Kingsgate Advisors Institute

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Topic

Between Uncertainty and Innovation: Economic Strategy in a High Risk World

Kingsgate Advisors Institute Podcast

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Topic: Between Uncertainty and Innovation: Economic Strategy in a High Risk World.

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Host:

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EPISODE SUMMARY:

This segment discusses the current global landscape of economic uncertainty, driven by geopolitical tensions, shifting capital flows, and structural risks such as demographic pressures and fiscal imbalances. It examines how these uncertainties affect decision-making for investors, businesses, and governments, and emphasizes the need for strategic thinking and resilience. The conversation also highlights the importance of adaptive fiscal policies, strong institutional coordination, and innovative business models to navigate prolonged volatility.

(0:00 - 3:46)

Oluwanbepelumi Olanubi: Good morning, good afternoon, good evening, everyone, for tuning in again for another insightful episode of Kingsgate Brief. This is the official podcast of Kingsgate Advisors Institute, and this is part of our broader mission and our strategic role as a knowledge transmission platform where we empower individuals, businesses, investors, governments, and policymakers with accessible and actionable insights for them to make well-informed decisions. My name is Dr. Oluwanbepelumi Olanubi. I am the Executive Director of the Institute, and today I am your host. As always, if you are new to this platform, we encourage you to subscribe to our YouTube channel. We've had a series of episodes that I believe are very insightful and you're able to gain one or two things from it so please do well to turn on the notification button, follow us and of course view all our videos and as well follow our social media pages to also know what we've been doing all what we are up to.

For today, I will be looking at something very important, an issue that is very timely and is a burning issue because it affects our current global reality, perhaps the future of economic strategy. The question as to how countries, investors, businesses, and even governments make smart economic decisions in a world marked by volatility, risk, and deep uncertainty. We are living through a time of global shifts. We are seeing rising geopolitical tensions across countries globally, we are seeing shifts in capital flows, fragmented supply chains, and also new patterns of global influence. So the traditional models of economic growth and stability are being tested, and the question is no longer what should we do? I think the more important thing to ask now is, how do we think differently?

So to explore these and more, I'm being joined by an exceptional guest today, one I would call a thought leader and a global financial market expert, Mark Farrington. Mark is a pioneer of global financial markets. He has over 35 years of experience as an innovator, as an early entrant in emerging markets, a discretionary global macro PM specialist, and a specialist in central bank monetary policy. He has worked in New York City, he has worked in Tokyo, Singapore, Sydney, and London. Also, he started as an interest rate and central bank strategist, followed by 27 years as a portfolio manager with Bankers Trust, BT Funds Management and Principal Global Investors. Mark lives in London, he has a master's from the London School of Economics and Political Science, and he has a bachelor's degree in International Finance from Oregon State University. Good morning, Mark, and thank you for joining me today.

Mark: Good morning, thank you for having me.

Oluwanbepelumi Olanubi: Yeah, so today we'll be exploring issues related to global uncertainty, issues related to the uncertainty landscape, and how it's shaping economic outcomes, how investors, governments, companies, and the likes are trying to understand these emerging risks and how countries in the global south like Nigeria and other emerging economies can think differently given the global reality. So, whether you're a policymaker, global investor, business leader, or even a student of economics, this is an episode you want to sit back and listen to and get better informed, perhaps better prepared for the complexity of the world we live in today. So I'll say let's dive right into it.

To start, Mark, I'll start with something I feel is very important and very timely to you because I read some of your recent articles related to issues with dollars and the tariffs. And to start, I would like to ask, given the tariff announcement we saw in April that sparked heightened uncertainty across global markets triggering a sharp decline in equity and bond prices, as well as in the US dollar, I want to ask, even the recent publication by BIS which also evidently pointed to the fact that edging activities of non-US investors have refuted the widespread explanation of a loss in confidence in the US dollar by investors and the declining role in global capital market. This is a perspective that I think you likely agree with. I want you just to shed some more light on this issue, and what do you think as to how the non-US investors are taking position, and indeed are investors losing confidence in the US dollar?

