



ALPHA
EXCHANGE

Dean Curnutt

Our conversations with prominent industry professionals seek to help investors better understand market dynamics, focused on the interaction between economic, monetary, financial and political risks. Because it is both “always and never different this time”, we review market history, soliciting the well considered views of guests who have managed risk through high and low volatility cycles. In addition, we invite innovators in the fintech space to share their views on how technology is impacting trading and risk management.

We hope our discussions provide you with valuable perspective on the history of risk as well as a greater appreciation for the change that is afoot in the investment industry.

Chris Cole – Founder and CIO of Artemis Capital Management

On behalf of his investors, Chris has developed systematic and quantitative strategies that trade volatility. His long convexity approach enabled his investors to thrive through the 2008 GFC. Through his deep dive research publications, Chris has made a real contribution to the industry’s understanding of volatility. Chris was among the small number of investors that saw the instability that lurked beneath the market calm in 2017 and capitalized on it during the XIV meltdown in February 2018. Fundamentally geared investors seeking to understand the sudden bursts of market volatility that occur with greater frequency will benefit from listening to the perspective Chris brings on the reflexive nature of volatility.

Arthur Kaz - Founder and CIO of Greenbriar Asset Management

Distressed investing is about more than identifying undervalued securities that emerge when the default probability for a company rises. For Arthur Kaz, that’s just step one. Using valuable experience gained at a bankruptcy consulting firm, Arthur came to the hedge fund industry with a deep understanding of how to guide a company through the operational and financial challenges that result from default. Our conversation on the auto and airline sectors, illustrates the manner in which distressed investing is about playing a role in crafting the post- bankruptcy capital structure. Pivoting to macro considerations, I solicit Arthur’s views on the fragility of credit markets, the risk of higher rates and the impact of ETFs.

Vineer Bhansali – Founder and CIO of Long Tail Alpha

Armed with a Ph.D. in Theoretical Physics, Vineer brings a deep understanding of financial mathematics to developing trading strategies in the derivatives market. At the same time, he’s learned real lessons over the years about the inherent uncertainties in markets – the surprise Fed tightening in 1994, and the LTCM meltdown in 1998 were formative experiences for Vineer that now guide a risk philosophy that pays careful attention to the tails. Our in-depth discussion on the extremely low level of market volatility in 2017 uncovers Vineer’s framework for evaluating the risks that can emerge when volatility collapses.

Harry Markopolos – Certified Fraud Examiner and “The Man Who Knew”

In a matter of hours in 1999, Harry Markopolos determined that Bernard Madoff’s returns were not real. Over the next 9 years, Harry and his team assembled a trove of evidence supporting this claim. He spoke to investors and market participants, studied the web of feeder funds and built option pricing models that cast doubt that Madoff could achieve anything close to the results he purported to achieve. “45 degree angles exist in Trigonometry. They don’t exist in finance”, Markopolos stated. Ten years post the collapse of the largest Ponzi scheme ever, I am thankful to have had the opportunity to engage with Harry on the various red flags he spotted, the long arc of his pursuit of Madoff and the degree to which investors remain vulnerable to Ponzi schemes and fraud in the current period.

Eric Peters – Founder and CIO of One River Asset Management

Beginning his career in Chicago trading corn futures in the late 1980’s, Eric Peters moved into the sharp elbowed world of bond futures trading on the CBOT and then went to a bank, prop trading rates and derivatives through the 1990’s. His perspectives on the ERM crisis in 1992 and the bond market massacre in 1994 provide significant insight on the way in which policy frameworks invite risk taking that can ultimately lead to instability. Utilizing these lessons, Eric founded One River Asset Management, a firm that delivers bespoke solutions to institutional investors, helping them navigate markets in the post-crisis era. As 2018 comes to a close, Eric sees a long period of adjustment to a higher volatility regime in both risk assets as well as inflation.

James Grant – Founder of Grant's Interest Rate Observer

A gunner's mate in the Navy and a graduate of Indiana University, Jim Grant ventured to the financial desk at the Baltimore Sun in the early 1970's. He joined Barron's in 1975 before launching his firm in 1983. For more than 3 decades, Grant's Interest Rate observer has twice monthly landed on the desk top of its readers, providing analysis that is deeply insightful, often skeptical and written in Jim's uniquely compelling writing style. My conversation with Jim covers the bad old inflation days of the early 1980's and the courage of Paul Volcker, the many lessons learned through risk cycles, negative interest rates and his view on the damage done to the price discovery process wrought by the interventionist activities of the modern Central Banker. Jim even shares his views on the National Weather Service in the course of our excellent discussion. Gold enthusiast, Fed critic, entrepreneur, accomplished author and father of 4, Jim Grant is a legendary figure in the markets business.

Tim Duy – Prominent Fed watcher and University of Oregon Economics Professor

Tim Duy, the Professor of Practice in the department of economics at the University of Oregon. After earning a PhD in economics there, Tim worked at the United States Treasury and later with the G7 Group, a political and economic consultancy where he focused on monitoring the Fed for clients and market participants. Tim returned to the University of Oregon in 2002 and is currently the Senior Director of the Oregon Economic Forum. In an environment in which Central Banks have become a substantial presence in markets, Tim has gained prominence as a Fed Watcher and is the author of the highly followed "Fed Watch" blog. My conversation with Tim focuses on the state of the US economy, the thinking of the Fed and its messaging to markets, the outlook for inflation, relevance of the Philips curve and thoughts on the balance sheet.

David Rogers – Founder and CIO of JD Capital

In the market for global equity volatility, few investors have the magnitude of experience of David Rogers. Starting at Goldman Sachs in 1982, Dave was evaluating option strategies in the nascent period of the US derivatives market. His experience through the '87 crash as well as his time in Asia in the early 1990's, were formative in establishing a risk management philosophy that has proven critical during the many episodes of market turbulence of the past two decades. Our conversation around the Long Term Capital unwind in 1998 and its exposure to short equity volatility, illustrates the importance that Dave puts on patience and position sizing. Founding JD Capital Management in the aftermath of the tech bubble, Dave has managed complex option exposures from both the long and short side through periods of high and low volatility.

Michael Aronstein – President and CIO of Marketfield Asset Management

Hitting the Street in the bear market days of the late 70's, Michael Aronstein became quickly engaged in studying the Fed, interest rates and inflation. His perspective, enabled by managing capital through high and low inflation and volatility regimes, reminds us of the old adage "there are no bad securities, only bad prices". A value-oriented investor with a taste for being contrarian, Michael's research process blends an appreciation for market cycles, a respect for the power of Central Banks and a willingness to listen to what's on peoples' minds. Our conversation on the 1987 crash includes his effective use of put options to insure the portfolio and the impact of fast-rising US rates on the trade-off between being in risk. We also cover the formation of Marketfield Asset Management in 2007, where Michael is Chief Investment Officer and how clearly he saw the excess of housing during that period.

Christian Hauff – Co-founder, Quantitative Brokers

A native Australian, Christian Hauff capitalized on the financial crisis to co-found Quantitative Brokers with Robert Almgren in 2009. After working together on the development of agency algorithmic technology in equities and equity options, Christian and Rob saw an opportunity to apply some of that IP to the world of fixed income, where no such solutions existed at the time. Christian describes the "trader's dilemma", a challenge that every investor faces in whether to execute a desired trade instantaneously or to work this order over a period of time. He explains how his firm's algorithms help its clients optimize this trade-off to minimize slippage and reduce their implementation short-fall. Our conversation provides insights on the early days of QB, where countless hours were spent in the lab studying the "rule book" of Eurodollar futures to better understand micro-structure mechanics that underpin Algo execution strategies.

Alex Kazan – Chief Strategy Officer, EurasiaGroup

Utilizing a framework built over two decades, Alex Kazan is keenly attuned to today's complex world of geopolitical risks and the implications for markets. Argentina's sovereign default episode two decades ago demonstrated the importance of institutional credibility with respect to managing through an economic and currency crisis. Years later, the Great Financial Crisis would further inform Alex of the interaction between policymaker goals and what markets would and could bear. Today, as a Managing Director at Eurasia Group, Alex and his team bring a rigorous combination of economics and an understanding of country risk to assessing the geopolitical chess game. Our excellent conversation covers European populism, Brexit, the US / China standoff on trade and the hollowing out of Centrism in America's politics. Among the risks that keep Alex up at night is the potential for what he calls an "innovation winter" —a politically underpinned shortfall of the financial and human capital needed to drive the next generation of emerging technologies.

Gerard Minack – Founder of MinackAdvisors

When your very first day in the investment industry happens to coincide with a 20% plunge in the S&P 500 Index, your ultimate risk philosophy is likely to incorporate a strong appreciation for market psychology. Such is the case for Gerard Minack, who began his career on October 19th, 1987. Plying his trade throughout the 1990's, Gerard would ultimately rise to lead Morgan Stanley's macro strategy effort. In 2013, seeking to increase his PB ratio, he launched his own firm, Minack Advisors, focused on delivering his insights on markets, monetary policy and the global economy to an institutional client base. Our conversation is part retrospective on the history of important risk events, where we delve into both the tech bubble and the Global Financial Crisis and discuss the powerful role of psychology during both episodes.

Henry Schwartz – President and Founder, Trade Alert, LLC

After a lengthy and successful tenure on the risk-taking side in equity volatility, Henry Schwartz decided the US listed options community would benefit from technology that made reading the tape easier. In 2005, he launched Trade Alert, a fintech innovation that does just that. Nearly 15 years later, Trade Alert is a tool employed by buy-side and sell-side market participants who value the functionality in piecing together the continuous and often complex flow within the US options market. My conversation with Henry is a meaningful retrospective on the changes in the derivatives markets that have resulted from technology. We look back to an era gone by – pre-ETFs, pre-electronic trading and before options were dually listed. Henry shares his perspective on the evolution and growth of the marketplace and the key events that led to the proliferation of exchanges, different fee structures, and new types of investors.

Ray Iwanowski – Co-Founder and CIO, Secor Asset Management

There's not much natural intersection between the study of mathematics and Russian literature. But for the ever-curious mind of Ray Iwanowski, the Wharton School provided exposure to both. Ultimately, Ray's interest in math and physics would lead him to finance where he came upon the Black-Scholes equation and option pricing theory. After a stint in fixed income research focused on modeling mortgage securities, Ray set upon the PhD program at the University of Chicago in the early 1990's, a vibrant time for advancement in the empirical study of asset pricing. Utilizing the toolkit he developed, Ray landed at Goldman Sachs Asset Management where he ultimately co-ran the firm's Global Alpha business. Today, Ray is co-founder and CIO of SECOR Asset Management, a firm that provides customized portfolio solutions to institutional clients around the world. My conversation with Ray considers the current state of factor investing in light of the increasingly competitive search for alpha. In the process, we look back on the 2007 quant crisis, exploring the questions of factor timing, crowding risks and the correlation of momentum and value strategies. We also look forward as Ray shares his views on harnessing data and utilizing artificial intelligence and machine learning.

Harley Bassman – The ConvexityMaven

There is but one Convexity Maven in the world, a moniker that belongs uniquely to Harley Bassman. A 35 year career in financial markets has left Harley steeped in all things relating to the price of and characteristics of optionality. Our discussion on this episode of the Alpha Exchange starts with the early days of his career, including a position in Treasury option markets in the early 1980s. Juxtapose that experience - when rates and inflation were sky high - with his more recent market presence when rates and rate vol have rarely been lower - and one can appreciate the breadth of experience Harley has had. Our conversation covers the term structure of rate volatility, the variance risk premium and the way in which option sellers convert potential future capital gains to present day income. Along the way, we discuss the MOVE index, a well-followed metric for bond option volatility that Harley designed, as he explains how the MOVE is tied the slope of the yield curve. Lastly, Harley shares his views on global disinflation and what Central Banks are up against.

Robert Whaley – Valere Blair Potter Professor of Finance, Vanderbilt University

Today's derivatives markets – characterized by a vast array of complex OTC products, options with maturities as short as one day, and an ever increasing pool of non-equity ETFs – bear little resemblance to those of the 1970's. In the earliest days of the listed options market, there were calls but not puts, limited expirations and just a sprinkling of single stock underlyings. It was in this era that Robert Whaley came on the scene and made an immediate impact. Armed with a PhD in finance from the University of Toronto, Professor Whaley quickly dove into the empirical study of derivatives markets, focusing on important topics such as the valuation of American put options, how option markets anticipate quarterly earnings announcements and the impact of program trading on the 1987 stock market crash. It was in 1993 that Professor Whaley published a paper that would fundamentally change the landscape of risk management. His Journal of Derivatives piece “Derivatives on market volatility: Hedging tools long overdue” described a brand new concept that sought to create a standardized metric for the cost of index options. More than 26 years later, the VX is vastly a part of the language spoken not just by option market participants but by the investment community at large. Now, not merely a calculation, but a tradeable asset used for both speculation and hedging, the VX index plays an important role in how investors read market risk dynamics and seek to profit from changes in volatility.

Benjamin Bowler – Managing Director and Global Head of Equity Derivatives Research, BoA-MerrillLynch

At first blush, market volatility and fragility would appear to be two sides of the same coin. But for Ben Bowler and his global team at BAML, the last 5 years has uniquely seen muted overall daily volatility punctuated by occasional but extreme market outbursts. In Ben's role as global head of derivative research, he has studied this period - one in which market kurtosis, that pesky 4th moment, has been substantially high. Perhaps owing to the conditioning wrought by the heavy hand of Central Banks, investors have, in Bowler's rendering, increasingly competed for “dip Alpha”. Thus, the market's growing tendency to lurch from calm to calamity as crowded positioning is unwound and then ultimately re-established once the Central Bank asserts its desire to see easier financial conditions. The result is a remarkable change in the character of market volatility post crisis. In addition to exploring the notion of market fragility, my conversation with Ben considers the volatility risk premium, the value of signals from the landscape of cross-asset vol, and the impact of vol selling on the market's gamma profile and resulting level of realized index volatility. We also broadly discuss the impact of risk control funds, the speed with which exposures can be de-risked and the greater incidence of flash-crash type events. Ben's insights are excellent.

Barry Knapp – Managing Partner, Ironsides Macroeconomics, LLC

A voracious reader and a market professional for more than 30 years, Barry Knapp has seen his share of bubbles and busts. Starting his career in the early 80's, he soon after experienced the crash of '87 and the mini crash of '89. The experience of multi-sigma events like these, overlaid on his careful study economic history, armed Barry early on with an appreciation for the complex ways in which monetary, fiscal and regulatory policy interact with the financial cycle of risk taking. In our conversation, Barry shares his recollections of covering institutional derivatives clients through the tech bubble and the growth of capital structure arbitrage trading in its aftermath. We spend some time on the financial crisis and I gather Barry's perspective as a senior risk taker at Lehman during that time. And lastly, I solicit Barry's views on monetary policy in the post crisis era and just how we arrived at interest rates no one could have ever imagined would clear the market. His unpacking of the sell-off in Q4'18 reveals a fragility that may be present for years as Central Banks try to get off zero.

Nancy Davis – Founder and CIO, Quadratic Capital Management

Nancy Davis, founder of Quadratic Capital, has spent her entire career trading options of all shapes and sizes and across all of the asset classes. Over the course of nearly 20 years, Nancy has developed important perspective on risk cycles, trading through the dotcom era, the GFC, the 2011 sovereign crisis, the 2016 Brexit referendum and, more recently, the VX unwind event of early 2018. Over these risk episodes and the quiet periods in between them, Nancy has developed a philosophy on utilizing optionality as a core vehicle to implement long or short directional exposure. Our conversation explores the fundamental question – “are options a good deal or not?” in light of the demonstrated premium of implied to realized volatility over time set against the numerous options blow-ups that have occurred in markets. As a prominent woman in the derivatives space, I also seek Nancy's views on the state of female representation in the finance industry and work she's doing to advance the cause of having more women on the investing side of the business. Lastly, we discuss MOL, the Quadratic Interest Rate Volatility and Inflation Hedge ETF, an innovative product that Nancy recently launched. In a world in which options on the yield curve cost very little and next to no one sees the potential for appreciably higher inflation, Nancy sees MOL as a valuable portfolio diversifier.

