

FORTUNE**The Price of Oil Is Slamming Kyle Bass' Hedge Fund**

Kyle Bass, founder and principal of Hayman Capital Management, L.P., in an interview at the World Economic Forum in Davos, Switzerland, on January 23, 2015. Photograph by Photograph by CNBC NBCU/Getty Images

By **LUCINDA SHEN** May 23, 2016

Hedge fund giant Kyle Bass may have astutely predicted the subprime mortgage crisis leading up to the great recession—but he couldn't do the same for the most recent oil bust.

While Bass made 212% returns on his bets against subprime mortgages in 2007, his bet on the oil market isn't doing nearly as well. Two years ago, the hedge funder began buying into several oil producers with the hopes that the price of oil would rebound in 2015 and 2016. Prices did come back a bit at the beginning

of this year, but they have been dropping again lately. As of Monday, U.S. oil slipped to \$48 a barrel amid a persistent supply glut that began in 2014. Meanwhile, Iran and OPEC in general have still yet to agree on cutting production.

For Bass, the low prices have resulted in a 7% loss in his main fund this year, and the biggest losing streak in the history of his Hayman Capital, *the Wall Street Journal* reported. In the same period, the S&P 500 has gained 1.3%.

“I had no idea crude would fall so low,” Bass said in an interview with the *Journal*, acknowledging that he bought in too early.

Back in March 2015, Bass began snapping up oil producers such as Concho Resources (CXO, -0.08%) and Whiting Petroleum (WLL, +7.72%) after being reassured by T. Boone Pickens that the amount of crude would not exceed the country’s storage capacity. Unfortunately, the price of crude continued its downward spiral.

Aside from predicting the housing bust in 2007, Bass successfully called Greece’s economic woes a few years later, and the devaluation of the Japanese yen.

But his performance has been shakier as of late. Bass bought a large stake of General Motors (GM, +0.47%), whose stock tanked after the company revealed problems with its ignition switch on some models. In 2013, Bass bought shares of JCPenny (JCP, +1.09%), before dumping his stake just months later.

And now, all eyes are on one of Bass’ biggest bets: that Chinese and Hong Kong currency will drop. Bass expects the currencies to depreciate as much as 40% over the next three years—a bet that the Chinese government has vehemently criticized. Bass is betting that China’s heavy debt levels will eventually force the government to inject cash throughout the system, driving down the cost of the Yuan.

In a January episode of Wall Street Week, Bass noted that his fund in 2015 suffered “one of the worst years in the last ten,” but Bass noted that investors should buy into energy stocks now, **because** “we’re going to go from a glut, to a deficit.”