the art of boring™

EP39 | Trader Talk: Every BEEP matters

00:40 **Rob Campbell**

Episode 27 of the Art of Boring Podcast was our first of the trader talk series, or what I hope will become a trader talk series, featuring Merv Mendes and Peter Dmytruk.

Today, it's the second in the trader talk series. Here in Toronto we've got Jeff Wilson. Jeff joined the firm in 2013 and I guess mainly trades North America—or the Americas?

01:03 **Jeff Wilson**

Yeah, at this point in time. Historically, it was a little bit different. I had my hands in kind of all of the pots. But at this point in time I've got a little bit more of an Americas focus.

01:10 **Rob Campbell**

Okay. A little more "times on" focus.

01:12 **Jeff Wilson**

Exactly.

01:12 **Rob Campbell**

Jeff, I think what we want to do today is really just go back to first principles and understand what is the role of the trading desk. As I think about it, you're just implementing the research team's investment decisions. How would you describe the role?

01:27 **Jeff Wilson**

You know, I think you actually nailed it there. Obviously the role is execution. We're in the markets executing, trying to help our clients put on and take off positions.

We're trying to do it with the least amount of impact possible, as well as just managing the total cost of spend, and achieve best execution. Best execution would be basically getting an "all in" best price. It's kind of a generic way that the market likes to think about best execution.

But internally we do take that view of: we want to implement the investment decision. So, we really focus on that piece of the execution—saying, what we want to do has to be in-line with what the point behind the investment is.

02:05 **Rob Campbell**

So the research team says we want to buy or sell a certain position, a certain stock. They may impose some constraints—in terms of limits as to what prices they might be comfortable at—but it's really at your discretion to then go and execute that on behalf of our clients, is that right?

02:19	**Jeff Wilson**	Yeah, that's probably, again, a good way to put it. Every situation is going to have a very different kind of risk/reward profile, and it is our job to understand what that risk/reward profile is for that specific investment. And then the intraday executions—what venues and brokers, a lot of that selection—comes down to the trading desk to make that decision.
02:36	**Rob Campbell**	I guess the overall goal here is to generate positive outcomes for clients. But I think it's actually really interesting the way that we started this is that may be your goal, but that's not really your focus. Your focus is really on the implementation given that the outcomes are kind of out of our control.
02:51	**Jeff Wilson**	Yeah. I think ultimately what brings us here today is the framework that the trading desk has built out, and we've called it "every BEEP matters." So, BEEP is kind of cheeky way of referring to basis points in the market. We're saying that every basis point matters. In our framework we use the acronym B-E-E-P: Best Execution, Education, and Process. We believe on the desk that in order to achieve the most consistent amount of positive outcomes, you can't actually impact the outcome, but what you can do is impact the process that develops outcomes. So, we said well, what can we do, how can we do it, and how can we build a consistent and reliable way to give us the best chance at these positive outcomes?
03:29	**Rob Campbell**	Okay, and maybe just stepping back as well—it seems to me that another important driver of why this framework was put in place in the first place is this idea that we're investing with a long-term investment horizon for our clients, but you guys on the desk are in this soup of daily noise and you're having to make decisions in real time based on what's happening right now. So, can you talk a little bit about reconciling those super short-term oriented forces that you live in, with this five, ten-year investment horizon that we're really trying to achieve for clients?
03:59	**Jeff Wilson**	I think that's the largest challenge we have to go through, as you mentioned—we are in the middle of all noise. It's every tick in a market, every penny move in a stock…we see it, we observe it. Sometimes it can look like a very drastic thing to us, when in the scheme of it, it's probably not going to mean a whole lot to the client's outcome at the end, over a ten-year horizon.

But on the short-term, if we can continue to pick up every one of those pennies along the way, it's going to add up to greater long-term returns for these clients.