Mark Spindel – Founder and CIO, Potomac River Capital

The onslaught of Tweets regularly lobbed at Fed Chairman Powell assumes at least some part of the mosaic of today's unique and vibrant risk climate. But is Trump much different from previous Fed Chairs? In “The Myth of Independence”, Sarah Binder and Mark Spindel provide an important account of the political history of the Fed. And in this episode of the Alpha Exchange, it was a pleasure to have Mark, the Founder and CIO of Potomac River Capital, share his expert views on this subject as well as the macro environment in which Central Banks operate today. Our conversation considers historical market stress events including the square off between Soros and the BoE, the Fed's surprise tightening in 1994 and, of course the Great Financial Crisis. Mark also provides valuable perspective on the early days of the Fed, from its post-panic creation in 1912 through the onset of WWI, the high inflation volatility of the 1920's, and then of course the 1929 crash and Great Depression. Our conversation helps frame the chronology of how the Fed got to where it is today and the politics that inevitably influenced this path. We wrap up the discussion with Mark's survey of today's growth, inflation and asset price outlook. His assessment of inflation shortfall and the risks of Japanification, lead him to the conclusion that the Fed must be vigilant and that Central Bank coordination with the fiscal arm is a theme that will likely be subject to growing consideration

Glenn Stevens – Former Governor, Reserve Bank of Australia

On this episode of the Alpha Exchange, it was my distinct privilege to be joined by Glenn Stevens who resided over the Reserve Bank of Australia as Governor from 2006 to 2016. Considered one of the most gifted Central Bankers of our time, Glenn successfully navigated Australia's economy through the crisis without a recession. A 36 year career at the RBA has imparted him with an appreciation for the inherent challenges in economic forecasting and in this context, we touch on Glenn's decision to tighten in early 2008 as inflation in Australia rose, only to sharply reverse course a few months later as the Global Financial Crisis began. Our conversation is a retrospective on the fast moving, unnerving time that was the GFC, a period that demanded and benefited from policymaker coordination. In Glenn's view, the interconnected nature of markets and the economy during the crisis also forced Central Banks to view asset prices in a more endogenous light, assigning more weight to the impact of financial conditions on the real economy. I also solicit Glenn's views on how the RBA's goals and considerations may be shaped by unique attributes of the Australian economy. Lastly, we spend time -of course- on the puzzle that is Inflation and the related phenomenon of negative interest rates.

Jim Bianco – Founder and President, Bianco Research, LLC

In the mid 1980's, and recently graduated from Marquette University, a young Jim Bianco scored an accidental meeting for a position with First Boston. Most fortuitously, his resume wound up in the wrong pile, leading him to be mistakenly invited in to interview for a spot supporting a senior analyst. As luck would have it, Jim got the job and so was launched a more than 30 year career in markets. In 1998, amidst the chaos that was LTCM, Jim boldly launch his own firm. And more than two decades later, Bianco Research continues to provide differentiated advice on markets, Central Banks and the economy to its clients. My discussion with Jim focuses on monetary policy, global disinflation and the unholy impact of negative rates on the banking system. Jim's perspective on the big picture, slow moving yet powerful forces of demographics illustrates how the excess of global savings leads to greater demand for safe fixed income assets. He points as well to the downward pressure on prices due to technological advancement. In this context, he is skeptical that more of the same easy policy from Central Banks is the right medicine to address inflation and growth shortfall. Lastly, I solicit Jim's views on advancements in research being made possible by Neural Linguistic Processing. Jim and his team have used NLP, for example, to analyze word choices in Fed policy communications to score the degree of focus on growth, inflation, financial stability and other important variables. As data is made more available and at a cheaper price, new techniques like NLP provide exciting opportunities to gain insights on risk. Lastly, we touch on Modern Monetary Theory. While not a fan, Jim acknowledges the momentum of the MMT front, especially as the 2020 election comes into view.

Ben Melkman, Founder and CIO, Light Sky Macro, LP

Fascinated by markets at a very young age, Ben Melkman has spent his investing career thinking through the intersection of politics, macroeconomics and the price of options. After earning a degree from the London School of Economics, Ben hit the FX desk at Morgan Stanley, quickly establishing himself as an invaluable resource for the largest macro hedge funds who sought his counsel on how best to structure trades in light of vol surfaces on offer across asset markets. After a highly successful run at Brevan Howard, Ben established Light Sky Macro in 2016. Our conversation is about large vol events. With respect to the Global Financial Crisis, Ben dove into the complexities of credit derivative markets, concluding that the price of insurance was outlandishly cheap relative to the actual risks and the potential for contagion. In our discussion, Ben makes highly insightful points around the inherent risks of over-reliance on modeling, the degree to which correlation assumptions can lead to gross underestimation of risk and the vast interconnectedness of the financial system. Ben's views on the interaction between politics and markets and the manner in which investors sometimes fail to anticipate regime shifts is fascinating. He points to the onset of Abenomics in 2013, a massive campaign that aggressively pushed the yen down, Nikkei up and volatility up. In the period prior to this wholesale shift in policy, option prices were all skewed in the opposite direction. As we finish this excellent discussion, Ben looks forward to the potential that the combination of more aggressive fiscal policy in conjunction with accommodative monetary policy might cause a re-think of the inflation shortfall that has characterized the post-crisis era, at the very time when inflation is a highly unloved asset class. Lastly, Ben offers thoughts on the 2020 US election, excited about the potential market action that may arise from the starkly different views offered by the Democrats and Republicans.

Louis-Vincent Gave – CEO and Founding Partner, Gavekal

In 1999, as a new century was nearly upon us, the Euro was born and the US tech bubble was in full sway, Louis Gave hung a shingle to start an independent research firm with his father, Charles. Twenty years later, Louis remains CEO of Gavekal, a firm that has helped institutional clients distill global market risk throughout different cycles. Our conversation focuses a good deal on China, an economy that Gavekal has carefully studied. Calling China the biggest macro story the world has ever seen, Louis and his team have had a front row seat on the economic transformation in China and the manner in which 400 million citizens have been lifted out of poverty. Through our discussion, we learn more about how China interacts with the global economy and specifically the stabilizing role that the country played during the financial crisis, as well as during the growth recessions of 2012 and 2016. Our conversation also focuses a good deal on inflation. Amidst the well-worn narrative that inflation shortfall is a global issue, Louis has interesting insights on the social tension that is resulting from higher inflation. He points to riots in Hong Kong, Chile and the Green Jacket uprising in France, all linked to inflation. In the US, Louis is skeptical that inflation is as hard to come by as commonly reported, noting that core CPI is essentially at a 10-year high. As fiscal and monetary policy are both working in the same direction around the world, is the price of inflation too low? Louis sees recency bias at work and a failure of market participants to appreciate the regime shift that may be in motion. He views the price of crude as critical to watch insofar as the outlook for inflation is concerned. We finish our discussion with Louis' views on portfolio construction, citing caution for the long treasuries / long growth stocks allocation that has rewarded investors during the post-crisis period

Alberto Gallo – Partner, Portfolio Manager, Algebris Investments

Earning his chops as a macro economist on the sell-side, Alberto Gallo has seen the pendulum of risk swing from extreme fear to euphoria. During his tenure at Goldman Sachs and then at RBS where he ran the Global Macro Credit Research product, Alberto provided buy-side clients with key insights on seminal volatility events like the Global Financial Crisis and the Eurozone Sovereign debt crisis. Now, as a Partner at Algebris Investments, Alberto leads the firm's Macro Strategy effort, a credit oriented portfolio designed to navigate the ever tricky terrain of present day markets. Our conversation considers portfolio construction in a world starved of yield, of low cross asset risk premia and one in which the potential for more drastic policy response may be on the horizon. Alberto's views on today's regime of monetary policy point to the side effects that result from negative rates, as the banking system suffers and investors are deprived of income. On the changing nature of volatility in markets, Alberto provides thoughtful insights. He points to the increasing degree of forward guidance employed by the world's large Central Banks, a factor that has depressed volatility and led to more days of sun for market participants. But since there's no free lunch, days of rain, while fewer, have become more substantial storms. Alberto details the increased frequency of flash crashes and sharp risk-offs during the post crisis period, perhaps the result of investors being forced to embrace carry at skinny margins for error. On inflation, Alberto points to a bottoming of CPI in the US even as structural drivers of low inflation like demographics and technology are likely to remain going forward. As the view that monetary policy has lost some of its punch and may be responsible for increasing income inequality, Alberto considers the trend towards lower Central Bank independence and greater cooperation with governments on the fiscal front. Will this work? In Alberto's rendering, it might, but it's all about how a more unified version of fiscal and monetary policy is deployed

Jon Havice – Founder and CIO, DGV Solutions

A nearly 30 year career has given Jon Havice exposure to just about every strategy across the spectrum of asset markets. A freshly minted Wharton graduate with a major in engineering, Jon came upon O'Connor Associates in the early 1990's where he cut his teeth trading listed currency option markets. Pre-euro, Jon would experience seminal FX vol events like the ERM unwind, Tequila crisis and Asian contagion in short order, gaining an appreciation for the impact of positioning on currency vol surfaces.

As his career progressed, Jon would manage the gamut of arbitrage strategies, focusing on exotic options, convertible bonds, capital structure and muni bonds and dispersion. Our discussion brings to life the lessons to be had from trading through market crisis periods, including the importance of counterparty risk and the degree to which asset prices can stray from fundamental value. We also dive into the vol risk premium, exploring its attributes and how it has evolved over the years in light of the heavy hand of Central Banks. In a world of exceptionally low rates, Jon worries about the glut of yield-chasing capital in private credit and the potential that valuation distortions have resulted.

Today, Jon is CIO of DGV Solutions, a firm he founded in 2014 to offer customized investment management products in a transparent and cost efficient manner. His firm deploys its expertise with a purpose, partnering with clients with inspiring missions that Jon and his team feel very connected to.

Scott Ladner – Chief Investment Officer, Horizon Investments

In 1998, Scott Ladner hit the derivatives scene at First Union, just as LTCM was imploding and equity volatility was rocketing higher. No sooner would the Fed help contain that risk episode, then the tech bubble would be set in motion. An intense period of "stocks up, vol up" during which valuations expanded to unheard of levels, followed by an equally intense, "stocks down, vol up" characterized the period of 1999 through 2001 and provided hands on, sometimes painful experiences for Scott in managing convexity risk. Short airline volatility during the September 11th terrorist attack, Scott quickly came to appreciate the potential for significant gap risk and discontinuity in markets, a reality not contemplated in the textbook version of BlackScholes.

My conversation with Scott considers insights gathered over a career managing volatility exposure across asset classes and how he came to his role as CIO of Horizon Investments. Scott shares his views on how volatility can come and go, how many factors can come to impact the price of options and how important it is to have a number of little bets on versus being overly concentrated in a singular exposure. He points to the value, but also the dangers of option models, learning along the way not to take the output too seriously and to constantly re-examine the assumptions being made. Today, Scott's dashboard consists of credit, liquidity and risk metrics with the goal of identifying incongruities that help him focus his research to better understand market dynamics. In this context, we discuss the early and late year vol events of 2018.

Lastly, we discuss Horizon's efforts on behalf of its clients to manage wealth and reach retirement goals within the constraints of the low growth and low interest rate environment. His team is seeking to build risk management techniques that work specifically in today's unique economic and financial climate. Noting that there is now "an ETF for everything", he sees the last 10 years as the age of product. The next 10, in contrast, he views as the age of planning, where the focus should be on how to best utilize these new products to maximize the wealth and overall experience of retirement for individuals.

Andy Redleaf – Partner, Park Principal Group

The son of a physician and with a penchant for math, Andy Redleaf came upon options in high school, even before they were listed on the CBOE. Post college, Andy landed in an option trading role and was making markets on the CBOE during the 1987 stock market crash. In his rendering, the introduction of stock index futures dramatically increased correlation among stocks and the creation of portfolio insurance left some investors short a put that no other investors were long. In combination, this left the market vulnerable to such a sharp one day plunge in stock prices. Our conversation considers market stress periods in the context of the neat mathematical models and their simplifying assumptions that may be enablers of these seismic events.

We talk as well about Andy's hedge fund career, first co-founding Deephaven and then founding Whitebox. Both ventures were focused on exploiting mispricings in complex securities such as convertible bonds and the relative value between equity and corporate credit securities. As the head of Whitebox for two decades, Andy oversaw the firm's expansion into a global multi-strat fund that traded all asset classes and through periods of vol both high and low. Our discussion brings to life the instability that Andy saw lurking beneath the surface of calm markets in the period prior to the financial crisis. He shares his analysis of the wholesale mispricing of mortgage risk that was evident in the statistic that nearly 90% of the refinancings on New Century's book increased the amount owed from the original mortgage. This, Andy suggests, is an indication of a more desperate borrower.

As we explore the important risk events that have helped shaped Andy's philosophy on risk, we also pivot to the financial climate that is today. Andy is skeptical that ultra-low interest rates are stimulative and sees the decline in interest rate income as a headwind for consumers who are trying to reach a specific financial goal through savings. Today, Andy is principal of Park Financial Group, a firm finding opportunities to prudently lend in today's climate of highly bifurcated credit allocation.

Michael Green – Chief Strategist, Logica Capital Advisers

Managing portfolios over the course of two decades, Mike Green has developed a unique framework for assessing risk and opportunity. Trained in his early days to perform equity valuation, Mike came on the scene just as the tech bubble was imploding and the massive discrepancy between growth and value was coming undone.

In a great seat to ride the small cap value wave during the post internet bubble, but pre-crisis period, Mike began to appreciate the force of market prices and their impact on behavior, narratives and how they become entangled in feedback loops. Our conversation is a retrospective on these situations of co-dependency – between profits, psychology and the economy. In this context we discuss left and right tail events – in valuations, in housing price appreciate and in events of extreme high and low implied and realized volatility.

Mike's insights on market structure bring to life the motivations and market frictions that ultimately give rise to a transaction. Price, in his rendering, is less about valuation and more about the conditions that give rise to a trade to occur. The result can be option prices that clear the market considerably higher than what one would think possible and Mike references the near 100% bid to implied correlation in 2012 as an example.

Today, Mike is Chief Strategist for Logica Capital Advisers and, as usual, he has a lot on his mind. We talk a good deal about passive investing, a strategy increasingly embraced as simply a better way. For Mike, passive indexation is plenty active - there's a specific decision being made to buy stocks in proportion to their market caps. At a time when both the SPX and NDX have become substantially top heavy, investors ought to question the efficacy of such a valuation agnostic approach.

John Succo – Partner, SS Financial

When it comes to equity derivatives, few individuals have traded more options than John Succo. Across a career in markets spanning more than 3 decades, John has managed convexity risk on both the sell-side and buy-side, through high and low vol periods and across single stock and index options. During the course of our discussion, John shares many rich stories. He brings to life the early days of career – one in which option pricing inefficiencies were significant across both strike and time. He describes one of the large, early hedging trades he orchestrated in 1989 – a collar on S&P 500 shortly before the UAL mini-crash in October. And he has plenty to say about the spectacular blow-up of LTCM, an outcome that surprised him very little. A theme throughout our conversation is John's careful attention to sizing positions and his overall objective of remaining long gamma.