Mark: Sure. Well, I would say that the year 2025 is still very young. I think many market participants and forecasters were caught off guard by the announcements in the first quarter from the Trump administration. And that triggered a sharp market correction. But I think that's mainly as a result of position adjustment and hedging because there was perhaps overdue optimism beginning from the time that Trump technically won the election before he was actually sworn in in January. So it's one of those classic cases of people being wrong-footed, caught off guard by the announcements and therefore having to rapidly adjust their portfolios in a similar way. So that's not to understate some of the significant policy announcements that Trump has made. But what I would suggest is that the price action was exaggerated because of the starting point, and therefore, the extrapolation of that price action to analyse what you think has really happened to the underlying trend of the US dollar is very risky. And in my personal opinion, I think people are mostly wrong with the type of narrative, the de-dollarisation narrative that has gained momentum in the last three months.

(6:20 - 11:29)

But, you know, having said that, like I said, 2025 is still very young. The first quarter and the second quarter are two different halves. And so I think we see in the second half of this year, after Trump achieves some of his basic campaign pledges and initial policy strategies, that he will perhaps settle down and we will start to see less volatility in terms of the sharp pivots in his policy announcements and more incremental and adaptive policy announcements.

And the financial markets will appreciate that and settle down, and the volatility will be less. But the new trends, if they have been established, will be evident. And that's when I think some intelligent strategic decision-making can be made.

Oluwanbepelumi Olanubi: Absolutely! Absolutely. I like that explanation. It's something we are all looking forward to. I mean, like you rightly said, 2025 is still very young and there are still a lot of things we're looking forward to as to what will be happening in the global economy, particularly with the US and the tariffs and also how the dollar will settle and the likes. But I still want to zoom in a bit more on the issue with the threat, as it were, to the US dollars.

In your role as an experienced geopolitical and macro observer, what is your take on the likelihood of a major dollar collapse? You know, especially considering the multiple themes such as debt defaults, crisis of confidence among investors and the rise of RMB, the BRICs and the likes. Under what scenario will the falling dollar signal a loss of confidence by investors and its loss of dominance in the global capital market? Is there really a risk that we should look at? Or there's still so much trust in the US dollar. What do you think?

Mark: Well, I think there we have to separate, you know, the desired intention of many countries that suffer under the dominance of the dollar versus, you know, actual factors that are undermining the dollar. So let's take the crisis of confidence camp, as I have written about it in the past. They foresee a kind of domino effect where through either fiscal policy, a growing out of control, or continuous trade war activity by Trump, or even a potential new war breaking out, undermining the confidence in the US policymakers and institutional stability and then translating that to less demand for dollars, particularly from foreign exchange reserve accumulators, etc. And then that triggers a kind of domino effect where higher US interest rates aggravate the fiscal position and capital outflow undermines the wealth effects from the markets, etc.

So this domino effect is the essence of their view, rather than arguing that we've seen something to date, that represents the first domino falling over. So the Moody's downgrade, for example, which came from the dollar negative camp, as well as the mainstream press, leapt onto this event, and tried to make it into something that it was not. The other two primary agencies had already downgraded the US. Moody's was behind by four to five years and merely followed the rest of the crowd. So it required absolutely no adjustment to anybody's investment strategies or credit department limits or anything like that, because we already had S&P and Fitch that had the downgraded and usually, the way credit departments work is that if two out of the three major agencies have downgraded, then you see the country limit or the country or the bond asset class allocation change. So all of those changes would have already been occurring. So this is what I mean by people seizing on events and trying to argue that they are the first domino, so that they can get to the essence of their view, which is the second, third and fourth domino. So, for me, I have yet to see the first domino be strong enough. The fiscal situation began to deteriorate in 2002. So it is, you know, it is not a coincidence that the mainstream press has seized on fiscal discipline as an issue only in 2025 when the Trump administration takes office.

If you really wanted to protest the fiscal blowout in the US, you should have been beating the drums in 2023. That was when inflation was at its peak, the Fed was behind the curve, and the Biden administration was continuing to aggressively expand fiscal policy. So it's politically motivated more than an actual fact.

(11:30 - 12:45)

And, you know, we have a situation where the majority of the G10 central banks have already begun an easing cycle, and at least half of the emerging market central banks have begun an easing cycle. So, if you're going to try to project a continually higher interest rate burden for the US, it seems a bit strange when the rest of the world is going the opposite direction with lower interest rates. So again, I feel like they're trying to blow an event up into something large enough that allows them to begin this domino effect analogy for the thematic view.