So, the reconciliation between that short-term and long-term is probably our biggest challenge consistently. It would be any trader's challenge at an asset manager with a long horizon—you're trying to take short-term waves of information and decide: is it going to create sustained price movement? Or is it going to be temporal price movement? Do we need to continue to participate and buy or sell the stock into these price movements? Or can we actually take a little bit of a pause and achieve a better outcome by pausing?

Trying to do these things is really how we generate that additional alpha and pick up those extra basis points. However, we have to make sure that what we're doing is not actually impacting the long-term outcome for the client. And that's where the reconciliation point comes in and why we always execute even in the short-term with the idea that the decisions must be driven by the implementation of that investment idea.

05:22 **Rob Campbell**

Okay. Hence, the need for the framework. I think this idea that every situation is different, every point in time might be different...this idea that it's more art than science is maybe a good segue into the first of the three elements of the framework: best execution.

I know you talked about it a little bit earlier, but ... this seems like a really important concept in the world of trading. Can you maybe elaborate a little bit further as to what that is?

05:45 **Jeff Wilson**

I can try! The world and the market have tried (a lot) to define exactly what best execution is in a lot of different scenarios. I think what that has led to, is a little bit of a murky definition. You seem to get a little bit of a different story depending on who you speak to about this.

I did a quick internet search to see [if] I [could] find the best definition online, the legal definition of it. It was like: to many, it is defined as achieving the "all-in best price on a given trade." In more legal terms, "providing the most advantageous execution of an order given the prevailing market conditions."

06:20 **Rob Campbell**

So, does that mean all-in best price?

06:21 **Jeff Wilson**

I'd say...my story on best execution has a slight different variation on that. I do view best execution more as the process, not the outcome.

		It seems as though the market defines it as the outcome—what is the price, and is it the best all-in price given the conditions? Whereas I think we look at best execution as, a little bit more inclusive of, the process that leads us to. Because you can't always control the outcome.
06:46	**Rob Campbell**	Or the trade in its entirety, right?
06:48	**Jeff Wilson**	Correct—at the parent level as opposed to the intraday.
06:51	**Rob Campbell**	Yeah, not just the current conditions, but the entire trade that you're trying to put in place for clients.
06:55	**Jeff Wilson**	Absolutely. So I think when you look at those in two different ways, you have best execution on a child order or a small—like if I have 20,000 shares of something to buy, and I go buy 100 in the market today—I want to achieve the best price at that point in time. Best execution for that 100 shares is the all-in best price. But when I look at the 20,000 shares, the likelihood I can get it all at the best price is very slim because every order impacts the next order. So, ultimately, we're looking for the positive outcome for the parent level and trying to marry that to the best execution of all-in best price at the child level.
07:30	**Rob Campbell**	What are some of the elements that go into that? You hinted one of them is just size of the order. I imagine things like liquidity of stock, the pace at which, or the urgency of putting in a trade…
07:41	**Jeff Wilson**	Anonymity is probably really important for larger scale orders when you're trying to maintain the parent. Being an asset manger who manages money on behalf of clients; scale when we come in and aggregate orders across all of our clients…they can have some time sizeable impact compared to average daily volume in the market. So, we need to be very cognizant about who gets that information and understands that we're coming with an order. I'll use 20,000 shares [again] as the number. If the stock only trades 5,000 shares a day, well, that would be four-days worth of volume. We wouldn't want someone understanding that we have four-days worth of volume to be purchasing, because that might incentivize others who have a

shorter term nature than us to go out and try to arbitrage a small profit from us, and unfortunately then cause us to pay a higher all-in price over the life of that trade.

So we're trying to manage that as well as just simple market impact. If the market is rising, a rising tide lifts all boats. That would ultimately be increasing the price we're paying. So, if it's a rising market and we're buying some stock, we might want to consider increasing the participation rate of that so we can hopefully over the life of it achieve a lower average price than what we would have if we went slower. (If the average tide is lifting.)