While the lean periods for volatility make this challenging, John successfully managed decay through active position management, trading the range in volatility and offsetting some of the bleed from long single stock vol by selling index volatility. The result was that his hedge fund, Vicis Capital, became looked upon by institutional allocators as a valuable addition to a portfolio of generally correlated risk-assets. The orthogonal nature of the return stream from Vicis was of great value for investors in the period leading into and through the financial crisis. Today, John is a partner at SS Financial, and remains a keen and skeptical observer of markets. On his mind mostly is debt and the view that it is the sudden stop of unsustainable leverage that usually figures complicit in big vol events. Please enjoy this episode of the Alpha Exchange, my conversation with John Succo.

Stuart Kaiser – Head of Equity Derivatives Research, UBS

The price of vol, in single stocks, in equity sectors and across asset classes is on the mind of Stuart Kaiser. Now the head of equity derivatives research at UBS, Stuart spends his time helping the firm's institutional clients find value on both the long and short side of the derivatives market. Landing at Goldman Sachs a stone's throw away from the global financial crisis, Stuart developed his skill set by looking for opportunities in the single stock options market at a time of massive transition in implied volatility. During our conversation, we revisit the surge in option premia in US financials, from extremely low to unrecognizably high levels in a matter of a year. In this context, Stuart shares his views on the vol risk premia, noting that it can sometimes be compelling to sell vol at low levels, especially when markets are trending in muted fashion as they did in 2017.

As part of his process for supporting clients, Stuart continuously evaluates volatility surfaces. He shares the process he uses, describing how he utilizes back-tests and how he arrives at points on the curve that carry best and are optimal in the context of the risks being hedged. We also discuss 2018, a year book-ended by market disruption events of very different character that required unique trade construction in hedging. Lastly, Stuart shares his framework for evaluating cross-asset risk factors and how he looks for warning signs that sister asset classes like FX and rates may send to equity investors. Today, amidst a challenging environment for carrying options, he sees value in gold volatility. Please enjoy this episode of the Alpha Exchange, my discussion with Stuart Kaiser.

Benn Eifert – founder and CIO of QVR Advisors

Welcome to the first in a special series of the Alpha Exchange in which the 2020 economic and financial crisis is the specific focus. Amidst this protracted dislocation in markets, I am pleased to have Benn Eifert, the founder and CIO of QVR Advisors, share his views on the factors at work within the equity derivatives market and the important drivers of option prices. Benn's insights on positioning in both vanilla and complex OTC products, his knowledge of the landscape of risk transfer trades that experienced substantial growth in recent years and his expertise in the surface of equity index volatility are all highly relevant in an environment of explosive daily moves in both the S&P 500 and implied volatility itself. Thank you for listening.

Vineer Bhansali – Founder and CIO of Long Tail Alpha

Welcome to the second episode in our special Alpha Exchange series focused specifically on the 2020 economic and financial crisis. It was my pleasure to have Vineer Bhansali, the founder and CIO of Long Tail Alpha, back on the podcast and hear his framing of the conditions that gave rise to so substantial an asset price sell-off in so short a period of time. Calling the markets the most illiquid he has experienced in his thirty year career, Vineer cites the “sand pile effect” in describing the devastation to asset prices. Colloquially speaking, Covid19 is simply the straw that broke the camel’s back after years and years of accumulated carry trades. Vineer’s insights on the manner in which the system of risk taking may now be set to interact with the economic fundamentals in a negatively reinforcing manner is critical to appreciate.

Eric Peters – Founder and CIO of One River Asset Management

Our crisis series within the Alpha Exchange podcast continues and it was my pleasure to solicit the insights of Eric Peters, the founder and CIO of One River Asset Management. To be sure, this isn’t Eric’s first experience managing capital through a crisis, but in his words, “this is a unique one...amplified by a whole range of things including big flows into vol selling programs.” Seven percent return hurdles for pension plans, very low rates and the longest continuous economic expansion on record have all been complicit in a setup that was increasingly vulnerable. In Eric’s rendering, this is a much more concerning shock than the GFC given the global nature of the economic sudden stop. We talk as well about the liquidation dynamics that emerged in the Treasury market and risk-taking going forward in an environment in which the entirety of the yield curve may be pulled lower still. Thank you for listening and please be well.

George Goncalves – Independent Bond Strategist

As the special Crisis Series within the Alpha Exchange continues, it was a pleasure to catch up with former colleague, George Goncalves. A 20 year veteran on both the buy-side and sell-side, George most recently led the Fixed Income Strategy effort at Nomura Securities. Our discussion considers the post GFC regulatory landscape that emerged in the US Treasury market and how, over time, the Street’s capacity to bear risk was compromised even as the government’s appetite to run larger deficits grew. George walks through how we got to September of 2019, when repo market disruption fired a loud warning shot that market plumbing was vulnerable to crack. The increased prominence of the relative value investor, whose strategies are short liquidity and volatility, has figured prominently in the breathtaking explosion of volatility in the risk-free complex and the resulting role the Fed has needed to play to support market functioning. Looking forward, George sees the potential that rates are headed lower still, but, given the degree of government capital directed towards the economic sudden stop, ultimately see value in inflation protected securities like TIPS. Thanks for listening and be safe.

Chris Cole – Founder and CIO of Artemis Capital

On this special crisis series episode of the Alpha Exchange, I had the opportunity to solicit the insights of Chris Cole, the founder and CIO of Artemis Capital. Through a framework that gives much weight to the impact of financial products and the risk-taking built around them, Chris has a unique understanding of both low and high periods of volatility and the linkages between them. In a paper authored in October 2017, Chris stated, “The markets are not correctly assessing the probability that volatility reaches new all-time lows in the short term (VIX80 in 2018-2020)”. Incredibly, he was right on both counts as the VIX dipped below 9 in December of 2017 and recently reached a new all-time high of 83, eclipsing the previous record level from the GFC. He explains his thesis, shares his research on an optimal portfolio, his views on buying options at high prices, and looks forward to what could be several years of a new, much higher volatility regime. This conversation gave me a great deal to think about, and I hope it does for you as well. Please be safe.

Peter van Dooijeweert – Head of Institutional Hedging and Portfolio Solutions, Man Group

As markets continue to grapple with the vast uncertainty resulting from the corona virus, it was excellent to have Peter van Dooijeweert, the Head of Institutional Hedging and Portfolio Solutions at Man Group, as a guest on the Alpha Exchange. Our “crisis series” is aimed at uncovering the unique elements of the 2020 vol event, the extent to which systematic strategies acted as amplifiers on the way down and the lessons learned from being long or short optionality. Addressing these questions, Peter has many insights to offer. As a market participant with 25 years of investing experience, he views volatility cycles as self-reinforcing on the way up and down. I enjoyed hearing his views on the clues from correlation break-downs, the usefulness of a blended, cross-asset approach to hedging and a risk management framework that uses volatility scaling. I hope you do as well. Thanks for listening and please be well.

Howard Marks – Founder and Co-Chairman, Oaktree Capital

As the economic collapse associated with the pandemic enters its second month, it was my distinct pleasure to have Howard Marks, the founder of Oaktree Capital, on the Alpha Exchange. A highly successful investor across many decades, Howard has prudently managed risk through a vast number of market cycles. His assessment of the complex mix of economic, financial and monetary aspects of the coronavirus crisis provides context for factors at work in market prices. A buyer of quickly cheapening assets in the middle two weeks of March, Howard sees a less compelling case on the long side now given the severity of the shock and the challenges to be faced in returning to a full speed economy. Please enjoy this episode of the Alpha Exchange, my conversation with Howard Marks.

Steven Englander – Head of G10 FX and North America Macro Strategy for Standard Chartered

As our crisis series within the Alpha Exchange continues, it was a pleasure to catch up with Steven Englander, the head of G10 FX and North America Macro Strategy for Standard Chartered. We review the fast moving aspect of the March dislocation and the manner in which pricing relationships typical of normal markets ceased to hold. As many of our listeners are steeped in equity volatility, it was great to solicit Steven’s views on risk as expressed through FX. His team’s work on the relative performance of haven versus carry currencies during the dark days of March illustrates the manner in which the crisis expressed itself – around the globe and across asset classes. On the Fed, Steven has much to say, beginning with how the speed and degree of its policy response has exhibited a strong impact on asset prices as investors firmly shake hands with the Central Bank. We talk as well about the outlook for inflation, the market’s capacity to absorb the coming tidal wave of US government debt and scenarios for the dollar. I really enjoyed Steven’s perspective and hope you do as well.

Jake Doft – founder and CIO of Highline Capital

The explosion in market volatility that resulted from the Covid crisis was all-consuming in March. Massive one-day moves in broad equity indices, correlations that approached 100% and a breathtaking crash in the price of oil were factors that left investors unable to consider much more than the wreckage in front of them. But for Jake Doft, the founder and CIO of Highline Capital, the crisis has provided a truly unique opportunity to step back and contemplate change and the investable implications thereof. The crisis has forced businesses and consumers to adapt, not just accelerating trends already in place, but also providing exposure to new technologies, new approaches to supply chain management, new ways to interact socially and potentially new preferences on where to live. My discussion with Jake is a compelling look into how an investor can “skate where the puck is going to be”, evaluating the long term opportunities that emerge from this challenging time.

Jens Nordvig – Founder and CEO of Exante Data

As our crisis series of the Alpha Exchange continues, I was pleased to have the opportunity to engage with Jens Nordvig, the founder and CEO of Exante Data. After stints at both Goldman Sachs and Nomura, Jens launched his independent firm in 2016 with an eye towards using a highly data driven approach to help institutional clients make sense of global economic developments and position portfolios accordingly. Our discussion focuses broadly on the notion of nonlinearity as it applies to asset markets, a key part of the investment philosophy Jens utilizes to evaluate risk and highly applicable to the current landscape of virus centric uncertainty. Harnessing new and extremely real-time data sets, Exante Data was decidedly early in understanding that Covid19 was going to be a big deal, globally, and that markets were failing to appreciate the risks. This disconnect and the potential troubles that lie ahead owe to the difficulty in appreciating the growth in processes like a virus that are exponential in nature. I think you will really enjoy this episode of the Alpha Exchange, my discussion with Jens Nordvig.

Nathalie Texier Guillot – Head of Sales for the Americas, BNP

Within financial markets, derivatives have always been the stomping grounds of those inclined to entertain probabilities and models. Delving further within this space, you will find simpler vanilla products like listed options but also a realm of considerably greater complexity where counterparties engage in the transfer of alternative risk exposures. For French banks like BNP, derivatives innovation has always been an important part of the value proposition. And as Head of Sales for the Americas at BNP, Nathalie Texier Guillot has been a driver of the bank's mission to help clients solve complicated problem. My conversation with Nathalie considers the current state of the risk recycling business in light of the explosion of volatility during March of 2020. She provides insights on the need to properly size trades, her observations on dislocations that emerged earlier this year and the types of trades she and her team are spending time on now. We also discuss the challenges in leading a team during the work from home era and how technology is being used to enhance the experience. Lastly, we discuss the important mission of advancing the careers of women in finance and Nathalie's views on how to best advocate for the cause. I hope you enjoy this episode of the podcast as much as I did and thanks for listening.

Mike Novogratz – Founder and CEO, Galaxy Digital Holdings

Trading through big FX macro events in the 1990's, Mike Novogratz is no stranger to market instability and the Central Bank response that is ultimately required to restore order. Our conversation is a retrospective on the long ago period when firmly positive interest rates were a thing and when market prices were discovered through supply and demand. In Mike's rendering, today's world looks a lot different. Central Banks have taken an increasingly activist role in guiding interest rate markets and preventing unwind events from becoming self-reinforcing. The result, stable prices in some asset markets but increasingly speculative characteristics in plain sight in others. Our conversation covers a lot of ground, and Mike has much to say about bonds, bubbles, bitcoin and even bail. About the latter, he has founded the "bail project", a passionate effort focused on creating a more humane pre-trial bail system. Lastly, we discuss Mike's founding of Galaxy Digital Holdings and his investments in various aspects of the crypto value chain. On bitcoin, he says both simply and emphatically, "we value it because we say its valuable." And in a world where money-printing has accelerated, bitcoin may still be in the early innings of a tail outcome resulting from the change that has been thrust upon us all.

Michael Pettis – Senior Fellow, Carnegie-Tsinghua Center for Global Policy

Michael Pettis is no stranger to episodes of financial crisis. Trading through multiple Latin American debt crises in the 1980's, the Southeast Asia currency debacle in 1997 and, in its aftermath, the capital flight that engulfed Brazil, Michael has developed a rigorous framework for the how and why of these disruption events. Central to his approach is Hyman Minsky's focus on the balance sheet and the relationship between assets and liabilities both for individual entities and across the system. Driving financial fragility, in Michael's rendering, is a specific type of mismatch in which the payments on the liability side are vulnerable to sharply increasing when conditions become less favorable. Our conversation considers these events in the context of China, a country that Michael moved to in 2002 and has become a renowned expert on. Seeing China on an unsustainable debt path as early as 2007, Michael argues that the conditions for financial crisis are less obvious given the closed nature of the Chinese banking system and the powerful ability of the regulators to be able to force the creditors to restructure. Michael has plenty to share on a number of other important topics including MMT and his recent, important book, "Trade Wars are Class Wars", in which he lays out the impact of globalization on wages and the resulting shifting of political tides in the US and abroad. Please enjoy this episode of the Alpha Exchange, my discussion with Michael Pettis.

Jay Pelosky – Co-founder and CIO, TPW Investment Management

From Latin America in the 80's to South East Asia in the 90's, the history of emerging market dust ups is rich. And for Jay Pelosky, the co-founder and CIO of TPW Investment Management, these episodes of instability provided critical early training on the "never say never" world of EM. On this episode of the Alpha Exchange, Jay recounts his days at Morgan Stanley, trained under Barton Biggs, and responsible for allocating capital across asset classes and countries. We reminisce on the Internet bubble that imploded as the century began and pivot to today's post Covid markets: dominated by tech, propelled by low rates and preoccupied by a certain event coming in November. Jay's framework views the world as tri-polar, with the US, Asian and European economies vying for global leadership and with a non-consensus view that Europe may finally turn a corner. We talk as well about the sudden stop of Corona virus and the unique way in which the asset price reaction was so immediate, leaving a backdrop of substantially low yields and a need generate carry. As a result, in today's environment, Jay sees a need to underweight government bonds but overweight credit and as the US continues to fight Covid resulting in ongoing dollar weakness a need to underweight US equities. Lastly, in terms of potentially overlooked risks, Jay worries that a narrowing of the polls between Trump and Biden is something to watch for as some controversial election outcome could derail market sentiment. Please enjoy this episode of the Alpha Exchange, my conversation with Jay Pelsoky.

Raghuram Rajan – Katherine Dusak Miller Distinguished Service Professor of Finance at Chicago Booth, Former Head of Reserve Bank of India

Widely considered one of the most gifted central bankers of the modern era, Raghuram Rajan is a highly prominent voice on monetary policy and the global macro economy and it was my distinct privilege to bring his insights to the Alpha Exchange. Now the Katherine Dusak Miller Distinguished Professor of Finance at Chicago Booth, Dr. Rajan was head of the Reserve Bank of India from 2013-2016, stewarding the country's economy and financial system through a precarious time punctuated by a violent currency sell-off and a challenging bout of inflation. Our conversation covers monetary policy, episodes of financial crisis, the fallout from Covid-19 and that pesky conundrum, inflation. Dr. Rajan gives the Powell Fed high marks on its forceful response to the pandemic, crediting it with staving off a self-reinforcing asset price sell-off. At the same time, he worries that, as the Central Bank becomes more interventionist, it risks being captured by markets and will find it difficult to extricate itself from extraordinary accommodation. Lastly, we discuss Dr. Rajan's most recent book, "The Third Pillar", an important contribution to how policymakers should think about the interaction between the state, markets and local communities. I hope you enjoy this episode of the Alpha Exchange as much as I did.

