Investing Lessons from 40+ Years at the FT & Bloomberg - With John Authers, Senior Markets Editor at Bloomberg

Simon Brewer
If I said that in today's conversation, our guest is a classical singer who has performed in Carnegie Hall and in choirs for singers such as Cecilia Bartoli and Luciano Pavarotti, you might think that's a change of tune for the Money Maze Podcast. If I said that he is a British financial commentator and author who spent almost three decades reporting at the Financial Times, including being Global Head of the Lex Column before moving to Bloomberg as Senior Markets Editor and overseeing Points of Opinion, a highly regarded and consumed piece of daily research, you might know I'm talking to John Authers. So John, welcome to the Money Maze Podcast.

John Authers
Thank you very much for that very kind introduction. I'm very glad to be here.

Simon Brewer
I've followed you, I've read you for as many years as I can count or recall. You've actually been the centrepiece of lots of people in the markets for such a long time. The word iconic might be overused but you've been with us on the journey as we try and make sense of some stuff we're going to discuss today. But a very serious question. When you were at Oxford, I read that you were captain of your college University Challenge team that earned the record for the highest score in any round of the competition with 520 points, and then you lost in the final. How did you feel?

John Authers
Going straight to a weak point. In hindsight, going back over the years, the record was just so glorious and such a ridiculous one-off freak occurrence like Bob Beamon's long jump record. We scored 520 and the previous record was 425. But to some extent, it did help that the opposition were very disheartened by the rehearsal and went to the Granada bar in between. I can live with it. It's one of my very happy memories of when I was younger, and there is something even more ludicrously emphatic about having scored the highest score ever than there would have been if we'd actually won the tournaments. It's something I can happily live with. Certainly in the UK, it is generally regarded, this was whatever it was, 36 years ago now, those 25 minutes when we were always first on the buzzer and the other guys were giving up still count for more than anything I've done since in the eyes of most people in the UK.

Simon Brewer
Fantastic. Look, you went from Oxford, you did a master's in journalism at Columbia Journalism School, you have an MBA from Columbia Business School. And I guess the first question that really got me as I looked at your history is, why financial journalism?

John Authers
That's an interesting one. Journalism because I got ever more of a bug for curiosity. Financial journalism, to be honest, because it was the FT that felt the desire to give me a job, to take a chance on me. I did philosophy, politics and economics. So I certainly did have some training in economics. I was much more interested at that point in politics. My first breakthrough into journalism was actually with The Daily Telegraph on American politics. I had spent time with an organisation called Congressional Quarterly, which I think has never been subsumed in something else. But I had spent a long summer in Washington phoning up state parties about how they were going to be running their caucuses and primaries the following year, so deep in the weeds of what was going to happen in American politics. And I managed to parlay that into getting the arrogance of youth or you're so young, you don't know what you don't know. I said to the Telegraph, 'Can I help out, please,' and they said yes. So journalism was a bug that came on quite early. Financial journalism, the FT very kindly decided they wanted to hire me, and since then, it's a glove that has steadily fit better. Once you begin to get, most people enjoy doing things they're good at and most people enjoy doing things that others recognise them to be good at, which largely speaking is where I am with what I've been doing as a financial columnist for the last almost 20 years now. It's come to fit better, but I think it's part of one of the things I'm actually quite lucky with when it comes to being a financial columnist is that I didn't set out as being fascinated by markets or terribly excited to try to go away and make money. I still think of myself more as a journalist trying to understand what's going on and explain it rather than somebody who is really fascinated by this and wants to show you how to make more money than anyone else.

Simon Brewer
That is interesting. I think we're going to weave a little bit into the journalist and a little bit into the markets here because you sit firmly squarely. People who are professional money managers are consuming your work every day. Clearly, you've validated what you've been doing. But in the 29 years at the FT, if I'm right, you held this position such as US markets editor, Mexico Bureau City Chief, US banking correspondent, 2010 the head of the Lex Column. As you reflect back, what was the most satisfying piece of work?

John Authers
Possibly, and this surprises people, there are two things. First of all, the crisis. I think I made the joke at the time, one of my favorite quotes is George Harrison apparently once said, if you're going to play guitar in a rock band, it might as well be the Beatles. And by the same token, if you're going to be an investment editor, if you're going to be a financial columnist, it might as well be for the Financial Times in New York from 2006 to 2009 during that whole period of the crisis. That was a very great honour in many ways and you want to be challenged. I was, and it still feels very good to have done that, to have had that opportunity and to have taken it. In terms of what was most satisfying, I loved going to Mexico, which was a very unorthodox thing when I did it. I'd already got my MBA and I'd spent three years being the banking correspondent and doing lots of stuff in Wall Street at a very exciting time, in the dot-com bubble. But I was still young enough to not be in too much of a hurry and I went off to Mexico, which was very good for me in terms of having to learn Spanish. But it was fascinating. It's a wonderful country. I got married while I was there. We had our first kid while we were there so it's obviously lots of very

