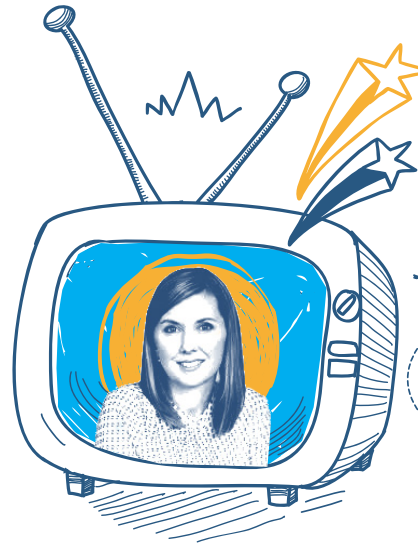


TALKING WITH

Karen Ward

Talking Brexit, Lego and life in 2050 with Karen Ward, Chief Market Strategist for EMEA, J.P. Morgan Asset Management with Richard Romer-Lee, Square Mile



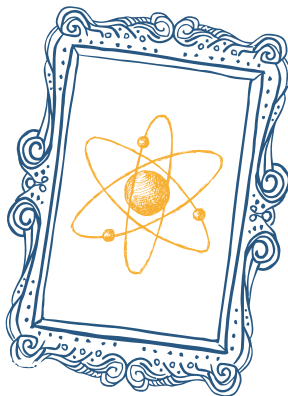
Chief Market Strategist for EMEA, J.P. Morgan Asset Management

HOW DID YOU COME TO BE IN ASSET MANAGEMENT?

I received the call from JPMAM when working for Philip Hammond. I was attracted to asset management as opposed to the sell side, which is not what it used to be because of the impact of MiFID II, as I wanted to be able to do vigorous research. The opportunity to do so is more obvious on the buy side these days. The main driver was to be closer to clients, which makes the job more tangible as I am constantly talking to them and hopefully adding by helping them manage portfolios.

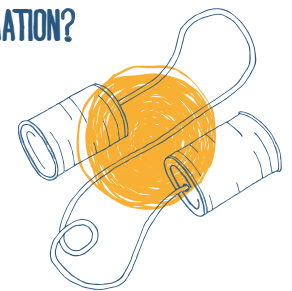
IS ECONOMICS AN ART OR A SCIENCE?

It's definitely an art. Economics is about human decision-making in all its facets. It's very hard to apply rules. The understanding of psychology and history of human fear, and its impact on decision-making were undervalued traits as people tried to make economics a science. There are always decisions that cannot be automated.



HOW DO YOU DEAL WITH ALL THE INFORMATION?

By filtering the noise and identifying the questions that matter. For example, how Brexit pans out or the USA's long-term approach to China. Markets fixate and usually only have the capacity to focus on three broad concepts.

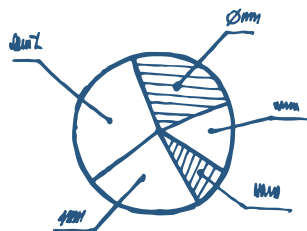


HOW DO YOU THINK BREXIT WILL PAN OUT?

Can we hold it together until March?! We are so intertwined with the EU - 50% of our exports go there. Unless you believe we can replace this trade elsewhere, we have to land the deal. I think we will as it's not in either side's interest not to do so. While the EU does not want to let the UK off the hook, they need to keep their recovery going. Falling unemployment and growth will support the European project, which in turn will drive out populism. If it is a soft Brexit, it will not be massively noticeable for the man on the street - ongoing trade will continue and the UK's dominance in financial services will remain. It's a big ecosystem that supports households and firms across Europe. There are likely to be some longer-term challenges of lower migration - mainly due to our ageing population. Our care system and the NHS may not cope with not having easy access to migration.

WHAT MAKES A GOOD ECONOMIST?

Someone who is quite happy spending most of their time thinking about questions and not having all of the answers. The skill is identifying the important factors at any one time and being able to keep track of the route economies are on. There are times when it is deeply unsatisfying. The confidence to provide scenarios and the need to be deeply analytical are important.



WHO DO YOU LOOK UP TO?

Christine Lagarde - she has shown terrific rigour and poise in leading a multi-national organisation and while being at the top of her field has not displaced her family life. Ellen van der Gulik of Moore Capital Management - if I want to speak to anyone on markets I would talk to her.