08:46 **Rob Campbell**

Got it. And one of the things we'll probably talk [about] a little bit later is just how embedded you guys are in the research team and how well you know the investment thesis. I imagine that that can have an impact on the way that you would approach a specific trade and the way that you go about seeking best execution.

Do you have instances of where you've taken a really different approach regardless of market conditions, but with this idea that we talked about [of] getting [the] best all-in price for a trade and for the investment thesis in its entirety? Do you have examples of where you've really taken different approaches for different stocks?

09:18 **Jeff Wilson**

Yeah, there'd probably be lots of examples because we are doing this every day all day across the globe. One of my favourite ones—because it shows such a drastic [...] contrast between the two investments—would have been our initiation for the global small cap team on Softcat, the software company listed in London.

Ultimately, we viewed that company through our research process as top core tel company in our Matrix. It was an A1, high-quality company at a high potential return, so we viewed this as a really, really strong investment [and] assumed that it could be a top position in the portfolio.

So, when we had initiated the first position, it would have been a disservice to the research that was done if the trading desk decided we want to work this one a little bit slower to minimize our impact in the market.

Trying to pick up the penny as opposed to taking the additional liquidity might have been the wrong decision in that case. So, the implementation on that turned into a significantly more aggressive one. We were willing to cross the spread in the market to buy a little bit of liquidity, we were offered liquidity up the market, we were willing to pay for that.

10:25 **Jeff Wilson**

So, we continuously had impact on the price, but we also, ultimately, were able to put on a position for the global small cap team that was in line with that investment thesis given they thought the company potentially had a long runway.

Any time you're trading something, you're going to be looking at the way-off between price and time. You either have to take price risk, a.k.a market impact risk, or you have to take time risk. If I buy something slower, it increases the time risk—that something could materialize with the company or the market that provides a change in price. Or we take the impact risk, which is as I buy and take liquidity out of the market, the price generally resets.

Think of the supply and demand curve and simple economics—as you take additional supply out of the market, the price generally rises. So, that would be the other approach.

In this case, we prioritized liquidity over time and said we're willing to take more impact risk than the time risk.

11:19	**Rob Campbell**	So this was not the Investopedia definition of best execution. This was: hey, let's impact the market a little bit, but build up a significant position because we really think this is a great quality investment that could run. Because I guess the trade-off there is, well, maybe you pick away at it and instead of getting a 5% or 6% position in the stock, you only end up with a 50 basis point position and the stock doubles and you've lost out not just basis points, but meaningful return impact for clients.
11:46	**Jeff Wilson**	Absolutely. We're trying to buy a company at that point in time and put a position on in a company—not necessarily just trade around in the stock.
11:52	**Rob Campbell**	Right. So where have you taken the opposite approach?
11:54	**Jeff Wilson**	The one I remember most vividly was an initiation in Swisscom, a Swiss telecom company. Effectively, the thesis on this…it was very much a government-owned entity. It almost was viewed a little bit like a Swiss bond, per se.

We had a really high dividend yield, the price changes seemed to be minimal, it had got a bit of a regulated return, so it was a very safe, steady company that was consistently growing with a high yield.

With that, one of the biggest returns we expected on an annual basis was from the dividend. So, if every penny we would move that stock up—that ate into the dividend yield. So there was a direct impact into the expected return because the assumptions on the growth side of it were a little bit more stable.