positive connections. But the power and the opportunity to make a difference you have as a foreign correspondent in a country where a lot of the domestic correspondents have quite strong limitations on what they can say and when they really care what the foreign press says about them, that matters a lot. That was a real sense of being able to do something. And I think the other thing that's interesting, it's very useful to go outside your box occasionally and understand what really makes something tick. The anecdote, if there was one experience that really helped me understand what was going wrong during the great financial crisis and understand the mechanics of what the problem was, when I was in Mexico, they were still just completing their recovery from a big banking crisis. But one big thing the government wants to do is get more mortgage finance better so that the middle class could actually afford to buy houses again. So they appointed this extremely bright young technocrat with an economics doctorate from MIT who spoke English better than I did to set up this body and work out how they were going to fund prime the mortgage market. And the basic idea was he was going to go away and work out how to set up a Mexican Fannie Mae. And I interviewed this guy, very calm, very clear. He came back from months of fact-finding in the US and said the last thing on earth Mexico needs is its own Fannie Mae. And he then explained what the problems were with Fannie Mae in ways that now seem completely obvious because everything he was worried about came to pass. And the other thing that was very interesting, he said, the one thing we do need to do in this country if we're going to get the mortgage market going is we need to get credit insurance. We need to get monoline insurers involved so that it's possible to securitise this at all so that people outside the industry are going to be prepared to buy mortgages. And indeed, the monoline insurers in the US had Triple A ratings, and when they all went bust early in 2008, that was a very serious problem. It was Bill Ackman's very famous short, the initial short was on the monoline insurers. You wouldn't think it but perhaps the single most revealing moment that guided me through the global financial crisis was talking with a young technocrat trying to rebuild Mexico after its banking crisis.

Simon Brewer

Which makes me made three observations. Number one, Bill Ackman is we hope appearing in a couple of months' time so we're looking forward to that. Number two, I am old enough and I was on a call yesterday listening to the case for Venezuelan debt and restructurings to remember buying the [inaudible] in '94 when I was doing a little bit of fiddling around as an investor. And the third thing which we often ask at the end, but I have to ask you right now is if you were advising a young person as to which geography they should start their journalistic career in finance, where would you tell them to go?

John Authers

I think time in emerging markets. First of all, I have lots of younger - it's one of the more pleasant parts of my job is that they asked me at Bloomberg and they did at the FT to mentor younger journalists, which is a very rewarding thing to do. They all think that a year is a long time because they're younger. I think I used to think that too. Telling people you don't need to be in too much of a hurry and take the opportunity to actually understand an emerging market before moving on. I think a lot of the best journalists I've known both at Bloomberg and the FT were people who did spend a good solid few years in slightly more funky out of the way places. China is a very difficult place to cover these days. Latin America, Spanish and Portuguese are that much easier to conquer. That's a pretty interesting concept. I

think the whole of India, the Indian subcontinent, is under-covered and a seriously fascinating place. But it's when you work in places where you can't rely on institutions to work or when those institutions don't exist that you understand how important they are and you have a better grasp of how things like 2008 happened, how that went as badly wrong as it did. Go to the emerging markets young men and young women.

Simon Brewer
Great. So that takes us back and we'll come back to the great financial crisis because in 2010, you published 'The Fearful Rise of Markets', a short view of global bubbles and synchronised meltdown. And one of your conclusions, which was of course related to the Greenspan put that we started I guess all the way back in Y2K and '99, it led to artificially high levels of price correlation. And my question is, has anything happened to diminish that?

John Authers
On the specifics of the correlation, yes. On the perverse impact of what you might call the Greenspan put, whatever you want to call it, the prolonged intervention to keep yields low which was, as it turns out, only in its infancy when I wrote that book, that continues in a very big way. Some of the correlations you see, a lot of this has to do with the changing role of China, that China no longer can be guaranteed to raise and raise the entire complex of other emerging markets and of commodities in the way that it once did. And you see some very startling carry trading going on at the moment. But similarly, at one point, the lower the VIX, the lower volatility in the US stock market, the stronger the Brazilian real would be. It was a very clear relationship. The Hungarian stock market tracked almost perfectly with the Korean. I had a lot of fun finding all these examples back in the day. The extremity of the way the world behaves as one has diminished I would say. That said, if you look inside individual markets, and particularly stock markets, the growth of passive investing, the growth of ETFs has definitely led to there is much more need for top-down analysis these days rather than classic Lex style, looking at companies and working out whether they're too cheap or too expensive. So much is now happening from top-down decisions which are reflected through ETFs and can have very extreme strange effects when they finally reach the level of individual stocks and bonds.

Simon Brewer
Before we leave that, would therefore the conclusion that I can take from your observation be that whilst global macro hedge funds have largely been out of favour for 20 years, is that you would want to be, if you're an allocator, thinking, looking, exploring them more?

John Authers
I think you have to be. That said, it's very difficult. The ways to actually try to make money to do better than a 60/40 portfolio, it is very difficult to do that. Even though there are many problems with the 60/40 portfolio, it is very difficult to do that. One is to have the guts to be a concentrated stock picker. Only buy stocks where you're really confident that they're going to go up a lot because everyone else has it wrong. And another, yes, is to really try to fly ahead of the macro. Work out what you know that others

aren't getting about the macro. Also, not exactly easy. And I guess the same is also true with stock timing. I've learned it is a very serious impediment both to stock pickers and to macro asset allocators.

