

Talkin' 'Bout G-Generations

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

Adam: 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 April 3rd 2020. Yes folks, we made it through March. This week, we welcome back Peter Zangari MSCI's Head of Research and Product Development. Peter, we've all been home for a few weeks now, how are you and your family adjusting?

Peter: Well, overall I would say the family is doing well. As a way of reference, I have two children. I have an 18 year old daughter and a 16 year old son. My son was on his second week of break and my daughter also was still on a break. So it made for an interesting dynamic where dad was doing work, dad needed quiet and my kids were either, you know, on the X-Box, or you know, having conversations thinking that they're the only ones in the house and so on.

Adam: I'm glad to hear it's quieted down a bit. Dynamics between generations though, that's a subject you've spoken on before.

Peter: You know, absolutely. For a few years now there's a fundamental change coming from a new generation, a younger generation, who like my children have grown up with technology all around them. So the perspective from the so called younger generation, newer generation has worked its way into the workforce. That generational change is the real impetus in terms of accepting, adopting and empowering the use of technology.

Adam: Rapid change was true even before the crisis, but would it be fair to say that it's better?

Peter: Well, I think that's right. I think when you have a lot of volatility in markets and that's what we're seeing here. With that increase in volatility, there is an increased focus in terms of where does one generate outperformance, where does that outperformance come from?

Adam: Are there any parts of the markets that clients have looked to in the midst of all this volatility? For example, in other episodes, we've talked about ESG.

Peter: In terms of ESG and what we're finding, and quite frankly, I would say out of all the areas of research that is probably, you know, at the very top of interests from our clients in terms of ESG performance. Companies with strong ESG scores are associated with high quality companies. So it's quite natural to look at the space, the ESG space to see if the performance that we're witnessing there is distinct in a positive way from the broader market.

Adam: There seems to be some concern about the credit markets as well. Can you speak about that?

Peter: There are certain changes going on in the credit market for sure. What we have found in our research is that the probability of large total loan default has risen significantly under the current stress, that market conditions, versus, the mild credit environment from just a few months ago. And if current market conditions persist, total default for the longer term could be unprecedented.

Adam: So it's a cascading effect?

Peter: Well, I think that's right. I think when you have a lot of volatility in markets and that's what we're seeing here, when you have significant volatility, it persists for a period of time. Just don't get like that one shock and then, you know, you revert to historical volatility levels. It takes time for that volatility to so to speak, work itself and the system.

Adam: Sounds like we're in for a bumpy ride.

Peter: I think that's right, but I also think that volatility, you know, for me and I think for, you know, quite a few investors, represents opportunity to identify potentially other types of strategies that could help you reaching your investment goals. With a heightened interest in ESG, that's a good area for investors to say, is there something related to ESG investing that I can learn about that points to outperformance?

Adam: Okay Peter, just one more question on generational change. Is it fair to say that your kids adapted to working from home just a little faster than you did?

Peter: I think so because I didn't get asked one question about how to use whatever software they're using.

Adam: That's all for this week. Thanks to Peter and to all of you for joining us. Be sure to follow us on the MSCI LinkedIn page and to bookmark www.msci.com/coronavirus for all our crisis related content. One programming note, next week's episode will drop on Thursday because of the Good Friday holiday. Until next week, I'm your host Adam Bass and this is MSCI Perspectives. Stay safe everyone.

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