12:39	**Jeff Wilson**	So, with this, we were actually trying to buy income more or less. Every impact, every penny that the stock had moved and we had bought a share—it was actually a change to the dividend yield. So, we had to be a little bit more patient. We had to manage the way we traded the stock through the market. In this case, we used a little bit more low-touch paths. We were a little bit more electronic; we were using more dark pools; we were trying to be on the board but using the bit of the board as opposed to crossing spread on the offer…and we just really tried to manage the price impact. And that allowed us to—because we were willing to take the time risk more so than the market impact and price risk—we were able to draw this trade out over a longer period of time.
13:16	**Rob Campbell**	Interesting. That's maybe a great segue to the next portion of the framework, because in a lot of ways as I think about a trading desk in general…it just sort of stops there, at best execution. That's all you're responsible for. But I'm struck by the way you've described this to companies at how well you really understand the investment thesis. So the second part of the framework: education. That knowledge of the long-term thesis of our stocks is obviously a really key component of the education piece of the framework. Can you expand a little bit [more broadly on] what you mean by education? And then more specifically about what you're doing either with the team or on your own with regards to education as to specific investment thesis drivers?
13:56	**Jeff Wilson**	To the education part of the process—we have looked at and broke it down into three different categories. It was the market, it was our executions, and it was the portfolio. So, we feel we need to be very well-educated on all three of those points in order to do our job systematically and as well as we can to give us a chance for the best positive outcomes. In terms of the market, (I'll leave the portfolios to the end)…it is a very complex world out there. In the United States it's 20+ exchanges. Some are regulated, some are not. There's broker ATSs, dark pools, electronic crossing networks, algorithms…there's a multitude of ways that we can interact with the market. And to try to understand how those webs are connected is a job in itself. So we have to kind of be jacks-of-all-trades in that. We have to understand each

		venue and how they operate. And we have to lean on our relationships—our broker relationships—to help us understand those and make sure they're investing and utilizing the technology to connect to these venues best. And we test them with them.
14:52	**Rob Campbell**	This hearkens back to the last "Trader Talk" with Pete and Merv about the qualitative and quantitative elements of your job.
14:59	**Jeff Wilson**	This kind of takes us into the rabbit hole of what we like to call, "market structure." It's ever-evolving, it's a very competitive landscape. There's always someone looking to gain a small statistical edge and they use it through different rules and different order types and different connectivity and different speeds of connectivity. We have to understand that, at least at a very high-level, at a minimum, and we take it upon ourselves to try to dig in a little bit deeper because we believe the more we can understand this, the better off we are at minimizing those small-term impacts. So, that's that short-term thinking that we have to overlay in our job.
15:29	**Rob Campbell**	Got it. So that's the market.
15:30	**Jeff Wilson**	Yup, that's the market. The second part of education? Just executions. That's studying and learning what we've done, communicating what we've done, sharing those learnings around the team. High levels of communications. So, what can we learn from our past, what can we learn going forward, and how do we manage this? [That's] the executions piece. The final piece is the portfolios. One, we have to kind of understand the portfolio construction. Where does the team and the asset cost manager want to put the portfolio? How do they want to position it? What weights do they want to have? And we have to understand the companies within them. If you're going to be managing a ticket over three, four, five months at times—we have to be able to understand if there's a news event, should we react to it? Is it something we need to halt trading and get more guidance from our research team? Is it something that's not expected within our research process or is it an acceptable risk within our research process? Or is it going to be something that we have to get that additional help? By understanding at that level of detail, [again, we think] we position

		ourselves best to make the best decisions at those times.
16:31	**Rob Campbell**	So what do you guys do for that? I know that you obviously spend time with the broader research team, you attend all the asset class meetings. But is there anything else that you do beyond that? ... I guess you read the research reports—do you do anything beyond that?
16:43	**Jeff Wilson**	Yes. Ultimately, we've tasked it on ourselves to work through all of our team's research. So, as you mentioned, we do each go in and read the delta reports that the research team puts together so that we can better understand why we've invested in it, what the company is—we'll start with that. There are a lot of companies we find that we may not have heard of. So, what is the company? What do they do? How do they make money? Who the customers are, who the suppliers are...all these different things that could actually impact the price of the stock in a near-term. With that, on top of reading it, we thought that a great way to share knowledge and consolidate this knowledge would be to actually create a trader version of delta reports. (Towards the end of 2018 we thought that it would be useful.) We're not reinventing the wheel here, but what we're doing is taking what we believe to be the most relevant pieces to understand the company at kind of the skeletal level of what would impact the trade insight of it. We go through and put a blurb on what the company is, we talk about why we own the stock [and] what are the key reasons that we own it. Is it a competitive advantage they have? Is it a certain customer base, a certain product? Is it a growth? Is it a management team? [We do this] so that we can identify if there was news on one of those specific items we would quickly be able to flag as relevant to our thesis—not just a piece of news on the company. It tries to help us discern between the noise and the signal.
17:57	**Rob Campbell**	Got it. So, going back to the original driver of the framework of reconciling the short-term and the long-term, there's lots of short-term stuff that comes out every day about any given company. Your process of doing a trader delta allows you to sort of...consolidate your knowledge but also if you're handing it off to somebody else in the trading desk, what are the really key things with particular stock?