Simon Brewer
I'm going to unfortunately be able to pose that question to Scott Bessent in a few weeks, who of course was Soros' CIO. He says he really likes to focus on the one or two big macro trades that could run for a while so I'm hoping to be enlightened.

John Authers
If you're George Soros, you have the confidence to do so. Very few of us actually have the testicular fortitude to do the kinds of things that George Soros has done over the years.

Simon Brewer
So before we get to that 60/40, in 2018, you wrote a really good piece, ‘Investment lessons from 12 years of writing The Long View’, and you had some really important takeaways. Can you just summarise them, and also, would you add or subtract any today?

John Authers
I don't think I would subtract any. That was my final Long View for the FT and I looked at how a mutual fund that I'd bought with proceeds of a prize 26 years earlier from being unit trust journalist of the year, how that had done, and basically, it hadn't done that badly at all. In fact, it more or less matched the FTSE and compound interest meant that it was worth a lot of money. The big thing, and I think this is the critical point, is that if I had been more diversified and hadn't focused only on the UK, which I did, I would have made vastly more money because the US, which is not exactly a high-risk place to place your money if you're a Brit, did vastly better than the UK did. So that's one key element is you do need to stay diversified. Another one I think is that timing is ultimately close to impossible. So if it's your own money, go with the discipline of rebalancing. You will at least therefore be selling stuff that has recently risen a bit and putting more money into stuff that might be relatively cheaper, and that's a good, clear discipline. You're not going to buy on March the 9th, 2009. You're not going to take all your money out of cash and put them into stocks just when the S&P hits 666. That's just not going to happen. If you continue to do dollar cost averaging, if you continue to rebase every three months or so, along the way, you're going to buy some stuff cheaper, and that's about as much as you can hope for. I also think that, in line with what I was just saying, markets aren't efficient, but they're efficient enough that it's almost impossible for a human being to be confident they can beat the markets. So I do think despite all the problems, I'm concerned about passive investing. You have to put passive investing, passive investments at the core of any portfolio. Another point that I will admit that I have probably over the course of my career been too bearish. I don't necessarily mind that too much in that there are plenty of people out there talking to my readers who have an incentive to be too bullish. But I do think perhaps I should have a health warning at the end of a column saying remember, it's always risky to be out of the market. You should be in stocks most of the time. So that doesn't mean that I'm comfortable with hype that a lot of other people get, but there is a risk involved or an opportunity cost involved in not being in the stock market. And even when I'm being fairly negative about the stock market, I don't think you should be out

altogether, that even in 2008 kept some money in. At least it was there when it hit bottom. I suppose the final thing for what I wrote then which I certainly still agree with is that many things are more important in life than finance, and very few of us can not worry about money at all. Such is life. But you can automate, you can just give yourself a clear enough structure and get it working following some fairly straightforward rules so that you worry about money that much less and get on to enjoy the things in life that are truly enjoyable. I had a fascinating time writing about the markets for the last 15, 20 years compared to the various good times that have come along bringing up kids and so on. That's what matters.

Simon Brewer
So that leads us to the 60/40, 60 equity, 40 debt, cornerstones of long-term portfolios. Then we move into an extraordinary era that none of us of a certain age could have predicted where super cheap money becomes the norm and alternatives and the industry surrounding it mushroom. I had a question from a gentleman called Hugo Capel Cure who works at Rothschild in London, and he said, 'Can you make the case that certain alternatives can replicate the risk-adjusted returns of bonds despite their illiquidity?'

John Authers
I have friends who've made exactly that case. There's the idea that, hedge funds, you can just take a look at the standard deviation, you can work out how volatile they are and what their returns are, what they're correlated with, and then you can just buy futures to mimic even George Soros' Quantum Fund. In terms of liquidity, mimicking what you can do with a 60/40, one of the people who most impressed me that I've come across, I've been lucky enough to meet David Swensen who ran the Yale endowment for many years and passed away from cancer last year, sadly, and I think he's a genius in many ways. His genius was to spot the opportunities of investing in illiquid assets. The efficient public market is difficult to beat. Inefficient ones, you can beat. He has Yale's assets tied up in things like forestry, private equity, hedge funds. The man's impact is immense. My wife went to Yale. When she goes on reunions with her friends, they just can't believe what's happened to the physical stock of the campus. It's a vastly richer place and it shows and it makes a difference. That said, in 2008, he actually needed to borrow money because he was so illiquid that he wasn't actually able- there are a certain amount or proportion of an endowment that has to be paid out each year, and he wasn't able to do that without borrowing. And a number of other big endowment funds found themselves in the same position. For conflict of interest reasons, I don't invest. I don't do any active investing myself at all. The one share, individual share I have, my coffee cup is actually a coffee cup for Lewes Football Club. I was brought up in Lewes and they have a community share scheme so I am a shareholder in Lewes FC. If I make a penny out of it, I will be flabbergasted and I might even be angry with the club. So anyway, I avoid doing those investments and I think that's necessary. I do sit pro bono on the investment committee of the endowment of my old college and that has been a fascinating experience. It’s a very useful experience. One of the things is that it's taught me the importance of liquidity. Even if you are a 700-year-old Oxford college wanting to make investments for the very long-term future, you do actually need to be able to get the money and to be confident to get the money and actually looking at the terms under which you get into some of these longer-term investments at an institutional level. It's quite useful for me that I get to see how the

investment banks pitch themselves to potential clients rather than to journalists this way. I think it probably is possible to answer your friend's question to mimic 60/40, to mimic bonds in a less liquid way. I'm not sure I want to try doing it, not to the extent of making it the backbone of a portfolio.