So the trend, the deterioration of fundamentals, is real. The US has a fiscal issue that it must get under control. And the downgrades are a natural consequence of that. And Trump has a very different trade policy, and he has been volatile back and forth. All of these things are real, but no single factor has risen to the level that it started this domino effect, where we're going to have some sort of a loss of confidence and abandonment of the dollar. This is people, you know, promoting a view rather than, you know, interpreting something that's already happening.

(12:47 - 16:35)

Oluwanbepelumi Olanubi: I really like your submission. It looks like the threats are real, but the US dominance is still very, very uncertain. There are some other macroeconomic fundamentals that are also driving this. And you also mentioned something about the fiscal space in the United States, which is something I wanted to probably zoom in a little more on. If you can just take us through what you think historically has been the pattern and the trend, and what is happening now that seems different to what it has been. What is actually different? Is it still the same, given the other Biden administration, even the Obama administration? Has it always been this way, or is something changing? And even Trump's policy rollouts and all that he wants to do within the fiscal space, are they enough to really help with the fiscal space in the United States and the impact on other emerging markets, particularly the European Union, the Euro area in general and the like? So, what would you say is going on in that macroeconomic framework?

Mark: Well, I think you're right. The fiscal policy issue needs to be broken down into its important fundamental components. There are a number of long-term factors which have been accumulating over several decades and have reached a pressure point. And then there are a number of cyclical factors and recent responses to shocks, such as the response to the COVID pandemic, et cetera, that have aggravated the situation.

And so the policy remedy is actually different for each one of these components. And that's why it really does need to be broken down. So the long-term story has actually been very well known to the market, and it has been written about continuously for the last three decades, which is the demographic factor. All of the developed world has this issue of the baby boomer generation retiring en masse without enough young entrants to the workforce to generate the tax revenues that are needed to finance this bulge in the demographics, which are at the retirement age. But this pressure is why we have arrived at where we are today, why the structural expenditures for social security, Medicare, and Medicaid in America are so high and such a large percentage of the budget. And the same is true for Europe. The safety net has become extremely expensive because we're at the peak of the baby boomer bulge retirement period. The peak will pass between 2030 and 2035. So we're literally 10 years away from being down the backside of that demographic hump.

So what you need for that long-term structural story is a strategy to survive the next 10 years. And then you will have the reverse problem. You will have this structural decline in these social safety net expenditures, and it will be a tailwind to your fiscal policy rather than a headwind.

And there are a number of issues that we could go into related to that. But then separating the shorter term, the cyclical and discretionary items such as defence and a number of the revenue strategies like tax incentives and the tariff strategy fall into that with Trump, et cetera. One of the problems is that the US has a short political cycle, and every four to eight years, we have a wholesale change of philosophical view in the White House, and they have a very different view on how to spin the discretionary part of the budget.

(16:36 - 29:13)

And so the discretionary budget never ends up being successful as an offset to this structural problem, which is that if you had continuous leadership and government it would, they would say we have a structural problem that's going to last from 2015 to 2035. And so we should be very careful on discretionary spending to offset that until we're over the demographic hump. Well, the exact opposite happens. Each new administration comes in and tries to offset it with tactical and cyclical discretionary spending that will strengthen its chance of staying in government. So the US has the shortest political cycle in Europe. They have a longer political cycle, but they have a fragmented government structure that leads to similar indecision and inability to match the cyclical with the structural, and they've arrived at a very similar tipping point.

And Japan should also be put in that same category because they have had shock after shock after shock for the last three decades, which have not allowed them to address their structural issue of declining population and rising structural debt burden. And unfortunately, with the war in Ukraine, we've had this new demand for discretionary defence spending that started in the US and has, through suasion and coercion, been rolled out to the rest of the world. And now you see the primary fiscal discretionary spending increase across the world is defence spending.

So these components are different, the remedies are different, and I think that it's far too early to declare whether the world is going to prioritise the long-term fiscal health over these discretionary cyclical necessities, or they're just going to take the risk. They're going to spend the money on the discretionary and cyclical demands and then kick the can down the road for the longer-term structural issue. And if they do choose that option, then we're facing higher interest rates across the world as a result.