18:16	**Jeff Wilson**	That's exactly what we're trying to do—highlight those key things. It could be for me handing the order off if I'm taking a holiday; if I've been trading something and another trader needs to step in; as well as succession planning. We think about what could we be doing going into the future. If someone can step in and get a quick consolidated note, [that's] a really important thing. ... Recently enough I had to go make a trip into Europe and cover our European trading blotter for a holiday. And in that period of time since I covered Europe last, to covering it now, we've had multiple initiations in companies. I woke up in the morning to look at the blotter and said, I actually don't know a couple of these companies that well. At the time, we did not have a trader delta on them, and it was one of those things that would [have] been very useful. I could have spent the five minutes, got the quick snapshots about what's the most important factors, and then the small piece we throw in that is trading-specific (something that's specific to the stock), if there is such a thing.
19:13	**Rob Campbell**	So, Jeff, what does that look like in practice? Or more specifically, what's a recent trader delta that you put together?
19:18	**Jeff Wilson**	This one wasn't the delta specifically put together, but it was again another reason why we decided to implement the trader deltas—we had an order on our desk where we were trying to trim our WPP position. Part of the thesis (not the entire investment thesis) ... we had around the sell, was there was increasing competition in the advertising business. So, just in general, that was a concern of ours. Through the life of this ticket we actually got two data points: one that could be taken one direction or another, which was when two competitors, Publicis and IPG (Interpublic Group), actually came out with profit warnings. So, that could either be a sign that WPP was gaining market share, or it could be that the business is actually declining, which was in line with our thesis. So, it was just another data point that we probably shouldn't on this news, pull back from our sell order.
20:13	**Rob Campbell**	You actually identified: hey, as part of the thesis, there could be this decline, let's actually monitor some of their competitors and some of the news flow that's coming out for the competitors—not specifically to WPP—that might actually come back and hit WPP, potentially.

20:27	Jeff Wilson	I think from a trader's perspective, we have some screens within Bloomberg that will help us do this as well. You can hit a relative value and it pulls up all the peers. I think that's a pretty common approach for a lot of traders. But the extension on that, would go into the fact that when Google (Alphabet) actually reported [... and] reported a very large beat in online advertising. That was again another signal that this competition was heating up and it was actually being taken away from some of your traditional advertisers and moved into this online market. That was one where we believe—again understanding that investment thesis—that information came out, and immediately some of the advertising stocks had not been impacted in price, despite this very clear win from Alphabet and the advertising. So we just used that as a catalyst to say yup, continue the sell ticket, we want to implement this investment thesis, we want to complete the sell ticket, and we're getting data that says, hey, this might actually be an opportune time to do so, as the stock is not reacting or reacting minimally at this point in time.
21:29	Rob Campbell	So, at the margin, you're increasing the urgency, getting a better price because the stock hasn't reacted downwards as much as it might have at least given the news with Alphabet.
21:36	Jeff Wilson	Yeah. And I should say that that's the hope, right? We don't know for certainty that it is going to impact, we don't know for certainty whether this is actually a read-through. A lot of it is just...we continue to see some evidence (it's evidence-based decisions), and we see continued evidence, further evidence, and we respond accordingly.
21:51	Rob Campbell	Okay, neat. This is great! You're basically trying to make it as easy as possible for you guys to step away from the desk to do podcasts. That's great. Our listeners are really going to appreciate that [laughs]. So that's education. We've talked a lot about process throughout this, but the last part of the framework—process—what's that?
22:07	Jeff Wilson	Well, simply, it's the imperative part you have to do to do the job. So, there's a lot that we have to do that can be administrative in nature. Being able to get an order from an asset class manager, put it into our trading systems, move it off to the actual execution system, route orders to the market, route orders to the broker. At this point in time, a lot of that process is just held within the four of us in