Simon Brewer
So that makes me think two things. One is that when I was at Morgan Stanley many years ago, I helped manage the Magdalen College Oxford portfolio so we saw a lot of those challenges. But I guess the real question behind my question on 60/40 is in this explosion of private assets and now a return to a more normal cost of capital, if you were sitting there with a clean piece of paper, would you be pretty sceptical about how much you wanted to allocate to that space?

John Authers
Last year was a historically unbelievably bad year for 60/40. It was the kind of year that if you'd looked at the previous 100 years, you would have said it was pretty much impossible for 2022 to happen, for both bonds and stocks to fall as precipitously as they did together, and that even includes 2008 where at least bonds by the end of the year cushioned a little bit of the pain from what happened to stocks. So plainly, there are risks in 60/40. You need to go beyond that rigid way of looking at it. The experience with alternative assets, this is again my probably pretending to be too negative or too bearish, but I think my experience so far with alternative assets is actually not that different from classic experience with mutual funds or whatever. There is return chasing. It looks like it's something much more academic and well-reasoned, but in fact, hedge funds boomed in the years before the financial crisis because they actually made money In the years that the dot-com bubble was bursting. The stock-picking hedge funds worked out to pile up on out-of-fashion stocks and short the heck out of dot-coms and they actually made money during the bear market, which was utterly fantastic and it meant far more money went into them than they had capacity to manage, and then they stepped on a rake in 2008. Apart from a few very famous examples like John Paulson, most of them lost every bit as much money as you'd have lost in your mutual fund. I think something similar may well be afoot with private equity. Its leverage after all. Leverage has been ludicrously cheap for a long time and the industry has done a very good job of getting itself to be kept as opaque as it possibly can get away with. Again, private equity, you can come up with all these good arguments for why it should work, and obviously, David Swensen exploited that beautifully. But I think there again, we are seeing return chasing, people piling into the sector because it's done well and that will probably mean that there is more money in there than it can handle and that will underperform. Similarly, again, having lived through long-term capital management, there are lots of very short bets in bond markets, but something can go wrong as it did. It was not that implausible an event that Russia reneged on its domestic debt in 1998. That was the domino that led to long-term capital management melting down. That's a point I perhaps should have mentioned in 2018. I think the concept of the black swan has been taken far too far and any number of things that really aren't black swan events are being dubbed as black swan so people can try to excuse themselves for losing money. Just be worried about all the rather menacing white swans flapping around and be more careful.

Simon Brewer

Yes. And actually, just before we leave Swensen, I think what is often forgotten is that he did have access to some of the cream of the crop early on who are not available to many of those who have followed. So there is a skew or a bias that just is forgotten in the excitement.

John Authers
There's more to David Swensen than first-mover advantage. But first-mover advantage is a big part of why Yale did as well as it did for as long as it did. He also had very good people around him and really interrogated people looking to pitch him for money. And he also had similar to Warren Buffett actually in a way that there came a time when if you were a hedge fund or a private equity guy, you wanted Swensen to give you some money because that would look so good and help you raise money from others. So they would offer him preferential terms in the same way that Buffett can often get preferential financing terms in the deals he makes because of his role. It's just well done. The man, even if his ideas weren't perfect, was something close to a genius. You and I can't do that at all.

Simon Brewer
Correct. So every day or nearly every day, you are authoring really typically very interesting, insightful stuff that has people reading your column and your team's work. Tell me a little bit. How do you go about finding the stories you want to cover?

John Authers
A big part in the morning is about subjecting yourself to the firehose of information that's out there and trying to survey the territory as quickly as you can. Lots of people send me emails. I flick through that anxiously, as quickly as I can and I try to see if any patterns are emerging. I think the Bloomberg terminal, not wanting to sound like I'm plugging my employer, but the Bloomberg terminal is a very useful equaliser. I can quickly go through seeing where different markets have reached. I can see things that are sticking out and follow that a little while and quickly see if there's a clear explanation. 'Oh, my God, what can possibly be moving that stock in that direction? Ah, it went out to dividends? Forget that.' But you can use the terminal to scout that way very quickly. I talk to a lot of people. I know who I trust basically from years of getting to know people and having an idea of who is honest and who is smart. I'm very lucky at the moment. I have Isabelle Lee who is my current partner in crime, one of the cross asset team reporters at Bloomberg. She's a Filipino. She's 30 years younger than me, she has a very different perspective, she talks to different people, and that has been very useful for me. That helps ensure that I don't become too dependent on the same people with the same group think. When it comes to really deciding what I'm going to say, again, one rule of thumb, and this was before I started at Bloomberg, I was at the FT, it was if you're going to explain something, you have to explain it in your own words. You have to be able to get at why this matters and explain it for yourself. If somebody spins you a tale or you read, somebody has a note that's very interesting, if after about 10 minutes sitting in front of a Bloomberg screen I can replicate it, I'm confident that A, this isn't just data mining, and B, I understand how it works. And then I can move forward. If somebody spins me a story and I put in all, apparently, the relevant data into the terminal and I just can't get the picture to look anything like what was spun to me, either it's too highfalutin or dishonest, but either way, I don't understand it and so I'd better not write that, I better not follow that. I do think one of the secrets to my success such as it is, is I do try always to