Kevin Warsh – Visiting Fellow at the Hoover Institution, Former FOMC Member

In the words of former FOMC Governor, Kevin Warsh, “If you’ve seen one financial crisis, you’ve seen one financial crisis”. The uniqueness of shocks makes this so and the result is that policymakers need to constantly innovate in their response to episodes of heightened uncertainty. Now a visiting scholar at the Hoover Institute, Kevin shares with me his perspective on the pandemic of 2020, evaluating the mix of forces that brought the VIX to a new time high even as the Treasury market nearly imploded. Kevin’s experience on the FOMC during the global financial crisis has taught him lessons about the institutional realities of crisis firefighting: in the moment, a central bank may be left with few good options and be forced to use controversial measures to restore market functioning. In Kevin’s rendering, what’s more important is the set of reforms pursued by a central bank between crisis events that matters most and here the Fed may not have done enough in the decade between the GFC and the pandemic. We end on an optimistic note, with Kevin expressing confidence that the US will get it right and the dynamism that characterizes the economy will again emerge. I hope you enjoy this episode of the Alpha Exchange as much as I did, my conversation with Kevin Warsh.

Rich Rosenblum – Co-founder, GSR Markets

When it comes to obvious asset class similarities, crypto and crude might seem to have little in common. But for Rich Rosenblum, there are linkages between them upon closer inspection. Seeing similarities in the diversifying characteristics of both assets in broad portfolios, Rich also notes the tendency for digital assets and crude to experience phases of investment and then value extraction from that investment. The net result is volatility. On this episode of the Alpha Exchange, it was a pleasure to solicit the insights of Rich, the former global head of oil derivatives at Goldman Sachs and, for the last 7 years, a co-founder and head of trading at GSR Markets, focused on delivering trading and investment product solutions to the crypto space. Our conversation explores the financial attributes of bitcoin – its correlation to risk markets, its periods of strong price momentum and how it may perform during the chaos that investors are especially worried about right now. We also discuss the expanding market for options on bitcoin and the manner in which the vol surface is priced both across strike and time. The increasing degree of liquidity in this market provides new opportunities to gain exposure to both the upside and downside movements in the largest cryptocurrency. Please enjoy this episode of the Alpha Exchange, my conversation with Rich Rosenblum.

Jordi Visser – President and Chief Investment Officer, Weiss Multi Strategy Advisers

For Jordi Visser, market crisis events inevitably result in regime shifts. The pandemic of 2020 – a shock to the economy, deterioration in asset prices and an overwhelming response from the government and Central Bank – is no exception. In his role as Chief Investment Officer at Weiss Multi Strategy Advisers, Jordi is dispassionate in his assessment of risk and reward, relying on hard data rather than the common narratives often proffered. In today’s set of market prices and data, Jordi sees opportunities in that beaten down factor called value, as it is associated with cyclical industries that produce goods. As supply chains are moving onshore, price increases are occurring as a result of production bottlenecks. And at the same time, Jordi sees changes in demand, especially from millennials, who are shifting to consume “things” like autos and housing and focusing less on experiences in a post-pandemic world. On balance, Jordi see relative value opportunities in value versus growth and EM versus DM.

We talk as well of Jordi’s upbringing and the important impact his father has had in helping him think about odds. Looked at through the lens of horseracing, betting on the trend is about laying significant odds to bet on the favorite. And market disruption events are inevitably tied to the shattering of a widely held consensus where too much capital was invested in the favorite. In this context, and given his career experience, Jordi has plenty of insight to share on the derivatives markets, hedging and the price of tail risk. Please enjoy this episode of the Alpha Exchange, my conversation with Jordi Visser.

Josh Younger – Head of US Interest Rate Derivative Strategy, JP Morgan

Armed with a PhD in astrophysics, Josh Younger hit Wall Street in 2010 as the embers of the Global Financial Crisis were slowly burning out. With a decade of focus on modeling interest rate derivatives and with the perspective gathered through unique fixed income risk events, Josh brings exceptional insights to our discussion. Our conversation aims to uncover the factors that contributed to the near collapse of the Treasury Market during the chaos that ensued in March of 2020. Characterizing US government bonds as the asset that became toxic to own, Josh helps us understand the manner in which post GFC regulatory initiatives combined with buy-side incentives to rent balance sheet left the UST market vulnerable to overwhelming the system's capacity to bear risk. On the back-end of our discussion, Josh brings to life the factors that influence the supply and demand for interest rate options and the impact that certain products used by insurance companies have on long-dated implied volatility. Please enjoy this episode of the Alpha Exchange, my conversation with Josh Younger.

Anna Raytcheva – Founder and CIO, Sonya Capital Management

Over her 22 years at Citi Group, Anna Raytcheva managed complex trading risks through volatility regimes both high and low. The Orange County blowup on the back of Greenspan's surprise tightening campaign in 1994 provided Anna with an early lesson on the vulnerabilities that arise from owning exotic securities, especially when they are positioned with leverage. My conversation with Anna considers this and other prominent periods of market disruption and what they taught her about the limitations of modeling. With markets prone to risk on / risk off, Anna sought to develop trading signals using machine learning techniques to detect clues that a change in the vol regime was afoot.

Founding Sonya Capital in 2017, Anna capitalized on the perspective she gained trading through crisis periods when liquidity evaporated from markets. As such, she constructs positions using global futures to implement a discretionary global macro strategy that takes economic data, policy changes and flows as inputs. We finish our conversation with Anna's assessment of the movement to empower more women in the field of finance. Noting that there's plenty of work still to do, she is optimistic on the opportunities for female advancement in the industry. Please enjoy this episode of the Alpha Exchange, my discussion with Anna Raytcheva.

Troy Dixon, Founder and CIO, Hollis Park Partners

Cutting his teeth on the acclaimed mortgage trading desk at Salomon Brothers in the 90's, Troy Dixon gained an early appreciation for the speed and degree to which market liquidity can turn. Now the CIO of Hollis Park Partners, a firm he founded in 2013, Troy shares the perspectives gathered in managing complex trading risk over more than two decades in markets.

We talk about his time at Deutsche Bank, where he ran the RMBS trading unit, and the intense pressure to compete in the pre-crisis period for profitability in each aspect of the mortgage lifecycle. Contemplating the asset price wreckage in the aftermath of the housing crash, Troy recounts the challenges in balancing the competing interests of providing market making services for the firm's client base while risk managing a volatile book of prop exposures. Next, we discuss Troy's founding of Hollis Park and the path that he has sought to provide for other professionals of color in the financial industry. In thinking back on the heavy lift he undertook, Troy said, "I was naive about a lot of things, but the core thesis of it was to lay the framework for people of color to follow suit in an industry that had created a plethora of wealth for people that don't look like me."

A firm engaged in finding value in MBS and a variety of structured products, Hollis Park capitalizes on securities that have different prepayment speeds. No conversation with a fixed income expert would be complete without an assessment of Central Banks. And on the Fed, Troy has much to say. Calling low interest rates an addictive drug, Troy sees no obvious path for the Fed to disengage from markets, expecting ongoing volatility linked to this codependency. Please enjoy this episode of the Alpha Exchange, my conversation with Troy Dixon.

John-Mark Piampiano – Founder and CIO, Engineered Portfolios

Over more than two decades in markets, John-Mark Piampiano has traded his share of volatility. Managing derivative portfolios over the years from both the long side and the short side of the carry ledger and across the spectrum of listed and OTC products, John-Mark is a keen observer of change in market structure, trading technology and the provision of liquidity. Our discussion considers the manner in which price discovery in equity option markets has evolved, now well represented on the screens through pricing engines that are entirely automated.

In this context, we explore the implications of much tighter screen bid/offers for the buy-side and sell-side alike. Gone are the days where obvious pricing dislocations come about from concentrated option buying or selling activity in one name and one part of the vol surface. The result, a greater degree of market efficiency and increased importance on trading technology to find and implement trades that capitalize on smaller relative pricing discrepancies. We talk as well about running a tail risk program and the challenges that come from carrying protection during very quiet periods. Noting the increased tendency for market vol regimes to transition very quickly, John-Mark shares his thoughts on how investors should think about hedging, emphasizing the need to have an action plan to monetize premium expansion during a market sell-off. Please enjoy this episode of the Alpha Exchange, my conversation with John-Mark Piampiano.

Gordy Lawrence – Director of Global Derivatives, Wellington Management

Gordy Lawrence, Director of Global Derivatives at Wellington Management, spends his days searching for value in optionality. With a framework geared toward assessing option prices on both an absolute and relative basis, Gordy and his team support portfolio managers throughout the organization with the aim of utilizing derivatives to improve the up versus down capture profiles in portfolios. My conversation with Gordy explores this process – how proxy hedges are evaluated based on historical performance through stress periods and how circumstances unique to a specific period might be given special consideration. In this context, Gordy details his firm's purchase of puts on the Euro Swiss cross in late 2014 at a remarkably low level of implied volatility, based not simply on option carry considerations but based on fundamental work and a view on the wherewithal of the SNB. Sharing perspective on the current low level of US interest rate volatility and its divergence from the VIX, Gordy notes that with respect to rate risk, the Fed “has its thumb on the scale”. Continuing to explore this, our discussion moves to equity volatility. In significant contrast to a few years earlier when VIX ETP product growth was rampant and vol markets were well supplied, today's equity volatility environment is impacted by the combination of a supply shortage along with strong demand for options from retail. There may be another factor at work contributing to a high VIX and that, in Gordy's view, is skepticism that market liquidity will be there when it is most needed. All of this will make for a fascinating year in markets in 2021. I hope you enjoy this episode of the Alpha Exchange, my conversation with Gordy Lawrence.

Tania Reif – Investment Manager, Alphadyne Asset Management

Working as an architect in the 1990's, Tania Reif saw first hand the devastating impact on local communities of the currency crisis events that occurred with some frequency in her home country of Venezuela. Grippled by the field of macroeconomics, Tania ultimately earned a PhD from Columbia University, writing her dissertation on currency crises. Our conversation brings to life Tania's framework for the "why" of FX crisis events. In this context, she shares her assessment of the multiple crisis events in the 1990's, contrasting this today's more stable emerging market FX environment. Pointing to fixed exchange rate regimes, Tania describes the vulnerability that comes from a sudden stop of external financing after a period of excessively loose monetary policy. The result, a balance of payments crisis that leads to a large currency depreciation and inflation shock. We also discuss financial contagion and Tania makes the point that when countries have parallel risks, an event in one country can have implications for regions that investors deem similarly vulnerable. Unsurprisingly, amidst our discussion on foreign exchange dynamics, we also discuss today's era of remarkably low rates. Pointing to the opportunity to capitalize on low borrowing costs to try to improve the circumstance of those impacted by the pandemic, Tania argues that if easy monetary policy does not ultimately translate to higher productivity and growth, we risk being stuck in a world of very low rates for a very long time. Lastly, we discuss crypto currencies, an asset class that Tania has strong interest in and is very optimistic about. The fixed supply of bitcoin, relative to the ongoing debasement of fiat currencies, addresses the conflict that individuals and Central Banks find themselves in. With a view that the institutional adoption of crypto is increasing but still has far to go, Tania is bullish on growth in the market cap of bitcoin and believes investors should have some portfolio allocation. Please enjoy this episode of the Alpha Exchange, my discussion with Tania Reif.

Samantha McLemore – Partner and Managing Member, Patient Capital Management

Mentored at Legg Mason under the tutelage of legendary investor Bill Miller, Samantha McLemore is a student of finding value in corporate equities. Now the founder and managing member of Patient Capital Management, Samantha shares her perspectives developed over two decades and through several cycles of the value factor. Our conversation is an exploration of Samantha's framework, keenly focused on finding opportunity based on valuation and with a long horizon in mind. In Samantha's world, embracing out of favor securities allows capital to be put work when and where others are reluctant to and sets the stage for achieving long term excess returns. In this context, she recounts her purchase of UBER during the early days of the 2020 lockdown, seeing potentially strong upside relative to what she deemed as manageable downside risk. We talk more broadly about the underperformance of the value factor in recent years as Samantha notes that the high growth segments of the market are in demand in an environment where investors have become less sensitive to valuation. For her, some of these high flying stock prices warrant caution, especially as a vaccine provides the potential that business as we once knew it becomes more the norm rather than the exception. And in this context, Samantha and her team are looking closely at the cruise line sector, again embracing disruption and volatility in pursuit of long term alpha. I hope you enjoy this episode of the Alpha Exchange, my discussion with Samantha McLemore.

Mark Miller – Lessons on Selling and Leadership

We take things in a different direction on this episode of the Alpha Exchange and focus on the importance of leadership and culture at large financial institutions. With this in mind, it was my pleasure to solicit the insights of Mark Miller, a personal mentor of mine and a capital markets professional whose sell-side career has spanned 4 decades. Having served in the role of global head of sales at Citigroup, BofA and HSBC, Mark has led significant teams of professionals across product areas and geographies. In this context, we explore the challenges and opportunities inherent in bringing together a firm's resources on behalf of its client base. We also discuss the process for evaluating talent, and for Mark, the successful salesperson is highly competent in understanding market pricing dynamics and often has the capacity to be a trader. In conjunction with this, a salesperson's success is contingent on having earned the trust of her or his clients.

We also talk about leadership and what it takes to establish a cohesive culture. Here, Mark has strong views. In his rendering, good management is no surprises and being a source of feedback that is both consistent and fair, even if uncomfortable, is a critical deliverable of a leader. Lastly, I solicit Mark's insights on diversity efforts on the Street. While certainly seeing progress over the course of his career, he also sees plenty of further opportunity to expand the presence of women and minorities in the field of finance. I hope you enjoy my conversation on leadership, culture and mentorship with Mark Miller.

Benn Eifert – Founder and CIO of QVR Advisors

As founder and CIO of QVR Advisors, Benn Eifert spends his time looking for opportunities in volatility markets and helping his investors protect capital through periods of uncertainty. With the surge in volatility that has recently materialized in GameStop and a number of other stocks with high short interest, it was timely to have Benn back on the Alpha Exchange to share his always excellent insights on option market dynamics. Our discussion considers the emergence of a factor that may have been hiding in plain sight – crowd sourced convexity that left option hedgers short gamma. In the process of laying out this recent single stock risk event, Benn clarifies some of the misconceptions that may be common around the retail options trading community. From Benn's vantage point, some of these investors are hardly unsophisticated and understand leverage, positioning and the feedback loops that can occur when dealers are hedging options from the short side. As we step back and consider the ecosystem of supply and demand for optionality in the equity market, Benn describes the losses that were imparted on short volatility strategies in March 2020 and how that figures in to a VIX that has been persistently high relative to the metrics it is typically related to. Lastly, given that 2021 has demonstrated that stocks can actually crash up as well as crash down, we consider the implications of GameStop on the volatility surface. Here Benn sees good reason to expect a persistent, extra premium to the upside call as a result of recent events. I hope you enjoy this episode of the Alpha Exchange, my conversation with Benn Eifert.