Oluwanbepelumi Olanubi: Absolutely, and I like how you're able to link it to where we are now. And that also leads me to another thing I'm quite curious about, given the fiscal and monetary policy stands and how they've been able to coordinate meaningfully over time to address some of these shocks. So I still want to ask if central banks and also the Ministry of Finance and the likes are able to mitigate against this risk. Do they have enough tools to edge against the uncertainty and prepare for what is coming ahead, and still measure the kind of uncertainty that we have around, and still be in a better position? Do we have that coordination across the globe, including advanced and even emerging markets? Do we have that coordination between the fiscal and monetary authorities? And do they have enough people to do that, given the uncertainty and the high risk environment we are in?

Mark: I think it's very important, the starting point. So, you know, if you took a snapshot of where everyone stood on their accumulative defence spending in 2022, you would have seen that there was just only a handful of countries in the world that had really actually continued with reasonably high levels of fiscal investment in their defence departments and ensuring that all historical legacy programs are upgraded and that their defence forces have adapted to modern warfare, etc. So 2022-23 is like a wake-up call for everyone, and some countries voluntarily jumped on the bandwagon, and others required a lot of moral suasion and coercion from their alliance partners, like the US has sort of unfortunately done in public with Europe and a number of other countries. So I think that the thesis of rising great power wars again and a shift towards realism and international relations should have immediately put all countries on alert who sit in the geographic areas where we have geopolitical risk historically high, you know, the geopolitical risk checkpoints, the countries which have territorial disputes still outstanding, legacy wars that have gone hot to cold but never officially ended.

As a political scientist and international relations practitioner my whole life, I've always had this short list of countries that when the pressure rises, these are the countries that are most likely to experience conflict. And if you were sitting in those countries, you should have been proactively investing in defence throughout time, but then certainly should have accelerated it starting from 2022. So I think you will see the countries around the world who know that they're in an unfortunate geographic place, they're going to have to prioritise defence spending in a way that many other countries, just because of the geographic location, might be fortunate enough to avoid, and they will try to see it out.

I think the US's strategy is that it has maintained a very high level of defence spending annually through good times and bad, more or less, for the last 25 years. So it doesn't have the catch-up game to play that Europe has. Japan, fortunately, under Prime Minister Abe 50 years ago, began this reallocation of Japanese resources, so they're halfway along. Europe is behind, South America is behind, Southeast Asia is behind, South Asia, perhaps along with Japan, somewhere in the middle. So I think there's a race to get up to a level consistent with the present reality. And depending on where your country sits, it's either going to be a fiscal burden for the next 10 to 50 years or not.

And this is, by the way, one of my arguments about why the US dollar is not entering structural decline right now, because the US is actually positioned quite well for this. They need to maintain reasonably high levels of defence spending, 3%, I'm sure they will maintain. But number one, Trump's administration is attempting to disentangle and fight fewer foreign wars. And number two, having run that high level of investment for the last 25 years, they are up to speed with the adaptations that need to take place, including the so-called pivot to Asia. The US is quite far along in all of these areas; they're not facing a big catch-up fiscal demand.

Oluwanbepelumi Olanubi: Absolutely, I agree with you on that, and you've addressed it to a large extent as well. But I want us to still take the conversation further, and I want us to talk a little bit about businesses and see how investors and business owners are taking a position. So what does strategic reliance look like for businesses in this kind of era that we are in, this era of prolonged uncertainty? What does it look like? Are we seeing new business models? Are we seeing new partnerships? Are we seeing new financing tools in response to this prolonged uncertainty? How are businesses responding?

Mark: Yes, I think so. I think that the business models, if we're talking either startups or SMEs, or mid-sized companies in the emerging markets where they haven't yet achieved economies of scale, I think one of the most important components is that now everybody needs to have a well-developed treasury department or treasury capacity. Historically, if you've mentioned the treasury department, people are thinking only in terms of managing foreign exchange risk and short-term financing demands. But these days, the treasury department is also involved in strategic management of inventory, whether it be stockpiling or buying certain commodity components that will be affected by big inflation swings and commodity swings, and supply management to the degree that those are affected by business factors. And then now, obviously, this is the second Trump term, and the tariffs that were announced in his first term were not reversed. So, tariff compliance management is also an essential treasury function now. So I think that no business should think that they're too small that they don't need to have an internal treasury function that is very 360-degree focused on all the risks to manage their businesses. Now, there are plenty of ways to get assistance on it.