start from the principle of, do I understand this? How do I explain this from first principles using logic? And I think when you have the confidence to do that, it does become a lot clearer to people out there. That would be the final stage of making a decision. And then obviously, sometimes huge things are going on in the market and you know that you're not really going to be doing deep analysis, you're just going to be doing your best to explain what just happened. And sometimes it's actually more interesting when there isn't all that much happening in the market, then you can try to have fun, ask where you want to rove the spotlight to.

Simon Brewer
How do you judge when you've got it wrong?

John Authers
Which is quite a lot of the time. Wrong in the sense of making a prediction that is completely negated, that will basically happen with the wisdom of time. If I've actually made a factual mistake, I will know about it very soon because I've got over 100,000 subscribers who get it in their email inbox in the morning, most of them pretty well-informed themselves. So if I've said yields when I meant prices, I will know about it, and it's slipped through the editors, which it’s unlikely to do. But when that inevitably happens, you make some kind of silly absent-minded mistake like that, I will know about it very soon. Unlike with Lex where you're actually criticising companies and you really did have to worry about legal matters, they have the money and they have the incentive and they will try to sue you if they possibly can. The field in which I'm writing, at least I don't need to worry about litigiousness. I think the other area that is a new feature of journalistic life since I've been involved is the online lynch mob, which is much more aggressive than it used to be. One of the big benefits of moving from the FT to Bloomberg was I took my FT following with me and then I've added a lot more via Bloomberg, so there's a lot of people out there, comments below the line, Twitter, now known as X, etc. If you say something that people dislike, I was a sceptic about GameStop and I got immense amounts of abuse about that. If you're sceptical about crypto, but also from a different generation, if you're sceptical about gold and silver in particular, those have come to have almost cultural-political significance. When you're writing about those particular subjects, you're generally very well aware of how much aggression is out there, and it does make you tread carefully. I hope it doesn't make me avoid crypto or gold or meme stocks or whatever. But you do know that if you get something wrong on one of those topics, you're going to know about it. My skin is reasonably thick and my column is rather than me, but no, I do not like being slagged off on social media, nor does anybody else. It's something you do want to avoid.

Simon Brewer
Let's just talk about financial innovation. You and I have been patrolling the streets of finance for long enough to have seen lots of things, or shiny new attractive at various points in time, and it was the late Paul Volcker's aphorism, wasn't it, that the greatest development he'd seen in finance was the cash machine. So in terms of innovation, have you actually seen anything that you would say that's really helped our world?

John Authers

Amazingly, I was going to give you that exact - he didn't say it was the best, he said it was the only innovation of finance in his career - so that's how Luddite curmudgeonly Paul Volcker was. In terms of innovation, again, I have issues with it. But I do think index investing, particularly as Jack Bogle, another one of the- we just mentioned Paul Volcker, then we get on to Jack Bogle, another one of the phalanx of really great people that I was very privileged to meet while they were alive. I do think that the index funds has made a great deal of differences. It's meant that a lot of people spend less money on fees. It's shaken up the active investment world. That is a great idea. It's not a flawless idea. In terms of other innovations that have really made a difference, it's interesting how many things end up being the same as the last idea. I get into trouble with this but I don't care. I am a free market hero. I care about liberty more than I do about most things. But I do think you should save people from shysters out there who are trying to rip them off because there are a lot of people out there trying to rip people off. One of my first stories, big stories at the FT, was a personal pension scandal, late era Thatcher reform where people were just mis-sold outrageously if you remember. Firefighters, miners, leaving copper bottom salary schemes for very charge-heavy index-linked stuff that was terrible. And I do think therefore some degree of paternalism, some degree of helping people through the wilderness does make a lot of sense. I guess the innovation I really think would make a difference and people are trying to come up with it but it's still not going to be good is to replicate the defined benefit pension plan without actually paying for the guarantees, coming up with something that is close enough to what it offers and the way it behaves through a DB plan that people can treat it the same way. Such plans are very healthy for the body politic and for the economy and they allow for much longer-term thinking. And if they work that well, they also release a lot of people from financial fear. Target-dated funds aren't the answer, but they're an attempt at it and so on, and a lot of interest in portfolio ideas around improving on 60/40 are similarly trying to get at that idea. That is the innovation I would like to see. But in general, no. I suppose we could also talk about ESG, which is a whole other thing, which is a fascinating development, but I'm not sure it's an innovation that has really been as positive for humanity as the ATM.