Mark Friedman – Founder and CIO of DLD Asset Management

For Mark Friedman, the Founder and CIO of DLD Asset Management, the convertible bond market has always made for interesting study. Sitting at the intersection of critical asset classes, the convertible bond market requires investors to assess risk from many dimensions at once. And with valuation components derived from equity, interest rate, credit and volatility risk, converts have provided Mark with plenty to analyze over nearly 3 decades in markets. Our conversation is a retrospective on the evolution of this hybrid product – from Mark's early days trading Asian convertibles in the mid 90's to the high vol, crowded era of the early 2000's, all the way to today. Along the way in our discussion, we happen upon some of the important risk events in converts that Mark has traded through. He highlights some of the ancillary risks that an investor assumes in a converts, specifically, borrow, dividends and a vol dampening take-over, and how the market has sought to address these. We also spend some time assessing the changing buyer base in converts, from a market once dominated by arbitrage accounts to one in which long only capital has become a great proportion. Lastly, we discuss portfolio construction in a world of low rates, active Central Banks and risks that originate from sources not previously contemplated. In this context, Mark shares his thoughts on tail risk hedging, recognizing both its value and cost and preferring to keep it simple using listed options. I hope you enjoy this episode of the Alpha Exchange, my conversation with Mark Friedman.

Greg King – Founder and CEO, Osprey Funds

Greg King has spent his career creating vehicles that enable investors to access complex risk exposures. Part of the team from Barclays that designed the VXX ETP product in 2009, Greg went on to co-found Velocity Shares, a firm that was ultimately acquired by Janus, and created both the TVIX and XIV, levered long and short versions of the VXX. About the XIV, Greg shares his views on the manner in which the mechanical hedging requirements for inverse leveraged products can lead to a spiral in the price of the underlying asset. Later, Greg would found Rex Shares, a platform that has brought a series of exchange traded products to market. Through our conversation, we hear Greg's perspectives on the characteristics of products that attract considerable AuM versus the many that do not. In this context, Greg believes that understanding the technicalities of how a product is built is important but so too is persistence, and a little bit of luck. We spent the balance of our discussion talking about Greg's venture into crypto, a space he has been involved in for more than 7 years. His Osprey Funds has launched OBTC, an access vehicle for Bitcoin, that seeks to lower both the costs and challenges associated with gaining exposure. About the crypto space broadly, Greg sees lots of opportunity to develop tradeable, ticker based trust structures that provide access to various digital coins and tokens. I hope you enjoy this episode of the Alpha Exchange, my conversation with Greg King.

David Puritz – Founder and CIO, Shaolin Capital Management

A quarter century ago, as the original tech bubble began in earnest, the American Stock exchange was full of action. Populated with an aggressive throng of option traders, the Amex was a critical liquidity venue during a period of heady growth in the US listed options market. It was here, starting as a clerk, that Dave Puritz began to hone the craft that underpins his role today as founder and CIO of Shaolin Capital Management. Through our discussion, we learn of Dave's sell-side experience, as a listed options trader at BofA and then as head of convertible bond trading at Deutsche Bank, and the lessons he gathered in balancing the facilitation of customer business with the management of proprietary positions. Much of our conversation centers on converts, an asset class in which Dave and Shaolin have gained prominence. Reflecting on the tremendous issuance already in 2021, Dave finds it important to assess the combination of high implied volatility and long duration associated with recent large deals. A very active participant in the SPAC market, Dave sees plenty of opportunity here but argues that the entry price matters and believes it is better to be a buyer of unloved securities than part of a gold rush in which valuation is cast aside. Lastly, we explore Dave's philosophy of tail risk hedging and how he utilizes both listed options and credit protection to defend the portfolio against the disruption events that have become a frequent reality in modern markets. I hope you enjoy this episode of the Alpha Exchange, my conversation with Dave Puritz.

Erin Browne – Portfolio Manager, PIMCO

On this episode of the Alpha Exchange, Dean had the pleasure of catching up with Erin Browne, a Portfolio Manager at PIMCO. Through their discussion, we learn of Erin's introduction to the study of macro, a discipline she instantly found fascinating and has underpinned her more than 2 decade career in markets. At Moore Capital through the build up and ultimate unwind of the US housing bubble, Erin provides perspective she gathered during the GFC, laying out the time spent on idea generation as well as efforts to optimize the trade construction. Because these shorts became so large, having a game plan on profit taking also became an important consideration. The conversation also focuses on the 2020 Pandemic, and how Erin and her team successfully positioned portfolios at PIMCO through that volatility episode. Surveying the set of risks that comprise today's investing landscape, Erin is focused on inflation and, importantly, the Fed's reaction function to the data. She sees vulnerability in "spec tech", that equity market segment with lofty valuations and for which higher interest rates appear a real headwind. But there is value out there and in EM, Erin sees cheap assets on both the FX and equity side. Dean closes the conversation by soliciting Erin's views on the opportunity set for women in finance. Recently named to the highly prestigious list of the Barron's 100 Most Influential Women in Finance, Erin is in a great position to share her views. She sees lots of progress, with excellent efforts to support women at the junior level and more still to do at the mid level segment of female career development. Please enjoy Dean's discussion with Erin Browne.

Andrew Scott – Partner, Head of Client Solutions, Bach Option Ltd.

After a 6-week hiatus during which I was recovering from a serious jet ski accident, I am excited to bring you a fresh episode of the Alpha Exchange. And it was wonderful to spend time with Andrew Scott, a Partner and Head of Client Solutions at Bach Option. Our conversation is an exploration into the complex factors that drive the clearing price for volatility in equity markets. In this context, we spend no time on the economic cycle or corporate profits or the latest missive from the Fed. Instead, Andrew explains how the vast industry of Asian structured products leaves banks with complex exposures to optionality, correlation and dividends. These trades, designed to create income in countries like South Korea that have seen interest rates in secular decline, leave banks with substantial long vol positions.

Through our conversation, we learn of the concept of “peak vega”, an industry estimate for the level of the underlying index where bank’s are most long vega. Andrew also lays out in great detail the risk recycling that has long operated alongside the structured products universe. Here, depressed levels of index vol and skew in Asia encouraged hedge funds and asset managers to implement volatility relative value trades versus the S&P 500. Lastly, we touch on Andrew’s new position at Bach Option, joining founder Miao-Dan Wu in building out a firm dedicated to understanding and trading volatility at a time of great change in markets and plenty of catalysts for the next volatility event. I hope you enjoy my discussion with Andrew Scott.

Robert Bogucki – Co-Head of Global Trading and Head of Derivatives Trading, Galaxy Digital Holdings

If “theta is the rent on gamma,” for Robert Bogucki, trading options from the long side has always been worth the inevitable pain from carrying positions during benign periods in markets. Trained in mechanical and aerospace engineering, Rob made his way to Goldman Sachs at a time when the Street was just starting to take on individuals with math and physics background. Starting on the currency options desk at Goldman, Rob would spend time at Morgan Stanley and Merrill Lynch before ultimately leading the global macro trading desk at Barclays, running a large customer and proprietary FX options book. Musing that a “bachelor’s degree in crowd psychology is worth more than a PhD in economics”, Rob stresses that modeling architecture like Black Scholes is important as a starting point for valuation, but we need to appreciate the limitations of models.

We review a few fascinating risk events in FX derivatives that Rob traded through. Remembering how disrespected risk premium was in the early summer of 2007, for example, Rob bought vol on the Brazil Yen cross, a pair in which hedge funds had piled into in order to earn the sizable interest rate differential. While difficult to carry, the market ruptures that materialized late summer as the Quant Quake went into full sway made this trade highly profitable. We speak as well about taking in as many data points across the asset classes for clues as to what might sponsor the next risk event, a strategy Rob executed by roaming on different floors to get a feel for what colleagues were up to.

Today, Rob is co-head of global trading and head of derivatives trading at Galaxy Digital, a firm focused on various businesses in the crypto landscape. In his role of pricing options on digital assets such as Bitcoin and Ethereum, Rob has plenty to say about these interesting vol surfaces and the interaction of various actors who are net sellers or net buyers of volatility. In his view, derivatives market liquidity is steadily increasing and a virtuous cycle is in place. These products will become more important as the extraordinary thrust of Central Bank actions are creating a broad rethink of the fiat monetary system. I really enjoyed this episode of the Alpha Exchange and hope you do as well.

Samara Cohen – Managing Director and Co-Head of EII Markets and Investments at Blackrock

In the investment world, few if any products have experienced as much growth as the exchange traded fund. And within the ETF business, no firm is as large and as important as Blackrock. In this context, it was great to welcome Samara Cohen, Managing Director and Co-Head of EII Markets and Investments at Blackrock to the Alpha Exchange. Through our discussion, we learn of Samara's start in the industry as employee 134 at Blackrock before attending business school and then spending 16 years in fixed income at Goldman Sachs. Here she developed a keen understanding of bond market plumbing and the implications of post GFC regulatory reforms for the design of future products.

This focus on bond market structure strategy paved the way for her return to Blackrock in 2015. Samara shares with us some of the key milestones in the ETF business, including the electronification of bond market trading that came from the first fixed income ETF in 2002. Important as well for the ETF industry has been episodes of significant volatility during which investor demand for liquid and transparent macro assets surged. Our conversation next considers the business coordination required among Samara's team members to support the roughly 800 ETFs offered by Blackrock. Central to running a business at such scale has been substantial investment in technology and automation and these proved especially critical during the market crisis of 2020. It was during this incredible surge in volatility – both in the stock market and bond market – that investors utilized ETFs for price discovery and risk transfer in tremendous size.

Lastly, we spend time on the people aspect of the business, a topic on which Samara is particularly passionate. She is proud that her team of investment managers within the engine is mostly women and plays an active role in the discussion among leadership around Blackrock's commitment to a broadening the racial and ethnic make-up of the firm. In addition to being strongly motivated by efforts to increase inclusion, Samara looks forward and is genuinely excited about the prospect of bringing hundreds of millions more people into the markets and investing. I hope you enjoy this episode of the Alpha Exchange, my discussion with Samara Cohen.

Paul Kim – Co-founder and CEO, Simplify Asset Management

From a young age and learning from his humble and hardworking parents who immigrated from South Korea, Paul Kim developed an appreciation for the value of capitalism and the pursuit of the American dream. Finding his way into the investment industry first in an investment banking seat at Lazard where he learned by fire, Paul would ultimately spend time at PIMCO and then at Principal Global Investors where he launched and built the firm's ETF business. More recently, Paul co-founded Simplify Asset Management, a firm committed to delivering innovative products in the exchange traded landscape. Our conversation is focused on how derivatives can be used within an ETF to augment the purely linear exposures provided by traditional instruments like the SPY. By overlaying a put option, for instance, an investor can protect against extreme downside risk in equities like that which materialized in March of 2020. We discuss as well important and exciting new developments in the ETF industry, one of which allows for the utilization of OTC derivatives. In this context, Simplify has created a ground-breaking product that seeks to hedge interest rate risk for end users, work developed by derivatives pioneer Harley Bassman. In an environment in which fiscal and monetary policy are acting powerfully in tandem, such a product can easily prove critical to defending the potential inflation that may already be surfacing. Lastly, Paul and I touch on the fast-moving world of cryptocurrencies and how his firm is thinking about giving investors access to this new asset class and the potentially diversifying role it may serve in a portfolio. I hope you enjoy this episode of the Alpha Exchange, my conversation with Paul Kim.

Colin Lancaster – Global Head of Macro at Schonfeld Strategic Advisors

Now the Global Head of Macro at Schonfeld Strategic Advisors, Colin Lancaster has always found top-down investing a fascinating discipline. Trained as a lawyer but finding his way to the buy-side in the 1990's, Colin has spent the last 25 years in markets, allocating capital and building teams focused on macro. Over his long career, he's traded through his share of vol events, each a challenging experience but also formative from a risk philosophy standpoint. Our conversation is a retrospective on the nature of risks that investors are forced to confront, how discontinuities in asset prices materialize and that ever elusive search for the positive carry hedge. Exploring seismic episodes of risk-off, we also spend time on the need to anticipate the inevitable and typically overwhelming response from the Central Bank and how, post both the GFC and now Pandemic, the Fed's interventions have increasingly crowded out the integrity of market price signals. Lastly, we spend time on Colin's fast paced and insightful book, "FED UP!", a project he undertook in 2020. In it, Colin brings to life the frenetic, all-consuming world of global macro investing in which an unwelcome portfolio move is always a bad tweet away and decisions must be made quickly and based on a vastly incomplete information set. Weaved into "FED UP!" is a statement of concern about the widening gap of wealth inequality in the US. In a world in which asset prices are increasingly the outcome of Central Banks who mean well but whose actions vastly benefit some versus others, a certain rethink may be in order. I hope you enjoy this episode of the Alpha Exchange, my conversation with Colin Lancaster.

Simon Ho – Founder and CEO of T3 Index

With many years experience trading and risk managing derivative exposures, Simon Ho is now the founder and CEO of T3 Index, a financial research and technology firm doing some interesting work in the arena of complex index and product construction. An avid user of VIX products during his time on the buy-side, Simon loved everything about the CBOE suite of vol products but the cost to use them. He set out to create a similar, but more economical product that could compete for the growing user base of investors who sought direct exposure to volatility. With this, SPIKES was born and so too began the journey for Simon and his team to bring a new volatility option and futures product to the market. Next, we explore the newest creation from T3, the BitVol index. Recognizing the interest from investors in trading volatility directly, Simon sees promise in an index that gives end users direct access to implied volatility in Bitcoin. While exploring this, we discuss the characteristics of vol surfaces for assets like Bitcoin, drawing similarity to gold and volatility itself. Lastly, Simon is excited about T3's work on interest rate volatility, having developed an index he hopes will become a leading instrument to manage risk in this important asset class. I hope you enjoy this episode of the Alpha Exchange, my conversation with Simon Ho.

Rick Bookstaber – Founder and Head of Risk Fabric

Few professionals have the depth of perspective on the many market risk events that were missed by the models as Rick Bookstaber. Trained at MIT where he received a PhD in economics, Rick would become Morgan Stanley's first risk manager in 1984. There, and also at Salomon brothers, Rick was among the quants on Wall Street that developed early pricing models for interest rate derivatives. In this capacity, he had intimate knowledge of the challenges that complex products created for dealers looking to hedge them. And related to this, he also had a front row seat to the early debacles of modern markets including the crash in 1987 and the LTCM unwind in 1998. Across two excellent books, *Demon of Our Own Design* and *End of Theory*, Rick explores the characteristics of markets that make them inherently fragile, including the notion of tight coupling. Here, feedback between trading, price changes and subsequent trading based on the price changes can give rise to instability. Today, Rick is the founder of Fabric RQ, a firm delivering risk management solutions to the RIA community. Among the issues Rick worries about today include SPACs, NFTs and the concentration of richly valued tech stocks in indices like the S&P 500. I hope you enjoy this episode of the Alpha Exchange, my discussion with Rick Bookstaber.

Peter Cecchini - Head of Research and Strategy, Axonic Capital

Initially trained as a lawyer and consultant, Peter Cecchini's career spans a few decades across the buy side and sell side, focused on both bottoms up and top down analysis of risk and opportunity. Now the head of research and strategy at Axonic Capital, Peter shared his insights on the Merton model and the linkages between credit spreads, stocks prices and asset volatility. In the context of this discussion, we explore episodes of dislocation between equity and credit markets, how to spot them and the implementation of trades to capitalize on them. In Peter's view, the better risk signal has traditionally emanated from the credit markets where bondholder obsession with being paid back dominated the sometimes lofty upside scenarios entertained by equity market investors. Over time, however, the degree to which the equity cushion has risen so markedly may lead to credit market complacency, leaving Peter sometimes more focused on stock price fluctuations as the cleaner risk signal.

Our conversation, of course, covers the Fed and it's ever increasing interactions with market prices. We consider the hard to ignore breakdown between nominal interest rates and the concurrent inflation and here Peter believes the Fed is in quite a difficult spot. Inflationary periods, in Peter's view, result from inorganic demand surges, coupled with supply disruptions and a burst in M2. On these three metrics, the risk that today's strong recent price increases may not be entirely transitory is real. Lastly, we touch on the Meme stock craze and Peter shares his work on opportunities in the capital structure in AMC. I hope you enjoy this episode of the Alpha Exchange, my conversation with Peter Cecchini.

