

Keep Calm and Carry On

Featuring: **Peter Zangari**, MSCI's Head of Research and Product Development

Adam Bass ([00:03](#)):

This is MSCI Perspectives. Your source for weekly research insights as investors respond to the COVID-19 pandemic. I'm your host Adam Bass and today is December 17th, 2020. This week, when perspectives debuted back in March, no one knew how long the pandemic or its effects would last. And as we approach the end of what's been a very long year, it seemed appropriate to take stock. And yes, I'm going to say it, gain some perspective on where we were then, how it's changed the industry as well as some of the insights that continue to help us manage through. To do this, we invited back our first guest MSCI's head of research and product development, Peter Zangari. Peter, welcome back to the program.

Peter Zangari ([00:52](#)):

Thanks for having me.

Adam Bass ([00:53](#)):

So you were actually the first guest that we had on back for our debut episode on March 20th. Huge market crisis, nobody had their feet under them, supply chain disruption was a big topic then, liquidity issues, fear of negative interest rates even in the U.S. and of course volatility. So where I'd like to begin if we could is, your perceptions of how these themes played out, where we stand toward the end of 2020 and of course, the insights that your team has provided along the way. So let's start with the importance of understanding the liquidity profile of portfolios. What did we see there?

Peter Zangari ([01:38](#)):

Sure. So over the past several months, we collectively have observed various dynamics in the markets. Anywhere from as you noted, bouts of a high volatility where there were concerns about the liquidity to a continue to see an uptake arise in equity markets. Overall, given what

the world is going through as far as markets are concerned and overall, in terms of how investments are concerned, it's more on the positive side for sure.

Adam Bass ([02:16](#)):

The markets had seemed somewhat immune to some at times stark economic realities around the world but there was still some volatility nonetheless. Could you dissect the market performance for us getting down to the factor level? What did we see in terms of the performance of equity factors?

Peter Zangari ([02:37](#)):

Sure. So, first I would draw a distinction between what we see in the market and then what we see in our equity factors because our equity factors with the exception of the market factor, are neutral to the markets. Meaning they do not necessarily move in correlation to the markets. But one factor that has really shown some very large bouts of volatility and significant draw downs, was the momentum factor especially in the U.S. That doesn't really come as much of a surprise given that the momentum factor is usually one of your more volatile factors. But it did have a very significant draw down over this period. And for those investors who bet on momentum, go long momentum for example, if they didn't have hedges in place or at least efficient hedges in place, then that had a negative impact on their overall performance.

Adam Bass ([03:46](#)):

There were signs of it, I believe from another conversation we had even going back to the summer, is that correct?

Peter Zangari ([03:53](#)):

Yes, I believe so.

Adam Bass ([03:54](#)):

Over the course of the year Peter, MSCI actually increased the amount of research it conducted as well as how some of that research was released. Let's talk a little bit about that.

Peter Zangari ([04:05](#)):

We have been leveraging or applying different types of technologies to help us develop research faster and to deliver it to market in a much more efficient manner. And these changes have been gradual for a while but I would say have really picked up over the past five years or so. And that's exciting.

Adam Bass ([04:33](#)):

Can you give us an example?

Peter Zangari ([04:35](#)):

So for example, say the way we "read" our research has changed and is changing significantly. Where we're relying more machines, more algorithms to do that rather than larger and larger teams of people. It helps us do more, it helps us produce higher quality research, it helps us to glean insights and it helps us better engage with our clients because what we want to continue to do is, when we have an idea and we think an idea could be interesting to our clients, we want to get that research in front of our clients as quickly as possible to solicit feedback. And to do it in a way where we're not just putting a paper in front of them. What we do is take a more active view meaning putting a prototype of a tool in front of them. That they can look at and they can interact with to better understand our research and what our research says about potentially their investment process.

Adam Bass ([05:38](#)):

Certainly advances in what's possible and that's what excites you which is very interesting. Has the pandemic sped this process you mentioned it had been gradual for a while.