		the trading desk, and there was no spot from a business continuity perspective, to say: could someone do this with a checklist? So we thought well, let's [actually] checklist what we do. So, one, there is a systematic way to say, "let's go and do this." You create the process and the procedures around it because there are a lot of gray areas in how you manage two different orders from different clients on the desk. So, let's build processes and procedures so that we can make it systematic across the firm. So, this is a lot of the less exciting stuff, but stuff that's imperative to doing the job and minimize risk. It would also include building out this framework and revising and doing the revision. So, that would kind of be a lot of what the process is. One thing we did though, within process, was we thought: one of the keys to education and to best execution was that of communication.
23:15	**Rob Campbell**	Okay. That's interesting because I think a lot of what you just said is kind of table-stakes. You'd expect your investment manager to have a clear process around how to allocate orders between accounts and those types of things. So, is the communication piece maybe the more value-add portion of process?
23:28	**Jeff Wilson**	Absolutely, it is. The communication piece—we said we would like to systematize this. We would like to hold each other accountable to a certain level of communication as a team, within the trading team, as well as within the team of research. We said okay, how can we do this? Can we schedule certain check-ins to make sure that we check-in with each asset class on an appropriate basis? What is that appropriate basis? Who should be checking in? What type of information do we want to try to absorb and share? So we tried to go through and build out some sort of systematic way that we could do this to a minimum standard that we thought gave us, again, the chances of the best outcome.
24:05	**Rob Campbell**	You talked about what's the appropriate time, what's the appropriate frequency, and what level of depth—that type of thing. So, what is it? Does it depend based on the asset class or the portfolio manager? Does everybody have their own preferences? Can you be a little bit more specific about that?
24:17	**Jeff Wilson**	We've taken certain things that are scheduled and we say, "these are

		must-attends." And then there is the sharing of that knowledge. We've got weekly asset class meetings. So, one of the traders sits in on the asset class meetings, absorbs a lot of the knowledge that comes out of there, and shares that amongst the team. Because if I sit in on a global equity asset class meeting, they might talk about stocks from Asia, Europe, and North America. So, me sitting in North America, I don't want to hold all that knowledge hostage. It's my responsibility to make sure I pass that along. So, we schedule at least one of us into all the asset class meetings. We then have a weekly investment meeting that at least one person participates in, again, to absorb the knowledge. We then have the weekly research meeting that we're also doing the same thing. It's just a lot of attendance in meetings. That's kind of on the absorption-of-knowledge side of things—to make sure we get what's appropriate so we can share that amongst the team and be prepared for whatever trades and decisions might be coming our way.
25:08	**Jeff Wilson**	Then, within some of those venues, we actually have the ability to share knowledge. So, that's when we can sit down and say, "hey, you guys are talking about this stock, here's what's been going on. Here's the liquidity situation. This is the view that the market is taking. Here is the sentiment that is following the stock." Sentiment may not be aligned with the long-term thesis, but it might provide you short-term opportunities—whether it would be a liquidity event in the negative side or positive side. So we try to share some of these things into the team as well.
25:33	**Rob Campbell**	Okay, and that could be either stock-specific or just market-specific too, right?
25:36	**Jeff Wilson**	Yeah, absolutely. So, we kind of have to have the generalist [view] of: we're in the market, if the tide is lifting, we don't want to be the one sitting back waiting for a pull back. Ultimately, you have to be able to understand the ebbs and flows of the market in the trading role.
25:48	**Rob Campbell**	Okay. So, Jeff I hope you don't feel like I'm putting you on the spot here, but—we're recording this on June 27th—if Vijay gave you a call today and said, "hey Jeff can you give me a run down on what's happening in the market? What should I really know about?" What would you say to him today?
26:01	**Jeff Wilson**	So, I'd say—because I do have ... probably almost [a daily conversation] with