Jeff DeGraaf – Founder and CEO, Renaissance Macro Research

For Jeff deGraaf, financial markets have always been about figuring out who moved the pieces in a chess match and why. Early exposure to the discipline of technical analysis and its focus on prices and probabilities helped Jeff begin to develop a framework that concentrates on finding bets with favorable odds. Our discussion considers the market events that have played a formative role in how Jeff thinks about risk. Particularly influential among the big risk-off events was the LTCM debacle, especially as it illustrated the power of the Fed to bring an end to a de-risking process.

A decade after founding Renaissance Macro in 2011, Jeff and his team continue to view the policy response as both inevitable and critical and in this context, we discuss the evolution of the interaction between markets and the Central Bank. Today's much more activist Fed is one example of how historical pricing relationships, while a valuable tool to understand the present, must be interpreted with care. The shifting correlation profile of the Treasury market to various segments of the equity market is a ready example of this change. For Jeff, predicting the future is difficult and time is better spent on the study of price. Here, his process leads him to a lengthy checklist of indicators that allow the market to speak. And while, in his words, the market "fibs often", a wide enough swath of charts across asset classes and geographies is bound to provide clues on where both value and vulnerability are hiding.

Lastly, we talk about life on the sell-side and Jeff's perspective on running a client centric business through the pandemic. Here, the take is an optimistic one with Jeff and team deriving value from connecting with clients virtually in order to deliver insights in an efficient manner. I hope you enjoy this episode of the Alpha Exchange, my conversation with Jeff deGraaf.

Denise Chisholm – Sector Strategist, Fidelity Investments

If you asked yourself, “what are the odds?”, Denise Chisholm can probably tell you insofar as market outcomes are concerned. A Sector Strategist at Fidelity Investments, Denise leverages historical data as part of a probability framework that helps her evaluate risk and opportunity in the equity market. Our conversation explores episodes when her process uncovered overlooked relationships that were hiding in plain sight. During the GFC, for instance, Denise connected faltering housing prices with default implications on Country Wide’s mortgage portfolio. Her work on probability is sometimes multi-layered. For instance, in evaluating the reaction of the long end of the yield curve to Fed tightening cycles, Denise found that conditional on the Leading Economic Indicator Index falling the 10 year yield increased only 30% of the time when policy was tightened.

More currently, we discuss what Denise sees in markets today. Here she observes a strong recovery in wages from the Covid bottom as correlated to outperformance of cyclical over defensive. Lastly, she shares a strong view on the energy sector linked to a combination of low capital spending and high free cash flows. As we round out our discussion, I solicit Denise’s views on the state of progress for women in the field of finance. And here, unsurprisingly, she’s focused on the numbers, viewing plenty of upside in the 20% of women that comprise senior leadership roles in financial services. Progress here can result from showing women at a young age just how interesting and rewarding a career in finance can be. I hope you enjoy this episode of the Alpha Exchange, my conversation with Denise Chisholm.

Subadra Rajappa – Head of US Interest Rate Strategy, Societe Generale

With a position in rate strategy at Salomon Brothers in the late 1990’s, Subadra Rajappa developed an early appreciation for how market risk can be transmitted from one part of the world to the other through the 1997 Asian FX crisis and the LTCM debacle a year later. Over the course of a career spanning more than 25 years, she’s developed a macro framework that is underpinned by an assessment of growth and inflation variables that help drive interest rate fair value models. Derivative market pricing and fund flows also make their way into her framework. Specifically, Subadra looks at the interest rate vol surface with special attention to the price of out of the money options, and, to track the money, keeps an eye on positioning in futures markets. Our conversation considers key recent events that shape where we are in the monetary policy cycle. In this context, Subadra shares her views on the integrity of market pricing signals amidst the large participation of the Fed in the market. We also explore inflation and here Subadra points out that while some components of the rise in inflation will be transitory, others, like wages, tend to be more persistent. A vulnerability that results is a the potential of a less market friendly Fed in 2022. Lastly, I solicit Subadra’s perspective on the degree of progress in promoting the career growth for women in finance. To this, she sees more attention to recognizing women and hiring them but there remains a lot of work to be done on the retention front. I hope you enjoy this episode of the Alpha Exchange, my conversation with Subadra Rajappa.

Barry Knapp – Founder, Ironsides Macro

For the landscape of elevated asset prices that defines today, nothing may be more consequential than changes in the inflation outlook. And for Barry Knapp, the founder of Ironsides Macro, the Fed is off-track with respect to its understanding of inflation in a post-pandemic world. While the Covid shock brought market volatility comparable to the breathtaking levels experienced during the GFC, the inflation aftermath of these two crises could not be any different. In Barry’s rendering, while the GFC left household and financial sector balance sheets in disarray amid a damaged credit channel, consumer leverage is extremely low and lending is unimpaired in the post pandemic period. By crafting today’s policy as a function of the disinflationary decade post 2008, the Fed also fails to account for the positive supply shock in energy that was the Shale revolution as well as the decades long period of goods disinflation that resulted from China’s admission to the WTO. The result, especially as supply chains are being restructured, is the risk that the Fed runs consistently behind the curve over the coming year. As our discussion continues, Barry shares his views on the inevitability of a risk-off resulting from the Fed’s attempt to normalize policy, a consequence of the degree to which market prices have become increasingly sensitive to even small policy changes in the post-QE era. I hope you enjoy this episode of the Alpha Exchange, my conversation with Barry Knapp.

Victor Haghani – Founder and CIO, Elm Partners

Graduating from the London School of Economics in the mid 80's, Victor Haghani set sail on a career in the fixed income markets. Joining Salomon Brothers and assuming a position in bond portfolio analysis, Victor became steeped in the math of bond markets and derivatives and part of a team that sought to conquer markets with science. He was among those who joined John Meriwether in the founding of Long Term Capital Management in 1993 and as a Partner experienced directly both the early spectacular success and the ultimate failure of the fund. Our conversation considers the lessons – on market liquidity, reflexivity, and trade sizing as well as the vulnerability of relative value trades to errant correlation assumptions. By 2002, Victor took up the “the case of the missing billionaires”, wondering why there were so few now given that so many individuals had over a million dollars a century ago. He set out on a journey of inquiry focused on finding an asset allocation strategy that could preserve and grow wealth over time. Today, that work has come to life at Elm Partners, an asset management vehicle that Victor founded in 2011 and serves as CIO of. We discuss the premise of Elm – that passive indexation is generally effective but can be improved upon. In this context, Elm employs “dynamic index investing”, looking beyond market cap weighting to incorporate economic fundamentals like earnings yield and factors like value and momentum. With this approach, Victor and team hope to avoid busts that periodically occur while remaining exposed to the market such that wealth can compound over time. I hope you enjoy this episode of the Alpha Exchange, my conversation with Victor Haghani.

Campbell Harvey – Professor of Finance, Fuqua School of Business, Duke University

In today's world of markets, few relationships are better studied than the yield spread of risk free bonds with different maturities. The Funds rate vs. the 2 year, the 2 year vs. the 10 year , the 10 year vs. the 30 year all constitute spreads that market participants find highly instructive in gauging macro variables like growth and inflation. Many academics have contributed to shining a light on the information content of the yield curve, and as a PhD student at the University of Chicago in 1986, Campbell Harvey made one of the earliest and most important contributions.

Over the course of his impressive career, Campbell's research interests have been vast and his curiosity has led him to all corners of finance including derivatives, emerging markets, the time variation of risk premium, politic risk and how to measure luck versus skill. Our conversation focuses on his current work as an Investment Strategy Analyst at Man Group where he has done work on the idea of crisis alpha: strategies that can effectively offset portfolio losses suffered during risk-off events. Campbell and his colleagues find that both time-series momentum as well as a long/short portfolio focused on the quality factor both have insurance-like characteristics and can be valuable overlays for equity portfolios.

He also shares his work on rebalancing, where he sees alpha destruction if done in traditional form, but the opportunity for much greater efficiencies by incorporating some of the findings on time-series momentum. Lastly we discuss Campbell's new book, “DeFi and the Future of Finance”. As the title may imply, he's bullish on the breathtaking pace of innovation in the financial services industry. I hope you enjoy this episode of the Alpha Exchange, my conversation with Campbell Harvey.

Jared Dillian – Editor, The Daily Dirtnap

In 2008, as the global financial crisis unfolded and his employer, Lehman Brothers, descended into bankruptcy, Jared Dillian decided to go it alone. An ETF market maker with a gift for writing, Jared launched the Daily Dirtnap, a newsletter focused on identifying market themes and actionable trade ideas. Thirteen years and 3,000 publications later, the Dirtnap is widely enjoyed by a loyal readership finding value in Jared's unique insights. Our conversation is one part retrospective, exploring the fast days of the pre-crisis period when Jared committed risk capital at Lehman, locking ETF markets in pursuit of buy-side commission business. In the process, we get a window into the formation of the Dirtnap, that being his daily client communications over Bloomberg while at Lehman. We also discuss Jared's active imagination and love of writing, learning more of his fiction book, "All the Evil of this World", built around the Palm/3Com pricing dislocation.

Lastly, we talk macro markets, covering gold, inflation and energy. With gold, Jared takes a contrarian and bullish view, seeing the vastly negative sentiment on Twitter as an ultimate upside catalyst and also placing value in the low correlation that gold has with risk assets generally. I hope you enjoy this episode of the Alpha Exchange, my conversation with Jared Dillian.

Andrew Laphorne – Global Head of Quantitative Research, Societe Generale

Now the Global Head of Quantitative Research at Soc Gen, Andrew Laphorne got an early taste in unconventional macro thinking from the likes of Albert Edwards and James Montier. Over a career spanning 25 years, Andrew has engaged in the study of market prices, seeking understanding in their levels and volatilities both on an absolute and relative basis. Out of this work comes a framework for helping investors identify, capture and defend against risk exposures. Our conversation considers some of the market vol episodes most formative to Andrew's process. And here we travel all the way back to the late 1990's when, post the Asian crisis, disinflation began to travel around the world, depressing bond yields and leading to increasingly active Central Banks. The result, a tech bubble and substantial de-rating of all assets cyclical. The GFC was, unsurprisingly, greatly instructive for Andrew as well, helping him appreciate the Merton "distance to default" risk that equity investors are subject to. In the balance of our discussion, we consider the here and now and learn of the work that Andrew and his team are doing for clients seeking refuge from inflation. In this context, he's suggested that bond investors use "dangerous equity to hedge safe bonds", an idea that identifies certain stocks, like those driven by an underlying commodity, as performing strongly during inflationary periods. I hope you enjoy this episode of the Alpha Exchange, my conversation with Andrew Laphorne.

Dean Curnutt – Founder and CEO of Macro Risk Advisors

On this special 3 year anniversary episode of the Alpha Exchange, we turn the tables and your host Dean Curnutt is the guest. In conversation with dear friend Arthur Kaz, Dean shares perspectives developed over 30 years in financial markets. Through the discussion we learn of a risk framework focused on understanding the why of volatility events and how this study led to Dean's founding of Macro Risk Advisors in 2008. Asked by Arthur to share a few war stories, Dean tells us of how a surge in implied volatility during the financial crisis caused certain call options to actually rise in value even as the stock plunged. With regard to market risk today, Dean has strong views on the risks of an unfriendly Fed, especially given the many signs of valuation froth that are easy to see. Lastly, Arthur and Dean talk about MacroMinds, a charitable organization Dean created in 2019 to support causes that expand educational opportunities for students. With a very successful launch event in 2021, Dean is looking forward to hosting the 2022 symposium in person, bringing the investment community together to learn and make an impact. We hope you enjoy this episode of the Alpha Exchange, a conversation with Dean Curnutt.

Kris Sidal – Co-CIO, The Ambrus Group

For Kris Sidal, the Co-CIO of the Ambrus Group, trading and risk management is a passion. A self-professed math nerd in college, Kris began dabbling in sports betting using a statistical approach. He soon found his way into option markets, where is now an active participant and also a humble student continuously gathering knowledge from his interaction with the markets. Through our discussion we learn of how Kris thinks about flows, his analysis of positioning and the complex poker game that leaves him always evaluating the why of the actions of others in the market. In his view, the market has become more reflexive over time.

Here he cites not only the volatility of Meme but also the substantial growth in products written on volatility itself and the huge growth in short-dated options trading. Kris observes changes in market microstructure over the past few years that leave the market leaning heavily one way or the other and creating very large bursts of volatility that come suddenly. It is this dynamic that he and partners at Ambrus Group are trying to capitalize on. We also spend time exploring the beta relationship between the VIX and the SPX. Here, again, Kris points to the proliferation of volatility products as playing a role in the outsized moves in the VIX that have become more common over the recent period. Lastly, we talk about managing the reality that options bleed premium. In this context, Ambrus engages in medium frequency strategies that seek to cover some of the theta bill. I hope you enjoy this episode of the Alpha Exchange, my conversation with Kris Sidal.

Ari Pine – Co-Founder, Digital Gamma

The still nascent world of trading derivatives on cryptocurrencies requires more than just expertise in the math of options and trade construction. Pricing relationships can be driven by flows, by changes in sentiment and by regulatory tape bombs. For Ari Pine, Co-Founder of Digital Gamma, adeptness in financial technology is critical as well. Disparate venues, unique margin relationships and economic nuances in products across different exchanges all require a heavy lift with respect to creating a robust risk management infrastructure.

Working with his partners at Digital Gamma, Ari is mining the raft of data that is emerging from the 24/7 trading of the many new assets in the digital sphere. Our conversation is part retrospective on the history of risk events. Through our discussions of the Orange County and LTCM debacles in the 1990's, Ari shares lessons imparted by episodes of market volatility and the pitfalls of being overly wed to pricing models. We spend the balance of time discussing the financial properties of bitcoin – both in the portfolio context and with respect to how its movements help shape the implied volatility surface of options. I hope you enjoy this episode of the Alpha Exchange, my conversation with Ari Pine.

Matt Amberson – Founder, Option Research and Technology Services

Matt Amberson is among those who have watched the steady and consequential evolution of the listed equity options market over the last 3 decades. Getting his start on the floor of the CBOE in the 90's, he was in the trenches during the period of incredible single stock volatility that was tied to the original tech bubble. While markets were not nearly as efficient then as they are now, Matt sought to improve his edge in trading options, seeking enhanced methods for estimating a stock's volatility and searching for instances where the market may have left value undiscovered.

Using proprietary option valuation and hedging techniques, Matt backed traders who were tasked with implementing this systematic approach some 25 years ago. And while those days are past, the IP developed lives on in the form of the company founded by Matt, ORATS, Option Research and Technology Services. Throughout our conversation, we learn about the growth of the US listed options market and how Matt and his partners have developed their data, analytics and option back-testing service. In the process, we consider risk events like GME and hear Matt's perspective on risk-management protocol in light of the increasing frequency of up-shocks in stocks. I hope you enjoy this episode of the Alpha Exchange, my conversation with Matt Amberson.

Robert Tipp – Chief Investment Strategist and Head of Global Bonds, PGIM

For Robert Tipp, Chief Investment Strategist and Head of Global Bonds at PGIM, an appreciation for financial market history matters. And in today's fast moving environment, in which market prices are rapidly adjusting to expectations of Fed policy changes, Robert's perspectives are especially relevant. Our discussion is a review of inflation and monetary policy cycles from many years prior and through this, Robert shares his insights on the drivers of inflation. Calling into question a very basic assumption, that nominal interest rates are highly connected to inflation risk premium, Robert points to the importance of demographics and the availability of capital in setting the risk-free rate. Thus, today's longer dated Treasury yields, well below concurrent inflation, are in part due to the excess of capital looking for a home, hoping to lock in some return over a longer time frame.