Peter Zangari ([05:50](#)):

Yes. The pandemic for sure in a crisis it focuses the mind and it forces you to seek out different ways of achieving your goals. And in this situation when the crisis really started to take hold and had an impact towards late March, we were figuring out internally within research. Is again, how do we become more effective in producing our research and getting it into the hands of our clients? And doing it in a way where we and our clients are all working remotely? So that was the challenge first and foremost. And that's what prompted us to look at or reevaluate different technologies, different methods to achieve those goals in terms of producing research and again, delivering it to our clients.

Adam Bass ([06:39](#)):

Again, when you were back on in March which we both keep referring to, it's like old home week here. You had given some words of wisdom especially for those who perhaps this is their first crisis working in the industry, perhaps they were not even employed yet, maybe they were in school in 2008. You had mentioned a few things that I just want to run by you again. You spoke about how no two crises are the same, that people need to be practical, work with what they have not what you wish you did and finally the simply put, don't panic. As you look back, and then I want to look forward after this. But as you look back, what's your sense of how well folks heeded your advice?

Peter Zangari ([07:23](#)):

Well, I can tell you at MSCI I don't know if it was my advice or not but the collective team has done an outstanding job. For staying calm, for staying focused, focused on the clients in particular. That are working remotely but working in a way that one would not know whether they're in an office, in a proper office or working from their couch in the living room. People operated where, okay, this is a crisis, we've seen it before, we know the drill so let's get to it. But we know that's not the case for many of us if not all of us. This was a completely new way of operating and operating where you have to react very quickly, adapt very quickly. And it provided us with a great opportunity to help our clients, to share with our clients how we've navigated that transition and our clients appreciate that.

Adam Bass ([08:26](#)):

And that brings us right into, from look back to look ahead. As we look to 2021, where do you see your team focusing? What are the issues that they're working on to solve for clients?

Peter Zangari ([08:42](#)):

If you look at our research program, it covers everything from equities to fixed income, private assets to ESG, including climate to portfolio construction, risk management, and so on. And so, it's a broad area of research. Technology continues to shape the way the industry and MSCI in particular, is doing research. So I think about today, I look at our organization 200 plus colleagues from our point of view, our mandate is again, how do we do our best to create highly topical, comprehensive, rigorous research and deliver it to our clients. So that they can receive it as quickly as possible so they can then use it. What we will focus on, going into 2021 and beyond is improving our product delivery, improving the ways that we get our research into our client's hands so that they are in the best position to utilize that research, to help support investment decisions or any other decisions around investing.

Adam Bass ([10:01](#)):

And unfortunately, the turn of the calendar on December 31st to January one does not mean by any means that we are putting the pandemic or its effects behind us. So I'm going to turn to you again like we did in March, any advice as we continue to manage through this crisis?

Peter Zangari ([10:19](#)):

Like look for the first, for the most part, let's collectively keep doing what we've been doing. Let's continue with that energy, that focus, that innovative mind to think about new ways of creating solutions.

Adam Bass ([10:36](#)):

Great words and done. Peter, thank you so much for joining us. Hope you have a wonderful holiday season and we'll see you next year.

Peter Zangari ([10:45](#)):

Thank you very much. Thank you.

Adam Bass ([10:47](#)):

That's all for this week and for this year. We'll be back in 2021 with new episodes, fresh approaches and as always insights to help investors build better portfolios. Our thanks to Peter and all our guests who shared their insights and to all of you who listened, subscribed, and left comments for us on social media. And before I let even one more episode go by without doing so, I need to give a huge shout out to my co-producer, sound engineer, editor extraordinaire, in short none of this happens without him, Joe Collevicchio. Thanks Joe, for making us all sound so good. Until next year, happy holidays, happy new year. And as always, I'm your host Adam Bass and this is MSCI Perspectives. Stay safe everyone.

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