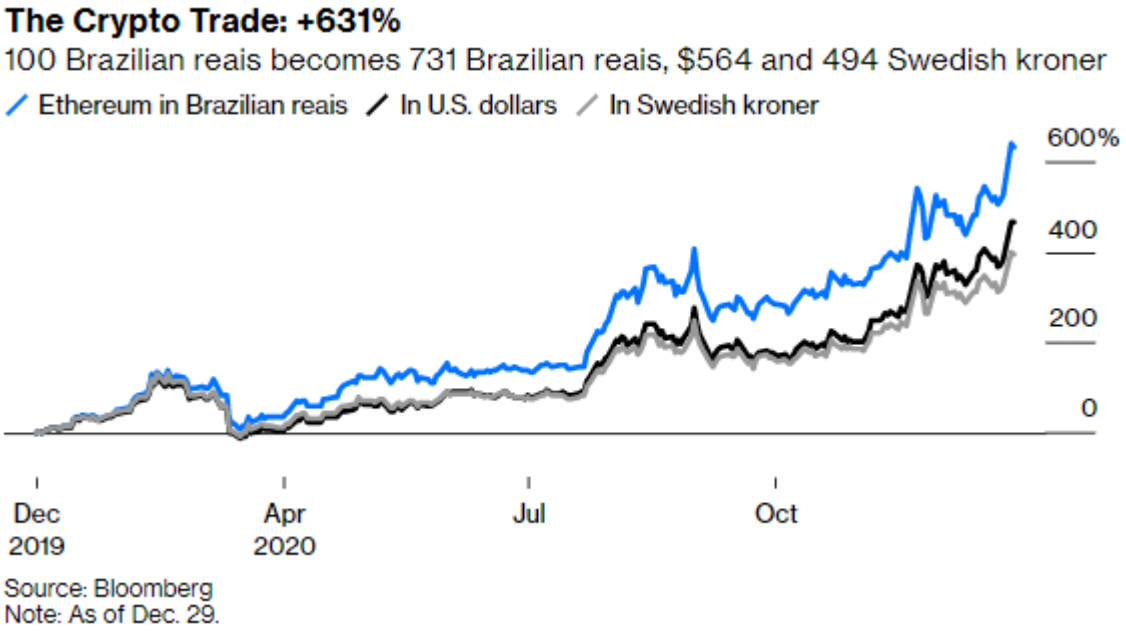
Put them together, and the trade made 213% https://t.co/GAAuDinYSV



12) The pandemic also meant that there would be cash aplenty.

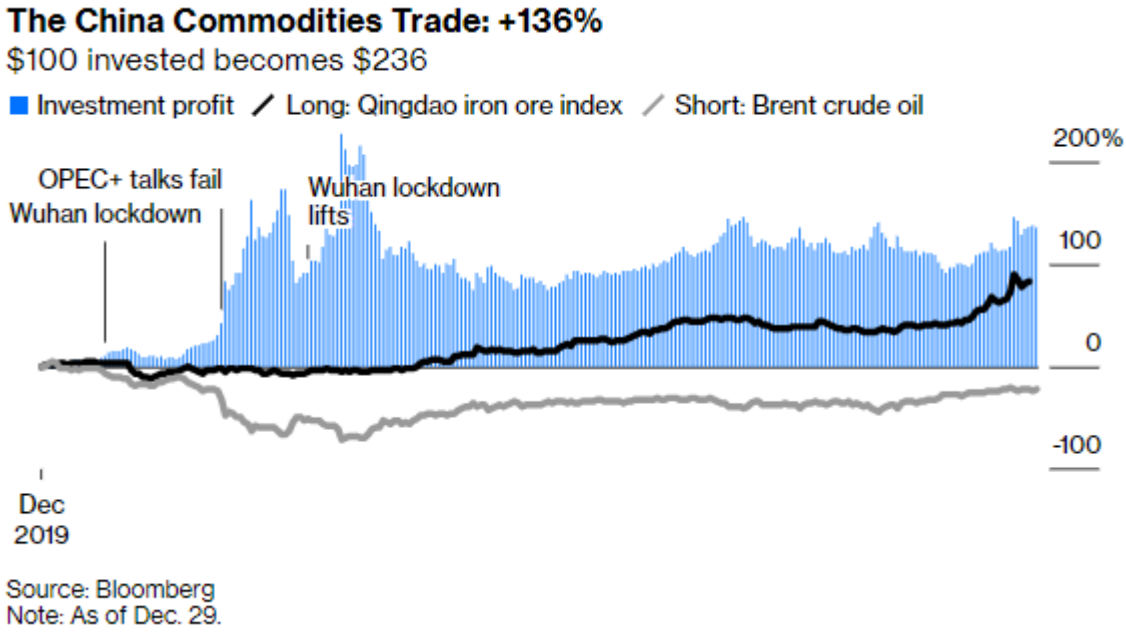
What could be better than crypto? Bitcoin gets a lot of attention, but Ethereum was an even more exciting prospect. Buying Ethereum made:

■■464% in dollars
■■631% in reais
■■394% in kroner https://t.co/GAAuDinYSV



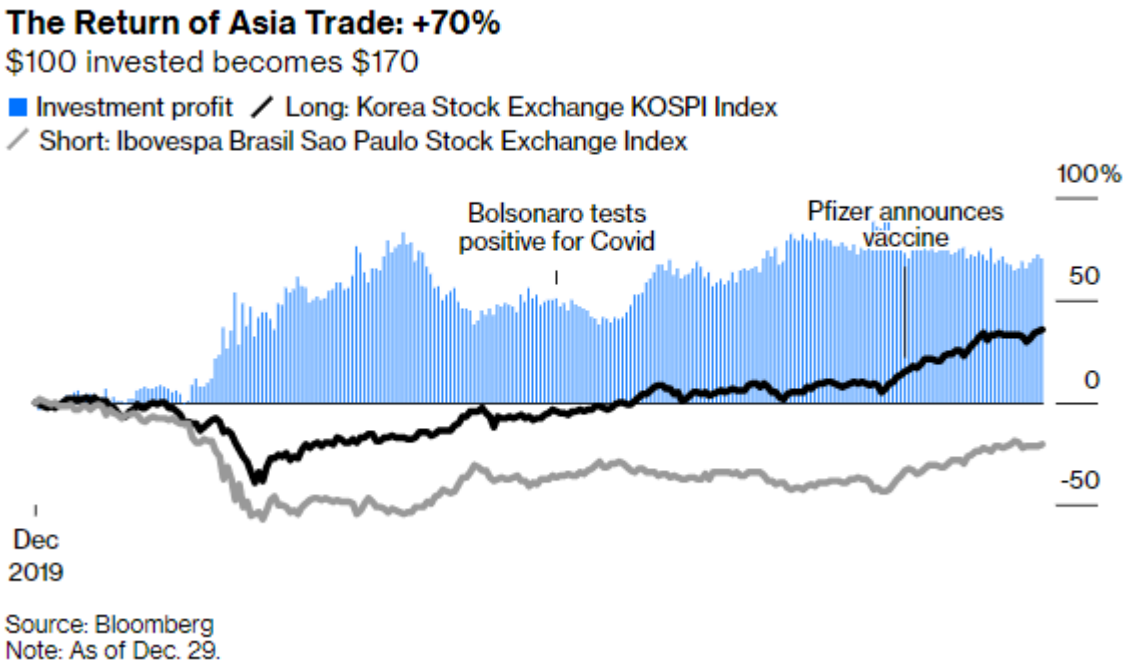
13) China was rocked early by the pandemic, so it was a safe bet that it would press the accelerator again.

Hindsight bet against crude and went long iron ore. The trade tripled the fund's money in late March; by year's end it had made a profit of 136% https://t.co/GAAuDinYSV



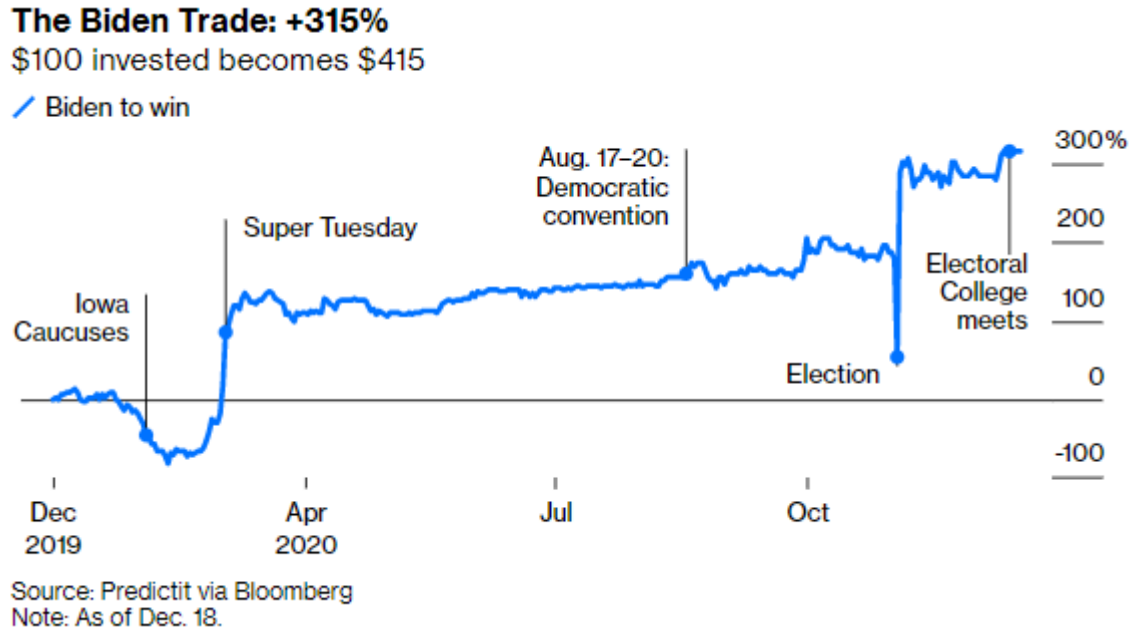
14) In 2020, the story was about the victory of Asia — and its successful management of the pandemic — and the defeat of Latin America, which was already deeply troubled before it succumbed to Covid-19.

Putting the trades together made 70% https://t.co/GAAuDinYSV



15) At the start of 2020, it seemed unlikely that Biden would have a shot at winning the White House.

But Hindsight saw that Democrats were desperate to beat Trump above all else. Biden gave them the best shot do that. Betting on him yielded a 315% return https://t.co/GAAuDinYSV



16) Only a few assumptions were needed to make Hindsight's trades:

■The pandemic would affect the economy
■The West would deal with it far worse than Asia
■The main response would be cheap money

Maybe these trades didn't need much hindsight after all https://t.co/GAAuDinYSV

17) As for next year, it is noticeable that a number of these trades have turned down since Pfizer announced its vaccine test results.

Will this continue into 2021? Alas, Hindsight Capital wouldn't tell me, nor would it disclose its trades for next year https://t.co/GAAuDinYSV

What did #HindsightCapital miss? All suggested trades welcome. (Remember: no individual stocks, no leverage, no trading during the year). #Happy2020.