

TUESDAY OCTOBER 29TH 2019

Snapshot: Market timing

TUESDAY, 10:10

LAURENCE FINK, FOUNDER CHAIRMAN & CEO, BLACKROCK, INC., UNITED STATES
LUBNA OLAYAN, CHAIRMAN, OLAYAN FINANCING COMPANY (OFC), KSA

KEY TAKEAWAYS

Laurence Fink: We see the United States' consumer has not been this strong in 10 years, therefore consumption in the United States will continue to drive the country's economy to be about 2%. CEO confidence is very low and Europe continues to stumble along but you have pockets of the world doing quite well, like the Netherlands, France, the Nordics, and so overall the world is fine. I believe that markets, because of an accommodative central bank behavior, are beginning to see fiscal policy change, especially in the Netherlands. We are starting to see more positive change in the emerging countries, including here in the Kingdom, so I would say that the world in 2020 will witness higher equity markets.

Lubna Olayan: In the Arab World we have a saying, that capital is a coward. I think many people sometimes are afraid to invest because of the geopolitics of risk.

Laurence Fink: A company that focuses on all their stakeholders, their employees, their clients, the needs of their clients and the outcomes of their clients, more importantly in this new world of deglobalization, requires more connection with the community it operates in; in Saudi you must be Saudi, in China you must be Chinese, in America you must be American. The companies that were able to navigate working with their young millennials, working with their client base, working with the communities where they operate, these are the winning companies and these are the companies that will be able to produce more sustainability in their profits. We hope though that we are going to make sustainability of the world and the economies a strong one and the only way to doing that, in my mind, is through focusing on environmental, social and governance issues.

Lubna Olayan: Inequality and the wealth gap. Recent studies of the top 350 American companies have shown that between the CEO and the average worker the wealth gap was 20 times more in the 80s and in 2018 it is 280 times. And we have seen how much inequality has played a role in many parts of the world. The riots we have seen are all over, from Latin America, the Arab World, Europe, France, Italy and some pockets in the US.



Laurence Fink: Globalization has elevated more people in India, in China, parts of Africa, in the GCC [Gulf Cooperation Council] region. Let's not forget, globalization has lifted so many human beings to the highest standard of living and we have never seen that in the entire history of mankind. At the same time, we are witnessing huge disparities in income. It's certainly uneven and imperfect, so unquestionably there will be a greater need to focus on how to elevate more to achieve more inclusive capitalism. If we don't have more inclusive capitalism, we are going to have governments focusing on that change instead of companies themselves.

Laurence Fink: We are witnessing more and more daily protesting on climate change and climate issues in the United States. I believe that as capitalists if we don't focus on climate change we are going to be living with massive stranded costs assets. With the success of technology and the transformation of renewables, we are now witnessing a dramatic change in the utilization of renewables. In my conversations here in Saudi and Kuwait, in Abu Dhabi, and in other parts of the region, there is no reason why much of the electricity should not be powered by wind and solar and then use much of the hydrocarbons that are produced to sell overseas. We are going to continue to have a need for hydrocarbons because of airplanes, because of large trucks, so I'm not worried about the future of hydrocarbons.

Laurence Fink: Much of the money we have right now probably will be used to pay for longevity and long-term health care. We are not calculating what the cost of longevity is. Longevity should be a blessing so I'm all in favor of living longer and I think we all are, but we need to make sure that we can afford longevity. Do we have the social systems to prepare for longevity? Some of this intergenerational money will not be passed on because we are going to be living longer, we are going to have more returning deadly diseases, chronic diseases, and chronic diseases cost a lot of money.