There are a lot of software-as-a-service external providers that can really boost the productivity of a small treasury department. But I think that the idea that a treasury department is a department for a larger or mid-size company is no longer true. You need it basically from the beginning all the way up until you achieve economies of scale. And I think also the volatility that we're speaking about, whether it's geopolitical or it's inflation or it's market price volatility, also suggests that people need to have a business model that can incorporate partnerships. We need more diversification across our partnership relationships than in the past. And by partnerships, I don't mean like dependency. I mean partnerships like collaborative partnerships, so that there is a hedging of the supply chain risk, geopolitical risk, or financing risk between partners. Your business offers them something, their business offers you something, et cetera, in terms of hedging against unknown risk. So, for me, being more open to partnerships and having a very well-developed treasury function are two of the most intelligent hedges you can have.

(29:15 - 29:59)

Oluwanbepelumi Olanubi: Oh, thank you. Still on businesses and how companies are taking position, I want to hear your thoughts as to how companies, particularly now multinationals, are using innovation as a tool to hedge against policy unpredictability, supply chain fragility, and also consumer volatility. So the question is, is digitalisation really being used as an important hedge, or are there other options? In terms of operating models and the likes, particularly to multinationals, what are the changing trends that we're seeing regarding how to take a position given the context of the high risk uncertainty?

Mark: Well, digitalisation is a very broad term, but I think that, yes, using external service providers for a lot of these functions that I mentioned requires a level of digitalisation of your business. And I think that maybe in the large traditional businesses where historically there wasn't any benefit from digitalisation, it's still worth it to digitise them because it's hard to anticipate what the future use will be. There is infinite demand for data, so even though your digitalisation of your own small niche business in a sector may appear uninteresting, at some point down the road, some company may find it interesting and be willing to pay for that. So I think digitization is a kind of a base step that you have to make in the modern world, and then how you end up monetising your own data and how you connect external software providers who are offering various types of tools for you to use to your data, it can then follow naturally after that's done. So I would say that would be point number one. I think if we talk about digitalisation in financial assets, for example, we use the term tokenisation maybe a bit more than digitalisation, then this has tremendous scope for the future because the essence of tokenisation is driven by immovable illiquid assets becoming liquid.

So if you think of what that means like in the commodity space or retail space or infrastructure place where you have something that is not movable and not standardised and it trades as an illiquid market because it's either a long-term private equity story or there just isn't a secondary market for those particular type of assets like in infrastructure space and things like that, you can break it into standardised tokenised pieces and sell off percentage ownerships and create a secondary market in trading tokens. You can tokenise, for example, the electrical grid in Africa, for example, and sell off tokens and people globally can all own an incredible fraction of an electrical grid and things like that without having to incorporate an IPO, a company, tokenisation offers this ability to securitise things which have previously not been securitised. In the 80s and 90s, we used the term securitisation.

The argument was that you had all these non-standard mortgages across the US economy, and there was no secondary market for them. So if we securitise them, which simply means to standardise them and make them into credible units, then we could distribute the risk and hold-to-maturity type of investors would buy and hold them forever. Now, tokenisation offers that same thing.

The assets can be put on the blockchain, they can be tokenised, and small pieces can be sold. So digitalisation is necessary just to increase the productivity of your business now, and as time evolves, there are likely to be many other opportunities to use the digitalisation of your business to buy, sell and hedge risks.

Oluwanbepelumi Olanubi: Absolutely. Now that we've been talking about issues related to digitisation, crypto and the like, I would even want to ask again, of course, as we begin to conclude. Thank you so much for taking the time, Mark. I've been enjoying your perspective so far.

So I want to ask you about capital flows and how they are responding to different uncertainties across different economies. What does it mean for policy autonomy and investors' preferences? Are global investors adapting their capital allocation strategies in response to these overlapping geopolitical, economic and climate-related uncertainties? Or are there no changes when it comes to investors' preferences given this uncertainty at large? What is the direction for capital flows?