		Vijay (...the morning call). Vijay, since, taking over the portfolio likes to call in, check-in, discuss orders, and just keep himself nice and close to what's happening in the market. The way that would typically work is it's usually the quick hello, we'll have a little banter back and forth where we tease Merv, then, ultimately, we get into a lot more serious type of conversation.
26:24	**Rob Campbell**	It's systematic. It's part of the process.
26:25	**Jeff Wilson**	It is absolutely systematic, part of the process that you take a little jab at Merv. But typically, my goal in this conversation would be give him a little run-down of anything that would be relevant overnight, knowing that Vijay is running a Canadian equity portfolio. So, he's probably not going to care a whole lot about Brexit, unless it's going to impact his portfolio [somehow]. But he is probably going to care about a Federal Reserve, and a changing value of the U.S. dollar, given a big trading partner and a lot of our companies have U.S. revenues. So, I'm trying to keep in mind who I'm speaking to and then give the appropriate information on the higher-level, macro-type stuff. Would then move into probably company-specific, so we can discuss whatever earnings or news come out, and I get good information on the research side and can share what we've seen on the market side of things. Then, we would roll into probably order specifics. So, talk what's on the desk, what are we trading, and make sure we're still on the same page there. So, if I was going to try to pull this one from scratch here, pulling a morning call from this morning—
27:19	**Rob Campbell**	—and start with a jab at Merv—
27:20	**Jeff Wilson**	Yeah, absolutely! So, it's probably going to be some joke about Merv's age, because he is the oldest one on the trading desk. It usually starts there. But also ... I'd probably give him an idea that yeah, TSX has been trading lower most of this week, it's down about 1.5% currently. A lot of it seems to be non-TSX related, just kind of general market weakness. This week the Fed has been kind of front and center—the market has been pricing in 100% probability of a July interest rate cut. But on Tuesday, two Fed

speakers Bullard and Powell had independent speeches at which they were talking down the street expectations from a 50 basis point cut to 0 to 25. Well market didn't seem to like that. They wanted to see a little bit more expectation around the 50 basis point cut.

So, that's had a little bit of a pull back on equities throughout this week. To me, it seemed like they were actually just testing the market to kind of see what would be expected—what is the market really pricing in? Is it a 25 beep cut? Is it a 50 basis point cut?

28:15 **Jeff Wilson** So, I think they got some feedback from the market on their commentary. The reason this one may be important for you Vijay, would just be looking at the impact on the U.S. dollar. If the market starts pricing in 25 basis points or zero cuts versus 50, you should probably get a bit of a bounce in the U.S. dollar.

If you've got some investments that you're looking at that might have a little bit more positive U.S. revenue exposure, it's a chance that the momentum is going to turn on these a little bit more favourably right now, so it would be something worth considering even though it's probably more noisy than it is signal to the portfolio. But if you had an imminent decision, it might be able to help with the timing.

There was also a small bump in stocks yesterday, and it was just sentiment around these trade headlines. So, with the G20 coming up this weekend, there are a lot of headlines running around about President Trump and President Xi sitting down and trying to figure out this trade resolution between the U.S. and China.