Through our conversation, we also learn of Robert's views on Central Bank communication, contrasting the Greenspan era of "constructive ambiguity" with Powell's focus on transparency. In this context, Robert sees some components of the emphasis on messaging as positive, and others, including "time dependent" forward guidance as recently abandoned by Australia as less effective. Lastly, we consider the implications of higher rates moves on the stability of the ecosystem of asset prices. Here, Robert cautions that the transition to a higher rate environment may lead to large shifts, micro flash crashes and a breakdown in liquidity with respect to the flow that wants to move.

David Bizer – Co-Founder and Managing Partner, GCW

Armed with a PhD in economics and policy experience at the BEA, Dave Bizer hit Wall Street, landing at Lehman Brothers in structured equity derivatives in the early 1990's. A deep background in options pricing theory notwithstanding, he soon found that concepts like Ito's Lemma were less important than helping clients solve practical problems like hedging equity risk in a tax efficient manner. Developing a keen understanding of the tax code as it pertained to derivatives, Dave was among the innovators in product development in this area. Leaving the US for London in the pre-GFC period, Dave was head of European and EMEA Fixed Income. Our conversation explores the investor appetite for European structured products and the manner in which risks can be recycled to hedge funds.

Turning to Dave's transition to the buy-side, we learn of the framework he utilizes at GCW, the wealth management firm he co-founded. Dave shares his views on equilibrium option pricing, seeing the clearing price for insurance as generally reflecting a risk-averse investor's desire to truncate the potential for unwanted outcomes. On the long side of the portfolio, Dave and team believe that there is tremendous price discovery already incorporated into liquid, on the run public equities and, as a result, finding real alpha is difficult. The search for superior risk-adjusted returns is better focused in understanding complex, difficult to value situations that may be found in smaller cap equities or in private markets.

Lindsay Politi – Head of Inflation Strategies, One River Asset Management

Amidst a fraught backdrop for macro risk, uncertainty around inflation is a new and vexing challenge for investors. And with this in mind, it was my pleasure to host a conversation with Lindsay Politi, the Head of Inflation Strategies at One River Asset Management. Through our discussion, we learn about the framework she has developed over two decades in fixed income with an emphasis on trading inflation. In Lindsay's rendering, inflation is not a single variable but needs to be understood through unique cycles and in specific geographies and economies. Fiscal and monetary factors matter in driving inflation, but so do structural components of labor markets, like demographics, and the degree to which wage and price growth can become linked in how employees and employers think.

Today's environment is unique in the impact of Covid and how it has created supply chain risks that are not easy to reverse, leaving the potential that today's elevated inflation levels will not soon recede. We next turn to the ecosystem of products that pay out specifically on realized inflation. Here, Lindsay comments that shorter-dated, income-oriented products have done quite well as the realized level of CPI has far outstripped anything that was implied even a short time ago. Rounding out our excellent conversation, we explore the Fed and how it impacts market prices. Lindsay sees lots of manipulation in prices but still valuable information to be derived from metrics like the break-even inflation curve.

Vadim Zlotnikov – President, Fidelity Institutional Asset Management

Over a 30-year career in markets, Vadim Zlotnikov has gained a strong appreciation for the value of time horizon in risk management and alpha generation. Noting that being sufficiently early in expressing a view on markets is not much different from being wrong, Vadim stresses the importance of implementation in achieving a successful outcome. Here we talk of trade construction that is not necessarily burdened by high carry costs. We also discuss the endogenous nature of many market risks, an area that Vadim has focused on considerably and has developed a view that crowding plays a role in market vulnerability. Now the President of Fidelity Institutional Asset Management, Vadim is highly focused on portfolio construction and the exposures that should comprise the strategic allocation of his firm's clients. In this pursuit, he's thinking about the mix of assets that, in combination, is diversifying and able to deliver attractive returns. In this context, we discuss the changing interaction between risky and risk-free assets and the need to include additional sources of diversification including strategies focused on commodities, long/short equities and potentially, digital assets.

Lastly, Vadim shares some of his thinking on the importance of diversification through strategies that have unique time horizons. Here, he makes the point that the alpha generation found in value investing takes place over a much different time horizon than does the alpha that accrues from momentum-based strategies.

Cameron Crise, Macro Strategist, Bloomberg

Armed with the power of the terminal and bringing together a gift for writing and a deeply curious mind, Cameron Crise is a macro strategist at Bloomberg, contributing pieces on the big picture topics investment professionals are wrestling with. The author of the Macro Man column, Cameron utilizes a framework developed over years on the buy-side in portfolio management roles in which managing interest rate and FX risk were among his primary responsibilities. Through our conversation, we gather Cameron's views on some of the overarching areas of uncertainty, focusing on the US interest rate vol surface and what it tells us. In this context, Cameron emphasizes the degree of uncertainty – via elevated options prices – embedded in the shorter maturities of the curve, ultimately a result of how much work the Fed has ahead of it. We talk as well about pricing incongruities and here he notes that the equity market multiple has not contracted nearly to the degree elevated inflation would imply it should. Lastly, Cameron points to curious differentials in the Euribor versus Eurodollar curves. Here, he notes that even as forward prices suggest the US may shift from an aggressive tightening cycle to actually easing in 2024, the Euribor curve implies ongoing tightening during this period. According to Cameron, The ECB has never actually hiked rates as the Fed was actively cutting, as is priced in 2024. Something to think about.

Puneet Kohli – Assistant Vice President, Fixed Income and Derivatives, Hospital of Ontario Pension Plan

With a background in math and inclination to embrace complexity, Puneet Kohli has always found managing capital in the derivatives market both interesting and challenging. And at the Health Care of Ontario Pension Plan, Puneet is also finding meaning and purpose in his work. Sitting within the Fixed Income and Derivatives team at HOOP, Puneet helps play a role in delivering the pension promise for 350,000 front line workers within the 110 billion dollar defined benefit plan.

In pursuing this, HOOP employs a derivatives centric risk management process that is quite sophisticated, more resembling a US hedge fund than a US pension fund. Through our conversation, we learn more about how Puneet thinks about capitalizing on risk dislocations, utilizing the edge in HOOPs long dated capital and strong balance sheet but also incorporating the lessons provided by markets that are subject to episodes of extreme volatility that result in a significant liquidity shortfalls. With this in mind, we talk about liquidity management and also about playing defense through the search for negatively correlated assets. Here Puneet discusses rate contingent puts on the S&P 500, a trade that embeds short equity, short bond and long volatility exposures, all while achieving a healthy discount to vanilla put structures.

Lastly, we reflect on market vol episodes including the global financial crisis, the blowups experienced during March 2020 and also the Meme stock up-crash of early 2021. I hope you enjoy this episode of the Alpha Exchange, my conversation with Puneet Kohli.

Jon Kalikow, President, Gamma Real Estate and AFC Gamma

For Jon Kalikow, more than two decades of experience in the derivatives and converts market provided important lessons on risk management and the reality that even well-designed trades rarely go strictly according to plan. Our conversation explores lessons imparted by Mr. Market, both during the Dotcom bubble and the Global Financial Crisis. In the former, efforts to strip out the optionality embedded in convert positions were stymied by basis risk across markets. And in the period leading into the GFC, Jon grappled with the burden of option carrying costs, even as his firm was well positioned with long convexity on subprime and US financials.

Today, Jon is President of Gamma Real Estate and AFC Gamma, a public REIT in the cannabis space. Through our discussion, we learn more about the risks and opportunities in real estate lending through Jon's lens as a creditor. Noting that lending has a similar economic profile to equity put selling, he contrasts the two by drawing attention to the complex decision-tree required to "take delivery" in a real estate transaction, something Gamma ultimately did in 2017 after a borrower defaulted.

Next, our conversation explores credit extension in the cannabis industry. We learn more about the unique regulatory issues in the space and how Jon and his team evaluate borrowers in seeking to construct a diversified portfolio of loans. We learn more about the differences in state regulations and how that impacts AFCG's appetite for lending. I hope you enjoy this episode of the Alpha Exchange, my conversation with Jon Kalikow.

Robin Wigglesworth, Editor, FT Alphaville

With a curious mind and keen desire to learn how things work, Robin Wigglesworth has always found the complexity of financial markets fascinating. Now the editor of the well regarded Alphaville markets blog, Robin has been with the Financial Times since 2008 and through this period he's covered episodes of crisis in traditional markets, and more recently, within the cryptocurrency realm. Robin shares his perspectives on how vastly the terrain has shifted in the delivery of financial media, pointing to the emergence of Twitter as a source of important information. In Robin's words, "journalism is best when it is quite heavily criticized".

The balance of our conversation is about Robin's excellent book, "Trillions", a deep dive into the history of index funds and the massive growth in passive investing. Through his work we learn of the key developments and the key people whose contributions led to the juggernaut that is passive indexation today. Laying out the early academic research that called into question the notion that active management consistently generated alpha, Robin walks through the initial, inauspicious attempts to create vehicles that simply bought the market. With a view that the massive growth in passive investing is a very positive development, Robin reflects on some of the risks. In addition to the proliferation of questionable ETFs, he cites concentration – among the money managers, among the index providers and even the proxy vote advisors – as considerations to keep an eye on.

Devin Anderson – Co-Founder, Convexitas

Over a 15-year career at Deutsche Bank, Devin Anderson watched the pendulum of risk swing. Developing solutions for clients during the ultra-low vol period before the GFC, through the crisis itself and then again during the relatively benign periods of its aftermath, Devin has observed the tendency for modern markets to lurch from quiet to chaos. In the process, he's had a front row seat in how various hedging strategies have performed and why. We explore the poorly timed decision by Calpers to unwind its hedging program just before the Pandemic related market sell-off in 2020, a discussion through which we learn more about Devin's co-founding of Convexitas, an overlay manager working with clients to efficiently hedge risk.

In Devin's view, the "why" of tail hedging is clear: to realize explosive gains in down markets that can be used to fund purchases of newly cheapened assets. The hedge vehicle should generate and deliver cash at the right time and because of this, structure and implementation become important parts of the product. Next, we explore the VIX, the ubiquitous but also poorly understood metric. Here, Devin differentiates between products like vanilla index options that have convexity with respect to spot prices and those, like VIX options, that are written on vol itself. Both serve important roles but require different monetization game plans. I hope you enjoy this episode of the Alpha Exchange, my conversation with Devin Anderson.

Vishnu Kurella – Macro Portfolio Manager

Trading convertible bonds on emerging market underlyings in the pre-GFC period, Vishnu Kurella quickly learned that even indices can experience enormous daily moves. A macro portfolio manager who evaluates opportunities through the lens of optionality, he shares the lessons learned from trading through the frequent episodes of crisis that characterize modern markets. In this context, Vishnu emphasizes liquidity and the implications for being able to unwind trades without excessive friction. In his rendering, open-mindedness is also a critical part of the risk management process. Here, it becomes important to continuously look for shifts in the macro risk regime and to be prepared to re-underwrite existing exposures as appropriate. From here, we jump to considerations in trade implementation and seeking to overlay an expected distribution of outcomes relative to that which is implied by option prices. Lastly, we talk as well about the current risk climate, one in which equity markets have been punished by inflation and Fed policy uncertainty. Vishnu shares his views on the pressure points. Noting the incredibly favorable environment for corporates in 2021 in which both base rates and credit spreads were extremely low, he sees something considerably more fragile now. I hope you enjoy this episode of the Alpha Exchange, my conversation with Vishnu Kurella.

Andy Constan – Founder, Damped Spring Advisors

Market prices are impacted by a host of forces including changes in the economy, in earnings and in the stance of monetary policy. For Andy Constan, flows carry great import as well. Hitching a ride to Wall Street in 1986 at Salomon Brothers, Andy was part of a group that contributed to the Brady Commission Report, the post-mortem on the calamity that was the '87 stock market crash. In this context, he shares his views on episodes in which flows into or out of an asset disrupted the equilibrium of supply and demand, leading to shocking movements in price. Among them, Andy describes the April 2020 negative price in front month crude, a short-lived but intense dislocation resulting from mechanical ETF flows. In furthering the discussion on liquidity, we explore the 2010 blow-up in the long dated SPX variance swap market, a trade that Andy ranks among the most attractive he has seen in his career, a result of an extreme imbalance in supply and demand. Our conversation then shifts to the present day of risk and the work that Andy is doing at Damped Spring Advisors, a research firm he founded in 2019. On his mind is the market's capacity to adjust to a regime of higher rates, the factors that may leave QT more or less impactful and whether Fed policy ultimately leaves money tight or not. I hope you enjoy this episode of the Alpha Exchange, my conversation with Andy Constan.

Bill Birmingham – Chief Investment Officer, Osprey Funds

Amidst the ongoing tumult in the digital asset space, it was a pleasure to welcome Bill Birmingham, the Chief Investment Officer of the Osprey Funds, to the podcast. Originally trained as a lawyer and then transitioning to a role in portfolio management in the traditional hedge fund space, Bill shares his views on many aspects of the crypto landscape, at once excited by the potential in blockchain innovation but also on guard for a further leg down in prices. Our conversation explores his early interest in digital assets a decade ago, fascinated by the programmable features of smart contracts and the similarities to what he'd observed in his study of law. We also spend time reflecting on the recent systemic risk in the meltdown of LUNA and the contagion impact of the 3AC default. There are lessons to be learned here and work to be done to create a more robust system. Specifically, the recursive leverage that is enabled through Bitcoin as an electronic bearer asset needs to be managed if the overall system is not to become too leveraged. Looking forward, Bill and his team at Osprey see promising innovations in the NFT space and opportunities to deliver exposures to end users on a cost-efficient basis

Mike O'Rourke – Chief Market Strategist, Jones Trading

As Chief Market Strategist at Jones Trading, Mike O'Rourke spends his time studying price, flows and policy and the complex interaction among these factors. Getting his start in the mid 90's as the tech bubble was gaining momentum and both the Asian Currency crisis and LTCM event would occur, he's gained an appreciation for how impactful flows and crowdedness can be on asset prices in both directions. The study of markets is complicated by agents of price agnostic demand. Here Mike points to the era of activism and transparency among Central Banks in the post GFC era of disinflation. He makes the point that this period of inflation shortfall was likely driven by a 20 year cycle of globalization that has largely ended. In the aftermath is persistently high inflation and far less forward guidance from major Central Banks. Presently, Mike sees the potential for more downside in markets, especially as financial conditions, while off their lows, could need to tighten considerably more in order for the Fed to push inflation lower. In terms of the tail risks on his radar, Mike worries about a multi-year unwind of excess resulting from the stimulus that went into the market in the period after the Pandemic. He also fears a potential showdown between Central Banks and market prices, especially the ECB and the BoJ.

Mr. Blonde – Independent Market Strategist

Legendary investor Stanley Druckenmiller has said that the "best economist he knows is the guts of the stock market." For Mr. Blonde, an industry professional who has served in both sell-side and buy-side roles focused on risk management and equity strategy, few statements ring truer. Our discussion explores the framework he has developed through various market cycles, one that evaluates a collection of metrics both across and within markets, ultimately aiming to gain an edge in the probability of future outcomes. In this context, we discuss his role on the buy-side at a large long/short fund where he was charged with helping the chief risk-taker to better understand the macro climate and how it might serve as either a headwind or tailwind for fundamental security selection. We review a few key events when the macro and micro diverged. Here, Mr. Blonde cites the very low vol period in equity markets during the first 7 months of 2015 that masked important signals at odds with this stability, specifically the ongoing sell-off in crude and a widening of credit spreads. In August of '15, this stability was quickly undone as the VIX ramped to 45 when China quasi floated its currency.