Mark: Okay, thank you. I think that asset allocation, again, to understand the flows that we've seen, for example, in 2024 versus the start of this year, again, you need to think of the starting point. So in 2024, the world had just gone through an inflation shock that it had not experienced for multiple decades. And also, the developed central banks were behind the curve and, in many cases, made policy errors, which was something we hadn't seen for a while either. So there was a kind of retrenchment in terms of external capital flows, particularly flows to emerging markets and other risk assets that had a big recovery flow in 2024 as the central banks managed to break the back of inflation expectations and get ahead of the curve.

So I think that 2024 should not be extrapolated into the future because it was a recovery flow year after COVID, war, and inflation debacle. So this, I think, led to less ongoing allocation to emerging markets and other liquid assets than you would have seen. So, 2024 was a recovery flow, 2025, even without Trump, would have been something lower than what you saw in 2024. But the question is, is the trade policy volatility and geopolitical environment good for emerging markets or risk assets in general? Not really, it is not. But the split of opinion in the market comes around to whether you believe the US dollar is in structural decline or not. Because there have been historical periods, I like to use the 90s primarily as my analogy for the current environment. And in the 90s, it was cashing the global peace dividend after the collapse of communism and this slow expansion of emerging market countries one after another. But there was a lot of policy volatility, and the dollar was actually in a structural decline for the first half of the 90s.

And that is what made emerging markets interesting. So I think that emerging markets, as a risk asset, can overcome volatility if the dollar is in a structural decline. Because you see, two things happen. You see less need to intervene and support your currency, and you end up with lower interest rates in emerging markets. Secondly, our starting point is a very, very high allocation to develop markets relative to EM and the US in particular. So the unwinding of those flows ends up being positive. And then finally, the inflation environment, while much more modest this year than what we've seen in the past few years, has permanently changed. We are no longer in this structural disinflation environment. So, interest rates are not going to fall much further than they are right now.

So that means a slightly less bullish global growth story. So what that has done so far, a year today, which I think is correct, has led to a preference for high yield and corporate emerging market debt rather than for emerging market equities or something that is much more dependent on growth. And so I think that asset allocators are going to have to continue to walk this narrow path where it's slower growth on one side and generally higher inflation in the developed world versus greater macroeconomic volatility and geopolitical volatility that could hurt them in an illiquid market. So it can be that currency risk management ends up bearing the brunt of that. So they gradually make a higher allocation of emerging markets over the next two or three years, but they spend a lot of money on actively managing the currency risk so that they can sit through these episodes of volatility.

Oluwanbepelumi Olanubi: Absolutely, I agree. I totally agree with your perspective here as to how things are changing, even between last year, 2024 and now, how assets and even the appetite of investors are changing. And I think it's, like you said, it's more rational to look at debt-related investment options for emerging markets than equities because it relies on growth.

And now, as we are concluding, I must say I've enjoyed this conversation so far, Mark. Thank you so much. I would like to conclude on this. This is going to be a two-in-one question. First, I want to get your take on this. Aside from this question, I also want to just give your final closing remarks as to the general global macroeconomic environment. So I want to ask, given that uncertainty has become structural rather than just cyclical, how can cross-sectoral collaboration between academia, government, and even private innovators, how can any of us adapt fast to this changing economic system in this deep uncertainty environment? And also I want to hear your concluding thought as to what the global macroeconomic environment is and what the forward-looking strategies are for anyone, an investor, a government official, a policymaker, a student, what should be the strategies, and how can we position ourselves to take advantage of these environments?

Mark: Thank you. Very generously open platform to respond to. I think that the view that structural risks have suddenly accelerated is based a little bit on the idea that people didn't understand that the structural risks were always there.

For many of us who have had this focus on geopolitical risk for 15 to 20 years, we've been warning that people are mispricing the geopolitical risks. So I think number one is to acknowledge that actually the world hasn't changed that much. What has really changed is the way people are describing the latent risks that were there. And it used to be buried on the back page of the mainstream press. Now it's on the front page, but it has always been there. So, structurally investing in Africa right now is not that much different from investing in Africa 10 years ago. It's just that the risks are at the front, and we have to discuss them. So what does that mean? For me, if you think in terms of FDI or M&A or longer-term investments, you have to acknowledge the bifurcation in the global trade environment. The US and China are not going to recouple for quite a long time, and therefore long-term investment strategies need to seek out, I would call it, supply chain agnostic strategies.