There was a headline about a "90% complete" and people realized: wait a minute, that's actually what they said months ago. So, you kind of had this immediate bump in stocks and then all the euphoria came right back out. This, again, [is] probably noise, however, should some sort of trade resolution come on the weekend, you might have two positive U.S. dollar factors here.

You could have a positive U.S. dollar factor from a trade resolution and both from a little bit more hawkish stance from the Federal Reserve.

29:26 **Jeff Wilson** The final thing that's probably most important directly to the portfolio and Canadian indices, has just been the escalating tensions between Iran and the United States.

That continues to increase as Donald Trump increases sanctions on the

Iranian country and individuals, and this has actually put in a really strong bid into crude oil. So, you combine that with large draws reported from the API and DOEs on Tuesday—crude has been really well bid through this week.

Brent [crude] is probably the largest benefactor of this due to the Middle East. However, WTI is catching the overall sentiment bid.

That's just something [to watch] ... given the fact we hold some companies that produce oil here in Canada, as well as it's just a major part of the Canadian index. The final piece is just the bid that's coming to gold. So, obviously with the U.S. dollar having been weak lately, gold has caught a bid, as well (as you're seeing) from the Iranian tensions.

Now, we don't hold any producers, but that's going to impact the universe from a performance standpoint. So, the call would look something like that in the macro [view]: take larger events, mention where they impact the portfolio. And then we would probably get into more stock-specifics.

30:35 **Rob Campbell**

Okay. So, I'm kind of struck by the idea that, as I said earlier, we're recording this in June 27th...by the time this podcast gets published, it's entirely possible that all this stuff is ancient history and it didn't matter, or maybe it's not!

But it is on the surface, really short-term stuff. I guess I'm trying to understand—how is that really useful to Vijay, who's making long-term decisions for clients? How is the update really useful in that sense? Can you just connect the dots there for me?

31:01 **Jeff Wilson**

Yeah, absolutely. So, when you're still buying something for the long-term, you don't just want to disregard the current price of that asset. There are still ebbs and flows in a market, and if you can have any type of systematic process to say hey, now may be an opportunity on positive or negative momentum, to make the decision that we want for the long-term, that's where the two connect.

By understanding the ebbs and the flows, trying to understand where short-term momentum may go, it can lead you if you have a long-term decision in mind—it can help with the timing of that long-term decision. That doesn't change. Crude oil being up 50 basis points or a couple of dollars isn't going to change our investment thesis on whether we should buy or should not buy oil.

But what it could do is if we were looking at actually making a long-term investment decision, it might help with the timing on when to implement that.

31:49	**Rob Campbell**	Got it. That makes a lot of sense and I feel like we're back at best execution, which may be a sign of a good framework—that it all kind of comes together. Best execution, education, and process. Jeff, thanks! That's been really great. Before I let you go, I want to ask you "One Mawer Thought." I know you and I both have kids who are around the same age—two kids, actually both almost identical in age—and so with that in mind, I guess just given your day-to-day, I'm curious how having kids has changed your approach to trading.
32:16	**Jeff Wilson**	Yeah, loaded question! Step one is they've taught me how to operate with a little bit less sleep and preparation. So my days prior to the kids—
32:24	**Rob Campbell**	Okay, so now I'm understanding why we need trader notes [laughter].
32:28	**Jeff Wilson**	[Laughs] The idea before kids, was I used to spend a lot of my evenings do[ing] a little bit of overnight Asia reading, if not Asian trading. I would wake up early, spend some time on Europe, get myself ready for work, and come in and then get myself prepared for North American trading. It was a little bit easier to move into some of the other regions for trading. At this point in time—having kids with a schedule and this much demand and lack of sleep—basically my days have become more intense because I have a lot more to accomplish while in the office.
32:54	**Rob Campbell**	I was thinking you were going to go with: you're now a little bit more better at navigating through the noise. Anyway Jeff, thanks for being on, and hope to have you on again soon!
33:01	**Jeff Wilson**	Thank you.