

## The 2017 Financial Market Awards

Here are your 2017 Financial Market Award winners:

### **Biggest (non-crypto) Winners: Pretty Much Everything**

Stocks were up around the globe as U.S., European, Japanese and emerging markets have all gained in excess of 20%. Bonds were up. Gold was up. REITs were up. Small caps, mid caps, individual countries, you name it.

Morningstar's Jeffrey Ptak even ran the numbers for me on the entire mutual fund universe which showed that nearly 95% of all funds are positive on the year.

I looked back at the historical results to compare the S&P 500, MSCI Europe and MSCI Pacific index performance. Since 1970, there have only been 5 years when all were up 20% or more (1975, 1983, 1985, 2003 & 2009). 2017 will make it six.

Also, betting against volatility continues to crush it. XIV (the inverse VIX fund) is up almost 200% this year (following a gain of 80%+ last year). This trade will get killed at some point but those shorting volatility have made a fortune in the last couple of years.

## **Bigger Losers: Short Vol, MLPs, Energy Stocks & Chipotle**

The other side of the short volatility trade is, of course, long vol, which has gotten absolutely annihilated again. VXX (basically the opposite of XIV) is down 73% in 2017. This is pretty impressive considering the yearly returns since 2009: -72%, -6%, -78%, -67%, -26%, -36%, and -68%. And, oh by the way, this fund still has \$1 billion in AUM (this is mostly a trading vehicle but here has surely been an enormous amount of money lost on this product in recent years).

MLPs also took a hit this year as AMLP is down nearly 9% (despite a dividend yield north of 8% -- another good reminder that yield alone is not enough for an investment thesis). And energy stocks are the sole loser of the S&P 500 sectors as XLE is down close to 4%.

I know people keep getting sick but I can't stay away from Chipotle. Apparently, that's not the case with everyone. Chipotle stock (CMG) is down another 20% in 2017 and that's after falling 30% and 21% in 2015 and 2016, respectively. I always figured Chipotle would be the new McDonald's for millennial families but things are not looking so good on that prediction.

### **Best Headline:**

Okay, this was actually a fake. But I'll bet you believed it when you first read it (I did at first) based on how crazy things have been in cryptocurrencies this year.

## **Worst Screenplay (market narrative): The Stock Market Will Crash With Trump as President**

Around election time we heard Mark Cuban...

and Paul Krugman...

and Kurt Eichenwald...

All called for a crash or dire results in the markets which obviously hasn't happened (...yet, they would probably say). Not only did the stock market boom this year, but there hasn't been a single *down month* since Trump was elected president.

Of course, he had nothing to do with these results because [the stock market doesn't care who the president is](#) but this provides a nice reminder that politics and investing don't mix.

### **Comeback Player of the Year: Emerging Markets**

From 2007 through the end of 2015, emerging markets stocks basically did nothing, with a total return of just 6% over that nine-year stretch. EM has very quietly put together a string of two consecutive years of double-digit gains and is now up almost 45% in the past two years.

### **Best Streak: MSCI World Index**

The world stock market is now up 14 months in a row (including December). That beats the longest streak ever without a down month which occurred in the mid-1980s (12 in a row). International markets have lagged for years but finally kept pace or even outpaced the U.S. in many markets this year. 2017 was a global effort in the stock market.

### **Best Fight: Asness vs. Arnott**

Cliff Asness and Rob Arnott [trading blows](#) on quantitative factor investing through [blog posts](#), [research papers](#), [footnotes](#), and presentations is the height of entertainment for investing nerds like myself. These two probably have more in common than they would care to admit but the constant war of words and subtweets in their research always makes me laugh. I never thought academic quantitative finance papers could be so much fun but this feud definitely helps the cause.

Further Reading:

[The 2016 Financial Market Awards](#)

[The 2015 Financial Market Awards](#)

Now here's what I've been reading lately:

- Why young people should pray for a market crash ([Irrelevant Investor](#))
- A strategy for when to sell Bitcoin ([Bloomberg View](#))
- Worse than Marxism? ([Humble Dollar](#))
- Planning for life's happiness trough ([Abnormal Returns](#))
- 12 books everyone in finance will be talking about in 2018 ([bps & pieces](#))
- Sometimes it's not complicated ([Reformed Broker](#))