So, if there is an infrastructure project that is general infrastructure and not linked to dual-use technology or dual-use critical minerals at the end, et cetera, which would obligate you to commit to either the US ecosystem or the Chinese ecosystem, then those projects will be particularly interesting. And I think that there are plenty of, I would say, a non-dual use type of supply chain agnostic investment opportunities out there. If your infrastructure fund or another type of fund, particularly in the area of domestic consumption for e-commerce and mobile product base, et cetera, these are divorced from this big bifurcation strategy that's going on around the world in terms of dual-use technology and trade ecospheres, et cetera. And then I think on the cyclical level, it can potentially be a very good thing. I started my career in Japan in the 1980s and Japan had just surprised everyone out of no one to become the second largest economy in the world, but its financial markets were extremely underdeveloped. And I got my opportunity in financial markets by focusing just on that, on how Japan would begin to one-by-one adopt all of the components of the capital markets and the financial markets and the banking sector that were so successful in Europe and the West.

And then that model was quickly adopted by Asia, and before it could even get started, it blew up with the Asian financial crisis. And one of the incorrect lessons that was taken from the Asian financial crisis was that you should not have a very large banking sector. You should not have a very large financial sector as a proportion of GDP, because that is the gateway to the global capital markets. That is the interconnectivity that transmits global volatility to your domestic economy, and we don't want that. So all of the Asian countries, with Malaysia being the cheerleader of this, Mahathir when he was Prime Minister, et cetera, are narrowing the gate to the global capital markets so that you can insulate it from external volatility. This was a strategic era, and unfortunately, China's position geopolitically has been greatly inhibited by this. Had China embraced the global capital markets from the beginning the way Japan did, I think the Chinese economy would be seriously rivalling the US, and the RMB would seriously be an alternative reserve currency. But they took that same naive approach about capital controls and underdeveloping your global capital market. And I think that that has a chance to change in the next 10 to 20 years as the emerging markets pushed to neutrality between the great power wars that are going to be going on between the US and China blocks start to allow development and innovation in their capital markets and their banking sector with a lot of opportunities in that space. And I think it will increase growth rates. It will be a new sector of excellence, and the volatility is manageable. There's a lot more understood about the global capital markets now than there were in the late 90s. And I think it has been too long since the IMF and the other super nations have not reversed, tried to reverse this message. Everyone remembers the crises, the Asian financial crisis, the global financial crisis and the EMU crisis. Nobody focuses on the wealth generation and the strength to the economy that the financial capital markets have provided. I really think emerging market banks should be bigger. Their local capital markets should be larger. The development of their domestic institutional investors should be larger.

So I think this is a ripe opportunity because, as I mentioned, it's supply chain and geopolitical risk agnostic. It's a domestic industry that you can control, and all that you need to control and manage thereafter is this connection to the global capital markets, and the volatility brings your currency. But in terms of geopolitical risk, it's quite insulated from having to choose a side, if you know what I mean.

Oluwanbepelumi Olanubi: I agree with you. This is your last response. I already have other questions coming up, but I think we'll have to schedule a part two to this. This is a good time to conclude. And thank you so much for bringing in your rich perspective, Mark. It has been really an exciting session and I really have to love a part two, which you. What you just said about capital markets and the likes. Maybe we can just deep dive a little more and see what the trend has been and also see some contextualisation given the global south, African economy, African markets and the likes. So that's something that I'm looking forward to in another episode. Thank you so much once again for your very intuitive perspective on all these issues.

And to our viewers, thank you for staying tuned and joining us for this episode. We look forward to other episodes. Please interact with our videos, comment, like, and share. And if you have any burning issues you want us to talk about, please go ahead and give the recommendations in the comment section. We'll see you again next time. Thank you for staying tuned, and have a great day. Bye, everyone.

Mark: Thank you. Thank you very much. Have a good day.

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