WHAT ADVICE WOULD YOU GIVE TO SOMEONE SETTING OUT AS AN ECONOMIST?

Be aware of the politics as much as the economics. For too long, there was an assumption that by making certain central banks independent, we had sorted economies and the cycle. It has become abundantly clear that independent central banks are not enough and we need government policy that focusses on appropriate redistribution of wealth and to make sure incentives are part of the system. We have lost sight of education and skills, which is biting us now. While wages are low, people feel upset and worried about job security. The world is changing and we need to be on top of the politics and broader issues in society.



WHAT'S THE BEST ADVICE YOU HAVE BEEN GIVEN?

Don't make decisions when you are tired - especially big career decisions. It is much harder to rationalise. And don't reply to emails straight away.

WHAT ADVICE WOULD YOU GIVE SOMEONE STARTING OUT TODAY?

You have to love it because you are going to live it. In the modern world and thanks to technology, you are accessible 24/7. Try to think really hard if it's the type of career that fits with your broader life ambitions, and are you going to want to do it when you are 65 - because you probably will be.



WHAT'S THE BEST LESSON YOU HAVE LEARNED?

Have the confidence to set your own terms up front. When I took this job, I made it clear I have two kids and I want to see them. So I start early and leave relatively early, I also work from home one day a week.

WHAT EXCITES YOU ABOUT MARKETS AT THE MOMENT?

It is late in the economic cycle following a long recovery and there are some deep economic questions to address - not least, will inflation come back? I don't think it will to any great extent but I do think the market is too complacent about the risks. I'd say that the risk is about 30% - the market seems to think it is more like 5%.

HAS THERE BEEN A SEMINAL MOMENT IN YOUR CAREER?

Two spring to mind. Before I wrote The World in 2050, a message came down from the CEO of HSBC that he wanted some numbers for the world in 40 years time. I offered to do the work, but only if I could have 4 months to do it properly. It took a lot of confidence to say that - but I thought it necessary as it was such an important piece of work. That's how I made my name at HSBC. And then taking the call from Number 11. I never intended to be in politics and it was only ever meant to be for the short-term, but the opportunity with Brexit and to have an input into public policy at such a historic time was huge.

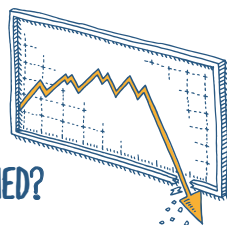


WHAT DOES LIFE LOOK LIKE IN 2050?

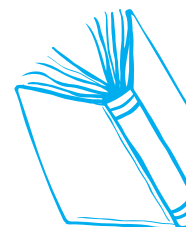
2050

The rise of emerging markets and their inclusion in global supply chains may lead to rising middle classes and a massive transformation to where the global consumer is. Then there's Africa and its potential. Even the changes in Asia could transform global businesses and the opportunities they bring. Then there are other exciting questions - given changes in energy efficacy and the viability of renewables, will we need oils? The subject polarises reactions - from those who react with terrific fear - about there not being enough food, for example - to others who see great opportunity. If we think about a basic problem - the ageing population in so many areas of the world, we need global growth and demand to sustain the global economy. The US consumer cannot sustain the global economy any more. It needs to harness the rising middle classes in the emerging world.

WHAT WORRIES YOU ABOUT MARKETS?



The liquidity in any downturn and who will catch the falling knife. There has been masses of regulatory change but this may turn out to be a challenging side effect. Politics and the rise of populism too - what will be the consequences on personal wealth and investment strategies, but more importantly societal cohesion.



HOW DO YOU RELAX?

It's a real challenge as I love my job and it's so hard to switch off. I try to meditate for at least 10 minutes every day, do yoga and the impact is I sleep much better. I read a lot - mainly fiction - Donna Tartt or Daphne du Maurier, for example - not work stuff. I don't watch TV - it's a time vortex I don't have. With two boys I play lots of Lego and can completely lose myself in it.

This publication is for the use of Professional Advisers and other regulated firms only and is issued by, and remains the copyright of Square Mile Investment Consulting and Research Limited (SM). No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of SM. The views expressed are not necessarily those of SM and SM does not accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.