

Market and Marketers

TXF Geneva 6th Oct 2017

Jean-François Lambert

The Macro Picture: Anything Wrong?

- So much for “Secular stagnation”
- Global growth is back in line with long term trend at 3.5 pct.
 - Developed world 2 pct.
 - Developing economies 4.6 pct.
- Trade is now forecast to grow by 3.6 pct. in volume in 2017
- No inflation so interest rates are still very low
- China is doing well at 6.7 pct.

Commodity Markets: It Could be Worse...

- USD should be stronger, if not for Trump
- Contention between OPEC/NOPEC and the US Shale boys keeps crude in a band
- Metal exuberance is over for now, but prices are sustained
- Endemic over-supply in Agri but no crash

Big Geopolitical Clouds at the horizon:

- North Korea
- Kurdistan
- South China Sea
- European dislocation
- Yet the business world is in denial. For how long?



...Meanwhile a Difficult Environment to Trade...

- Fundamentals are not what traders play with.
- Volatility is too low.
- Oil traders relying on higher volumes to keep 2016 profit levels
- Raw and industrial metals are over-priced.
- No market dislocation in Agri

Trading Houses Headaches:

- How to create value, upstream or downstream?
- Asset light – Asset heavy: there is no perfect model
- The winners: the nimble and the juggernauts.
- Call for consolidation:
 - Noble – Mercuria?
 - Bunge – Glencore?
- Trading banks are struggling too. Except one, down under

Financing Commodity Trade: Money Flows

- Banks are more focussed and demanding: But they keep lending
 - RCF's over subscriptions are numerous
 - Pricing remains competitive
 - STF deals still attract a lot of interest despite somehow complacent structuring at times
- The whole spectrum is still covered :
 - SME and MME by Alternative funds
 - Larger merchants by Banks

Challenges and Questions: Traders

- How to make money without volatility and when information is widely available?
- The Art of Trading: from flair to algorithms?
- Can commodity trading be 100 pct. ethical. What if not?

Challenges and Questions: Banks

- Credit risk: from the listed to the niche player
- Fraud risk: will Bank ever learn?
- The upcoming technological revolution:
 - Any vision on the end game?
 - Is there a risk of des-intermediation?
 - Can trade finance remain a profitable business?
- Over regulation - "Return on Effort" and adaptability?
- Can Reputational Risk be more challenging than Credit risk?

Challenges and Questions: Trade Finance Funds

- How to feed the growing investor's appetite?
- Breaking the 650 pb floor
- Can Trade Funds re-intermediate a more significant portion of trade and commodity trade?
- Could that be a “kiss of death”?

Challenges and Questions: Insurance

- The level of claim of 2015 -2016
- Is origination from traders more risky than with banks?
- How to build a stronger partnership with the banks?
- The Basel stumbling block. Any silver lining?

Q & A