We finish our discussion with his assessment of present-day risk and reward and the interplay between the Fed, rates, inflation and the relative performance of style factors. In his view, disinflationary forces could re-emerge on the other side and give rise to a new cycle in which benign Fed policy and low rates again support the growth stocks that worked well during the prior cycle. Before that, however, investors will need to contend with the potential that financial conditions need to tighten a good deal further. I hope you enjoy this episode of the Alpha Exchange, my conversation with Mr. Blonde.

Gargi Chaudhuri – Head of iShares Investment Strategy Americas BlackRock

Getting her start in 2001 as the TIPS products was just a few years old, Gargi Chaudhuri has been a market participant in inflation-linked securities for more than 2 decades, a time over which she's developed expertise in a product that has become front and center to the unique risk dynamics of 2022. Our conversation first explores the evolution of the TIPS market, from its early days where even a small notional trade could impact pricing to today when large institutions are assuming and reducing inflation exposures and, of course, the Fed is non-trivial presence in the market. In this context, we discuss the relative prices of TIPS and nominal bond prices and the real yields and break-even levels derived from them.

Here, Gargi points to potential areas of distortion, citing the rapid rise in 10 year real yields from -100bps at the start of 2022 to as high as 80bps in early June. While disruptive, this repricing does pave the way for finding value in the asset class. We next discuss Gargi's work at Head of Investment Strategy within iShares at BlackRock. With the mantra that "staying invested is the North Star", she walks through the exposure shifts that can reduce volatility and drawdowns during bear market periods. Here, she discusses using "min vol" as well as other defensive sectors like healthcare that have good pricing power amidst the regime of elevated inflation.

We finish by exploring the topic of decision-making under uncertainty and hearing what Gargi is more and less confident about. While feeling good about the various frameworks her team has built to understand inflation and flows, she is less sure about the changing Central Bank reaction function to incoming data. I hope you enjoy this episode of the Alpha Exchange, my conversation with Gargi Chaudhuri.

Alfonso Peccatiello – Founder, The Macro Compass

Fearing deflation and eager to sponsor growth post the GFC, Central Banks around the world became a near permanent fixture in markets, gathering vast stockpiles of risk free assets. Few were more impactful in determining clearing prices than was the ECB. With this in mind, it was a pleasure to welcome Alfonso Peccatiello, founder of the Macro Compass, to the podcast.

Our conversation is one part retrospective, looking back on the period between 2013 and 2019 when interest rates in the Eurozone descended to shocking low and negative levels. Alf shares his views on the trade-offs in seeking favorable risk-adjusted carry in such a low rate regime, making the point that it's important to identify and understand the capital that serves to sponsor the trade along with you. We touch on some of the unique political considerations for risk assets in Europe and here, Alf looks back on a shock to Italian markets that materialized in May of 2018 as fears advanced that a Euro-skeptic government coalition could seek to abandon the Euro.

We also survey the uncertainties today, focusing on the risks that may result from nominal yields in Italy approaching 4%. From Alf's perspective, while there is plenty of negative sentiment, one can argue that the price of risk does not fully reflect the degree of economic and financial vulnerability resulting from the combination of inflation and the risks of energy prices.

Lastly, we touch on Alf's efforts at the Macro Compass, the newsletter he launched to share his insights on the big picture of risk and to play a role in financial education. I hope you enjoy this episode of the Alpha Exchange, my conversation with Alfonso Peccatiello.

Joanna Gallegos, Co-Founder, BondBloxx

Launched in 1993, the S&P Depository Receipt, or Spider, will soon turn 30. Over these 3 decades, the ETF product landscape has grown tremendously both in assets under management and in the increasing breadth of risk profiles that can be accessed. Credit-focused ETFs have seen particularly robust growth, with products like the HYG reaching an asset size in the tens of billions. And with this in mind, it was a pleasure to welcome Joanna Gallegos, co-founder of ETF creator BondBloxx, to the Alpha Exchange.

Spending her 20 year career in the design and production of exchange traded funds, Joanna shares her perspective on the inputs that have been critical for providers to deliver products at such scale. Here, she cites the operational efficiencies developed by passive index money managers in the years preceding ETFs. Our conversation turns to fixed income ETFs and the founding idea of BondBloxx, a suite of products designed to provide more targeted credit exposure based on both industry and rating. Launching with 7 sectors that comprise the BofA high yield index, BondBloxx products may be to the HYG what ETFs like the XLF and XLK are to the SPY.

We finish our discussion with some of Joanna's views on the efforts to motivate career development for females in finance. She's benefitted a great deal from female mentorship in her career and now, in a very senior position, draws from these positive lessons in advocating for professional in the early parts of their career. I hope you enjoy this episode of the Alpha Exchange, my conversation with Joanna Gallegos.

Hugh Hendry, Founder of Eclectica Asset Management

We live in unique and highly uncertain times. Rates and FX markets - especially in the developed world -are experiencing volatility at levels associated with crisis. Central Banks are confronting an inflation problem not seen in decades and risk doing too much or too little. And the intersection of market prices and geopolitics is especially fraught. Against this backdrop, it was a pleasure to welcome Hugh Hendry to the Alpha Exchange.

The founder of Eclectica Asset Management, a fund he ran from 2005 to 2017, Hugh is now a developer of high-end properties. But he's also spending a lot of time reading, thinking and reflecting. Our discussion reviews his time in asset management and his focus on original, uncorrelated trade construction. While sharing some of his success in spotting convex trade opportunities where the consensus broke, he also looks back on the long cycle of post crisis QE as a vol suppressor.

With respect to the set of risks today, Hugh is keenly focused on China and presents a sobering analysis of vulnerabilities associated with an overvalued property sector and FX exchange rate adjustments. On the latter, he believes a cross-rate that should be watched is that between the Japanese Yen and Chinese Yuan. Lastly, in contemplating extreme scenarios of "what-if", Hugh sees value in an extremely long-dated, far out of the money call on the S&P 500, a trade that could be explosive in a regime in which inflation, rates, volatility and nominal asset prices surge.

Dennis Davitt, Chief Investment Officer, Millbank Dartmoor Portsmouth

Dennis Davitt has spent more than 3 decades in option markets. Getting his start in the crude pit on the NYMEX, he soon thereafter moved to equity derivatives, a product he's run risk in across both the sell-side and buy-side through many cycles. Through our conversation, we learn of the strong appreciation for liquidity – especially as it relates to dynamic products like options – that Dennis has gained through the many vol events he has traded through, especially during his long tenure running equity derivatives at Credit Suisse.

In his rendering, it is from these episodes that we see two consistent outcomes emerge. First that investors become overleveraged and second that books wind up mismarked in some way. Here he cites the concept of “liquidity delta”, a metric that incorporates the impact of one's own presence and that of similar participants in markets. Impressed by the efficiency of prices in US listed option markets, Dennis sees little obvious opportunity to extract arbitrage profits. Instead, he sees option markets as a vehicle to produce an intended risk outcome.

And here, we shift to the work that Dennis is doing as CIO of Millbank Dartmoor Portsmouth, a firm he founded in 2020 to provide a risk managed equity alternative through an options overlay. We explore the factors driving the flat skew in S&P 500 options as Dennis contrasts today's setup versus that which drove the famous XIV blowup in early 2018. I hope you enjoy this episode of the Alpha Exchange, my conversation with Dennis Davitt.

Alpha Exchange Retrospective Episode: 35th Anniversary of the 1987 Stock Market Crash

Welcome to a special episode of the Alpha Exchange, one where we look back on the historic event that was the 1987 stock market crash. We review the seismic crash in prices that occurred 35 years ago, on October 19th, 1987, when the DOW and S&P 500 fell by 22.6% and 20.4%, respectively. It was a day that the VIX, would it had it been a calculated index at that time, would have closed at 150, almost double the level reached during the GFC and Pandemic. It was the realization that selling could beget selling, not just because of the psychology of fear, but because of mechanical trading strategies that exist in markets. We review this truly important day in financial market history through the lens of podcast guests. Along the way, we'll contemplate the lessons learned and the lasting impact of the crash.

Maziar Minovi, CEO of Eurasia Group

A teenager in Iran during the 1979 revolution, Maziar Minovi experienced first-hand how disruptive the impact of politics can be on economic security. Motivated by this personal experience he would pursue a PhD in international finance and economic development and ultimately find his way to the investment industry in the early 1990's, just as the Tequila Crisis was underway. Maziar shares early lessons learned from navigating the complicated world of sovereign debt, recalling Russia's decision to simultaneously default and devalue in 1998.

Our conversation shifts to present day issues and the work Maziar is doing as CEO of Eurasia Group, where he spearheads a team delivering deep dive analysis on geopolitical risks. Advising some of the largest investors and corporations globally, Maziar has sought to overlay experience gained over 25 years in markets, asking always, "what's priced in?". First, we talk inflation and the resulting election turnover of political parties that occurs more frequently when inflation is high.

We also discuss geopolitical hotspots around the world. Among them, Russia, China and even the US. On China, Maziar worries that the commitment to Covid Zero will prove costly from a growth perspective and that debt sustainability considerations should not be overlooked. On the US, as midterms approach and the 2024 election cycle comes into view, he and team are concerned about vulnerabilities in the present day framework of elections.

Dan Corcoran, Founder and President, Volos Software

For Dan Corcoran, a fascination with option pricing began in high school. By college, he was coding up pricing models and trading strategies in MatLab. Compelled by the multi-dimensional set of inputs driving prices, in 2014 Dan set out to found Volos, the financial backtesting and consultancy firm he is now President of. Dan shares with us his love for ski jumping and the manner in which dynamic calculations – of wind speed, snow quality and lighting pitch among them – must be made, sometimes instantaneously. Likening this to option trading, he notes how quickly investors must react to changing risk parameters in derivative securities. Our conversation explores both the power and pitfalls of harnessing data to generate insights on trading strategies. Dan asserts that no strategy can be static but rather investors must respond to the reality that the market's risk profile evolves over time.

We turn to some of the results generated through the Volos engine as Dan shares the counterintuitive result that even through the GFC, investors would have been better off not engaging in certain hedging strategies like put spreads. The Warren Buffet saying, “price is what you pay, value is what you get” may be applicable as the sky-high price of options through that period reduced the value of the insurance payout. Lastly, we discuss benchmarking, a feature well entrenched in traditional markets like stocks and bonds, but nascent to option strategies. Here, Dan is both optimistic and excited that efforts to create benchmarks can lead to asset growth in derivative-based investment strategies. I hope you enjoy this episode of the Alpha Exchange, my conversation with Dan Corcoran.

Robert Dannenberg, Former Chief of Central Eurasia Division, CIA

Market risks come in all shapes and sizes. A good starting point might be to categorize them as economic, financial or monetary. But increasingly, and unfortunately, geopolitical risk is a threat that must be closely monitored and understood. And in this context, it was a pleasure to welcome Robert Dannenberg to the Alpha Exchange. Spending his entire career as an operations officer in the CIA, Rob served in various leadership positions, including as both chief of operations for the Counterterrorism Center and chief of the Central Eurasia Division.

With two tours of duty in Moscow, he faced off against Russian counterparts and in Rob's words, his role was to “steal their secrets and break their stuff”. Our conversation is primarily focused on the Russia/Ukraine conflict and in gaining a better appreciation for what drives Vladimir Putin. Here, Rob asserts that while perhaps deeply flawed, Putin has a highly convicted interpretation of history, citing a speech back in 2007 in Munich where he laid out a list of grievances about the West.

To gain a more complete picture of the conflict in Ukraine one must also understand the developing partnership between Russia and China. Rob tells us that Putin and Xi don't just share a strong common world view but are close friends committed to pushing back on Western hegemony. And with respect to China specifically, Rob absolutely sees the Taiwan situation coming to a head as Xi is determined to achieve what he views as a legacy issue of reincorporation with the mainland. If geopolitical risk is most often more bark than bite, Rob's perspective makes a strong case that global developments are increasingly complex and must be paid close attention to. I hope you enjoy this episode of the Alpha Exchange, my conversation with Robert Dannenberg.

Seema Shah, Chief Global Strategist, Principal Asset Management

Originally trained as an economist and now the Chief Global Strategist at Principal Asset Management, Seema Shah spends her time looking at the intersection of fundamentals, technical, and valuation. Our conversation first considers the low growth, low inflation era that persisted post GFC but pre-Pandemic and here Seema distinguishes between strong economic expansion and favorable market conditions. Of course, the opposite has been the case in 2022, as the Fed has been forced to tighten at an exceptional pace and asset prices have suffered amidst strong growth.

Noting the importance of watching Central Banks, Seema asserts that you have to recognize when they are in the process of making a mistake, something that became increasingly apparent as 2021 progressed. We turn to inflation. Seema stresses the importance of labor market tightness, how it leads to wage growth and how that imposes challenges on the Fed's mission to reduce inflation.

With a view that price pressures will persist and that policy rates will remain higher for longer, Seema and her team are steering clients toward defensive positioning with respect to inflation, focusing on commodities and exposure to infrastructure plays like toll roads and airports. We close our conversation by considering China, where Seema asserts that the transmission of policy stimulus has been impaired by Covid Zero. While the path to reopening is surely uncertain, global growth could see a strong positive impulse at some point in 2023 if lockdown restrictions are eased.

Scott Peng, PhD, Founder and CEO/CIO, Advocate Capital Management

Armed with a PhD in plasma physics, Scott Peng was doing next generation research on rockets for NASA before joining First Boston. He soon became engaged in the derivatives market, spending time as well at Lehman Brothers creating structured notes. We first consider some of the notable debacles in this product set, like Procter and Gamble and Orange county, outcomes that Scott sees as the result of shortfalls that end users had in understanding the risks they were ultimately taking on. Seeking to close this gap, Scott wrote "The Structured Note Market", a deep dive into the financial engineering that underpinned the creation of these products.

We next turn to Scott's time at Secor Asset Management, running portfolio solutions and working with global pension plans on asset/liability risk. Scott shares his perspective on the recent blow-up in the long-dated Gilt market, stating that in some ways this was an accident waiting to happen given the mismatch in duration exposure required and that accessible through the cash Gilt market. The balance of our discussion is spent on Scott's work as CIO of Advocate Capital, a firm he founded in 2016 to deliver risk mitigation solutions to investors. Part of this product suite is the RRH ETF, a vehicle designed to protect investors from rising rates through a combination of exposures that serve as cost effective proxies for being short duration. Scott shares his framework for implementing a multi-asset set of strategies that profits when interest rates rise.

With Scott's view that inflation will prove sticky and that the terminal funds rate will be higher than currently priced by the market, investors need to be thoughtful around portfolio exposures like RRH that may cushion the blow of higher rates. I hope you enjoy this episode of the Alpha Exchange, my conversation with Scott Peng.

Please see rrhetf.com for more information on performance and disclosure data for the RRH ETF.

Mary Childs, Author, “The Bond King”

In the world of bonds, few firms are as powerful and enduring as PIMCO. And few investors are as storied as Bill Gross whose impact on active fixed income trading and risk management has been substantial. The “Bond King”, by Mary Childs, is a compellingly researched and written book on these two subject matters. Through hours of direct conversation with Bill Gross, discussions with many of the significant players at PIMCO and a careful recounting of some of the most consequential events in market history, Mary presents a story that began in the early 1970's, reaching a tumultuous unwind in 2014.

Through our discussion, we learn of Mary's first interaction with Bill Gross, finding herself at Bloomberg as a reporter and on the wrong side of communicating a p/l number he took issue with. Motivated to bring the less well understood world of fixed income to life, she set out to chronicle the founding of PIMCO and its tremendous growth under the leadership of Bill Gross. Along the way, we learn of clever arbitrage trades from the 1980's, we revisit the global financial crisis and we get an inside look at the personalities that formed a culture both intense and deeply committed to research.

I hope you enjoy this episode of the Alpha Exchange, my conversation with Mary Childs.