Simon Brewer
So you've written extensively on ESG so I'm going to think I'm going to let our listeners and watchers go to some of your very good articles that I have read ahead of this meeting which talk about- will get under the bonnet very well. If you were to offer one sentence on your view of ESG, what might it be?

John Authers
One sentence on ESG is, there is no particular reason why you shouldn't invest on the basis, or taking into account, the environmental, social and governance factors, and opposition to it is extremely overdone, but the positive impact that ESG can have is greatly exaggerated and a lot of any attempts to really do any good with ESG have been vitiated by the way it has been used to try to save the fund management industry.

Simon Brewer
That's very good. That's one long sentence with seven commas, but very good. Now, culture, you have been one of not that many people to have worked in the UK and therefore seen Europe up close. You're in the US so you're right there in the thick of it. There's a lot of criticism that's directed at Europe and the

UK, but because I'm sitting in the UK, more of it. Peter Harrison, who's been a guest on the show CEO Schroders was quoted in the Sunday Times saying the UK has become a socialist country with a capitalist system. And Emily Hohler, who is political editor of MoneyWeek had a question, which is, 'What do you think can be done to reverse London's decline?'

John Authers
London's decline as a financial centre?

Simon Brewer
Yes, and I'm going to add my own, in parenthesis, which is, is it actually just being over-egged because the US has been in a turbocharged superboom and so these things are cyclical and have a way of sorting themselves out?

John Authers
On culture, I go back far enough. Margaret Thatcher was still running the UK when I started at the FT, so I've seen a fair amount of different things. Does Europe deserve all its criticism? I get more pragmatic and practical about this as time goes by. You yourself specialised in economic histories. There's more than one good way to run an economy and there is no perfect way. The postwar welfare state corporatist consensus worked brilliantly in Germany, and to a lesser extent, the other continental European countries for three, four decades, and then it ran out of puff. The Thatcher-Reagan much more libertarian approach worked brilliantly for two or three decades and then ran out of puff, and we're searching around for another model that will work reasonably well. But plainly, the German corporatist model is not functioning very well. And the mere fact that there's a real chance people are going to vote for Donald Trump to come back as president next year in this country wouldn't be possible unless people are very unhappy with the way the economy is going here even though the US has been the home to some remarkable innovation over the last quarter of a century and even though its stock market is more dominant than ever over the rest of the world. Now, in terms of London coming back as a centre, I think the decline of London can be overstated because its previous assent was overstated. This was one of the things I was at the FT, I was based in New York, but I would come back three or four times a year. And in the run up to the crisis, 2006, '07, '08, people in London thought London had overtaken New York and would talk smugly about how I was usefully coming to London to catch up with what was really going on to the heart of things, which was a tad concerning right there. And it was very noticeable that in the US from early '07 onwards, everybody knew there was a crisis on. Didn't know how bad it was going to be, didn't know which banks were going to go bust, all that, but everybody knew there was a crisis. Bulls would admit that this was a serious credit issue that was a huge challenge to the economy, and it would dominate conversations. And in London, there was no sense at all that things were in any way difficult. It was quite bizarre. It was like I was going two years back in time or as though these people just weren't plugged in adequately. I can remember all the suggestions that there should be statues of Sarbanes and Oxley outside the London Stock Exchange to commemorate their role in forcing people away from the US. Excitement about the AIM market, which basically never made money for anybody other than the people launching companies in it. The rise of London was overstated in the first place and plainly in part owed to the eurozone and the euro, that it was this very handy place that you could trade with Europe

very easily without actually being in the eurozone. So in terms of bringing it back, note that it is still almost as dominant over foreign exchange trading as it's ever been, and that's a big deal. That's the one big area which is a problem being based here in New York. The real genius, the real hardcore of setting of foreign exchange happens on London hours, in London for the most part. That advantage hasn't been lost. In terms of the stock market, that went away a long time ago, and it ain't coming back. In terms of other elements of the financial system though, you do have the great advantage that there is such a big pool of skilled labour already there and there is still no clear one place to move to in continental Europe. I've often wondered why Amsterdam isn’t building business better. Everybody there speaks English anyway, it's a pleasant place to live. Paris has its issues, people don't want to move to Frankfurt, etc. Dublin is too small. There is no one place that is attracting attention away. Thirty-odd years ago when I joined at the FT, there was a lot of discussion about London versus Frankfurt. Hard to imagine now. The enemy almost was Frankfurt and the FT was very proud to have a Frankfurt edition. That was our first foray outside of London. It just launched when I arrived there. There isn't any one single European centre. I don't think London boomed as much as it thought it did and I don't think it has declined or will decline as far as people believe it has. Finally, I'm still the person who worked for the Financial Times for 29 years, Brexit probably wasn't a great idea and reversing it would probably help London's status as a financial centre. I can't bear to see the country go through what it would require to agree to rejoin the EU, so I'm not necessarily proposing that. But yeah, there are a lot of people who bemoan the decline of London who voted for Brexit and I don't have much sympathy for them. The importance of Brexit can be hugely overstated, and it is in both directions all the time. But plainly at the margin, if you care about London's status as a financial centre, it would have been better to stay in the EU. Anybody who argues otherwise is just silly. That would have helped.

Simon Brewer
And actually, I was reading what I think is a really terrific book written by I think they're both ex Bloomberg or maybe still our commentators, which is, ‘The World for Sale’, about the world of commodities. I think it is a brilliant read. And I just wondered to myself whether the rebuild of Ukraine, the ongoing redevelopment and development of the world isn't going to make the supercycle in commodities lying ahead quite interesting as an investor, but also where do the metals trading sit, and it isn't in Frankfurt, is it? A lot of it's in London.

John Authers
It's in the LME still, yes, and what happened with Nickel last year. Javier Blas and Jack Farchy wrote that book, both of whom were colleagues at the FT and both of whom preceded me moving on to Bloomberg. That is brilliant. Javier you built up his network of contacts in the commodities trading business while he was still at the FT. I actually went to one of the conferences that the FT ran on commodity trading, and it's extraordinary. There are these vastly powerful people who nobody ever hears of and who nobody ever writes about. It was really frightening just to think this is what's going on in the world and I knew nothing about it. When I was head of Lex, I spoke to a nameless mining executive. When you do these interviews, you have a PR person at the side and he gave me anecdotes about various Latin American dictators he'd done deals with to build a railway to his mine. Very Machiavellian, off the record, unfortunately. And then when I asked about another form of money, he

said, well, that's never been profitable. The only time we ever made money was in South Africa and that was only because we had slave labour there. The PR guy didn't look terribly happy that he had just said that to the head of Lex, but it was off the record so I'm not telling you who that was. Believe me, there are quite a number of people in the commodities business who might have said such a thing. Getting onto the world of commodity cycles, yes, that's one of the things that I've come to understand better and better as years gone by how important that is. Just because it's not directly analogous to OPEC in the 1970s, that told us something that happened to the world in the '70s. And certainly, you can make a very interesting argument that the world is going to grow a lot because of the move towards battery technology, electric vehicles. Anti-climate change is a big issue and political issue in this country. Most of the rest of the world thinks they have to get on with it. That's going to lead to some very interesting issues with a very odd array of countries that control the supply of some of those new vital commodities that weren't vital before; cobalt, lithium and manganese. So that's a fascinating topic and I do think there is every chance that we do have another commodity supercycle taking shape, which is probably good for the emerging world at the margin and not so great for the stock market and for the US relative to the rest.

Simon Brewer
John, I've got a few closing questions which are, first of all, we rate you, people rate you, you have 100,000 people reading your things every day. Who do you rate? Who do you go to as almost if you were only going to be reading two or three people, who would it be either reading or listening?

John Authers
Jason Zweig of The Wall Street Journal is probably my biggest competitor. He writes The Intelligent Investor, which is a take on one of Ben Graham's books. I like the guy immensely. I've been bumping into him for 25 years. I have total respect for the man. He is very, very good, very calm. He came up with one line that I ended up having to copy because I couldn't improve on it, that was his job offering investment advice was basically to write the same thing 50 or 100 times a year and hope the editors didn't realise. And to some extent, that's true. There really is a simple core of things that a responsible investment writer needs to get across. He has now switched to management at Bartleby at The Economist but Philip Coggan was probably the single most important mentor in my years at the FT and I succeeded him writing The Long View. He was at Buttonwood and now he's at Bartleby and I would always trust him. The other critical mentor who I will always trust is Martin Wolf, who has been through a fascinating, fascinating intellectual journey over the years I've known him and he has moved, he has had the courage and the decency to change his mind and admit that he's changed his mind. People treat him as though he's a London version of Paul Krugman and he certainly wasn't always that. He often would talk to me to sound off ideas and that was really a privilege. He came across as very opinionated. I was a little scared of him at first. But in fact, he's a very human person who does learn from experience. Obviously, everybody who works for Bloomberg Opinion, and Rob Armstrong who I actually hired to write the Lex who took over my old newsletter at the FT, and he is a brilliant guy. That's my list of people you should read or follow.

Simon Brewer

Fantastic. Now, if you were comparing the culture at the FT and the culture at Bloomberg, what might be either the one word you described about each of them or the difference between each of them?

John Authers
They're actually much more similar than I would have thought. Just for context, Bloomberg News started a few months after I started at the FT, at a point when the FT had just celebrated its centenary. The thing they have in common is that they're genuinely global and that they are very much more anxious to get things right than to make any particular point basically because both of them totally depend on people trusting them. I'm not going to talk about this in great detail but when you get issues like the FT on Brexit or Bloomberg with Michael Bloomberg's presidential candidacy, that is difficult for them simply because it is important to be seen to be honest and impartial. That doesn't mean both sides, it means honest and clear and accurate. It's fascinating how similar they both are. It's also fascinating how global they are. So there's a lot of Americans getting lots of very multinational places. Bloomberg is an extraordinarily global multinational place. If there is a difference between them and one which makes Bloomberg much more, the thing that Bloomberg does have is scale and it's well enough managed to use that scale. So the sheer number of reporters who are well-versed at Bloomberg is incredible. In the FT, it was about being a small group of I hope very good people, and it's still very good people, still a good product, during their best by their smarts to stay ahead. In Bloomberg, there is this massive resource, this massive reporting machine that I can access and still after five years learning how best to access it. The sheer number of Bloomberg journalists who have CFA qualifications and MBAs is quite remarkable. So there are far more people again, because of scale, ultimately because a business model that is working better at the moment than the business model of a legacy newspaper is working. But there are far more people at Bloomberg that actually look me in the eye and tell me I'm wrong, which after you've written The Long View column and headed Lex at the FT, the number of people who are going to tell you you're wrong is beginning to get smaller. There's plenty of people at Bloomberg who will tell me I'm wrong, and that's very useful. I think that at this point, the big difference between those two organisations is scale and the ability to use it. That was what was most appealing was that this was the kind of resource that could really helped me cover markets and I will never regret the wonderful years I spent at the FT learning how to be a journalist, but it's been fantastic putting that to work.

Simon Brewer
The last two questions, John. You've met lots of people on your travels. Who haven't you met yet that you would like to sit down and eat with?

John Authers
In terms of people I really have not met at all, there really aren't. I've been lucky. I suppose he's still around and he's a very entertaining guy and it is possible quite a lot of listeners won't recognize the name Peter Lynch, who was not a case of Fidelity, the face of classic mutual fund active management at a point when it was possible to make much more money that way than it is now and grew Magellan Fund to be the first $100 billion fund. The success he had cannot be argued away. Something he was doing was quite brilliant and he got out when he was ahead. He's an interesting guy. There was one press conference where he said a few words but I've never actually sat down and talked to Peter Lynch. And

I'm not sure it's possible to do investing the way he did it, and make money anymore. It might still be a very good way for an individual with time on their hands to try to manage money. So maybe Peter Lynch.

Simon Brewer
He was the man. Of course, he said that the most important day of the week for a portfolio manager was Saturday, because then you went out and you asked retailers and people working how their business was, and that was when discovery really happened.

John Authers
It was fascinating the way he approached things. He looked for ideas in the real world and then looked for investment opportunities to help him make money from what he was seeing, which is nowadays known as thematic investing. You'll get 100 stocks and there'll be correlation swaps to help you benefit from this theme or whatever. But he did say he just owned stocks. And the other thing he said, which I think was one of the points I did make in my 2018 farewell note for The Long View is know what you own and know why you own it. And I expanded that slightly to know what you know and know what you don't know. If you don't know why you are holding on to something, what are you up to? And I think that feeds to one of the biggest issues with the way passive investing and benchmarking were effective markets. Thirty odd years ago, people would say they owned a stock or they didn't. Now because they are benchmarked so tightly against the market, the index, they'll say they're overweight or underweight something and then that leads to the utter absurdity that if you're underweight, if you're linked to the FTSE and BP and Shell are something like 70% each of the FTSE, whatever number is, it's a huge number. If you basically don't think BP is a very good company and you don't want to own it, you're still highly unlikely to just not have any of it at all. You're going to be underweight. So you're in a weird situation where because you bet against it by being underweight, you want this stock that you own to do badly, and that is a problem. That is the kind of problem that Peter Lynch's straightforward active investing long-only didn't run into.

Simon Brewer
John, the final question. I opened with this fact that you are a classical singer, you performed on stage with some greats. What does singing give you?

John Authers
Singing in a choir is this wonderful sense of coming together with so many people to make something. The whole is greater than the sum of the parts, particularly when it comes to playing in an orchestra in a large concert hall. Classical music is much more exciting than people think it is and it's certainly very exciting when you're in the choir right behind the timpanist and the brass and watching the conductor make these hundreds of people in front of him act as one. So that's very exciting. Singing solo, which I don't do that much, but again, it's personal, it's fun. There's this sense of connecting to people. There is a natural human urge, if you go to a football ground, it'll seem easy enough to burst into song. You could also argue there's a natural human urge to dance. I'm a terrible dancer and a pretty good singer. This sense of wanting to release, getting the heart of what's going on inside you out there and sharing it is a deep human emotion and one that I enjoy greatly. So I suppose the other thing, I'm not good at sports,

never have been. I happen to have a pretty good voice. It feels good to do something that's different from the rest of what I do, that's not intellectual, but that allows real expression. Anyone out there who wants to try singing, you may or may not be lucky enough to have a good enough voice to get as far as I did singing. It's fun and I think everybody needs something like that in their lives.

Simon Brewer
John, you've got, obviously, a great voice but you've had a great brain and pen and you have provided investors and other followers of the markets with insights for a long, long time, so keep doing it. Your piece for those listeners who haven't, Points of Opinion is really good and I've been taking it long before we ever connected. So thank you for coming today. I normally summarise some of the salient points that I've tried to absorb. I've written down quite a lot, but I'll just take two. One is if anybody is listening or knows somebody thinking about journalism, go cut your teeth in emerging markets because there are the information dislocations, or as you said, you can't rely on the institutions to work as well. So I thought that was very good advice. And a recent point, which is as we think about our portfolio, what do you own and why do you own it? Dot dot dot. John, thank you for joining us today and good luck in the future and it's been great chatting.

John Authers
Mutual. Thanks for having me.

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