Interview with Daniel Jerrett, Ph.D.

Chief Investment Officer, Stategy Capital LP

Dr. Daniel Jerrett, Ph.D., is the Co-Founder and Chief Investment Officer at Stategy Capital LP and is a member of the JPMCC's Industry Advisory Council. Dr. Jerrett also lectures for the JPMCC's Professional Education program at the University of Colorado Denver Business School and is a *GCARD* Contributor.

We are delighted to interview Dr. Daniel Jerrett, who is the Co-Founder and Chief Investment Officer at Stategy Capital LP, a global alternative investment management firm. Dr. Jerrett has more than 15 years of experience developing and implementing forecasting models, spanning both the private and public sectors. He has spent time in the investment management industry, state, and local governments as well as consulting with Fortune 500 companies.

Dr. Jerrett also teaches courses in econometrics and forecasting at the J.P. Morgan Center for Commodities (JPMCC) and is a member of the JPMCC's Industry Advisory Council. In addition, he recently contributed an article to the *GCARD* on measuring commodity super cycles and presented on this topic at the JPMCC's 4th Annual International Commodities Symposium.

In this issue's interview, Jerrett describes his career along with providing his view on whether we are in another commodities super cycle. He then discusses his involvement with the JPMCC. The interview concludes with his advice for students and young professionals on the commodity industry.

How did you get involved in alternative investments, particularly commodities, and how has your career evolved?

My interest in commodities began in graduate school while working on my Master's in Economics at DePaul University in Chicago. My thesis was a study on the cross-country determinants of poverty. The deeper I dug into the data, the more I realized how important commodities were to many countries' long-term economic growth. I was intrigued by the cyclical nature of commodity prices.

That interest led me to start a doctorate in Mineral and Energy Economics at the Colorado School of Mines. I attended a research conference in the fall of 2005 and had the opportunity to meet Alan Heap of Citigroup. Alan was presenting on super cycles in metals prices. That was the motivation for my dissertation and ultimately the first peer-reviewed academic research published on measuring super cycles.

My career has led me in many different directions. I have spent time in both the public and private sectors, but all my experience has centered on combining macroeconomics and statistics. I worked as a macroeconomist at Putnam Investments where I was responsible for developing a series of factor models for global fixed-income portfolios. In addition, I managed fundamental trading positions in emerging market currencies and sovereign rates. Although commodities were not directly considered in the investment mandate for the portfolios I supported, I quickly discovered how important commodities were in understanding fixed-income markets. This is particularly true of emerging markets.

My interest in global capital markets expanded and I spent five years privately consulting with central banks, hedge funds, and investment management firms. I had the opportunity to see how many of these institutions were modeling global markets and how they thought about portfolio management. One thing that stuck with me was the race to implement machine learning and Artificial Intelligence (AI) tools.

All these experiences led a long-time investment colleague, Joel Fortney, and I to contemplate an investment strategy that could bring together our expertise and enable us to take the best of what we have learned and implement it in an unconstrained way. We founded Stategy Capital LP in 2020 and launched our first strategy, the Stategy Global Macro Fund LP, in January of 2021. The fund leverages our cross-asset expertise and backgrounds implementing systematic fundamental processes across a wide range of asset classes including commodities and digital assets. The entrepreneurial nature of alternative investing provides us more flexibility and focus to apply research and actively manage portfolios.

As my career has progressed, I have realized how important continual learning is to success, especially in the alternative investment universe. We are witnessing the evolution of new asset classes, such as digital assets, and more powerful quantitative methods to help understand and model assets. It is both humbling and exciting to be investing during a time of such substantial technological innovation.

You recently contributed an article to the GCARD on commodity super cycles which was cited by the Wall Street Journal and the World Bank. Can you summarize your paper's analysis and its conclusions?

The increase in commodity prices over the last year has reignited the topic of super cycles. My motivation for writing the article was to apply a framework that was originally developed in 2008 to the current discussion. One of the key tenets of the super-cycle hypothesis was that super cycles are demand driven and have been associated with periods of industrialization and urbanization of an economy. Past super cycles are associated with the industrialization of the U.S. in the late 1800s, post-war reconstruction in Europe and Japan, and the most recent super cycle in China in the early 2000s. These were major economic transitions that lasted for decades.

The super-cycle discussions occurring in early 2021 were focusing on the recent price appreciation and simultaneously the discussion of decarbonization, electrification, and the move to green infrastructure. I felt those two topics needed to be addressed separately.

The rapid acceleration in prices experienced as the global economy started to recover from the Covid-induced recession in late 2020 appeared to be driven more by business-cycle factors than by super-cycle factors. China's economic recovery, low interest rates, and low inventories in many commodities all may have helped fuel the price increases seen over the past year. These are more transitory in nature than the forces that generate and sustain super cycles.

The discussion of a coordinated global movement of decarbonization, electrification, and infrastructure upgrades could create sustained demand in many commodities required for a "green" economic transition. I don't believe those forces are at play currently but could be coming throughout the next decade. It is also worth noting that future super cycles could look different from the three prior cycles. Past super cycles were not only associated with industrialization and urbanization, but they were also broad-based across commodities. A future "green" super cycle may involve smaller, more specific groups of commodities.

The original statistical analysis utilizing band-pass filters was updated through 2020. There was no statistical evidence that a new super cycle was underway based on price increases seen over the past year. Both the 2008 research and the latest *GCARD* article were not intended to prove or disprove the existence of super cycles. Hopefully the research could be used to frame the discussion of super cycles with a focus on data and measurement.

As a member of the JPMCC's Industry Advisory Council, which initiatives of the JPMCC are you most proud of?

I have been associated with the JPMCC since 2013. Watching it develop into an internationally recognized research center has been exciting. I have been directly involved with the development and delivery of the professional-education curriculum. This has been the most rewarding part of my tenure at the center.

Our courses have brought together professionals at all career levels and from many different industries and roles. This diversity enhances the instruction and discussion during courses. Participants not only learn from the instructors, but from each other.

The J.P. Morgan Center for Commodities is positioned to be an international leader in both applied research and professional education. Very few institutions have the resources and network of experts that can support the continued growth of a professional education program that encompasses market structure, trading, and quantitative analysis across all commodity complexes. I am excited to see the professional education curriculum expand and meet the needs of an ever-changing global landscape.

As an adjunct professor at the JPMCC, what are some of the trends that you see in terms of student interest in commodities?

The center continues to see increased interest from both undergraduate and graduate students. As our course offering has deepened, students are starting to understand how big of a role commodities play in the global economy and how a specialization in commodities can complement their degree(s).

Increasingly, students are interested in developing quantitative skillsets. Interest in learning programming languages such as Python and R and in being fluent and able to develop trading and forecasting models in those languages has increased in recent years.

I think students are increasingly facing a job market that is demanding a set of quantitative skills that a few years ago would not have been required.

What advice can you give to students and young professionals who are interested in a career in the commodities markets?

My advice would start with being intellectually curious and open to many opportunities. I came out of graduate school in the middle of the Financial Crisis in 2010. At that time, many of the positions and organizations that would have been traditional fits for a Ph.D. in mineral economics had stalled hiring or eliminated positions due to the recession.

I started my career working as an economic advisor for the Governor of Colorado. My role included understanding the impact of mining and energy extraction on the state economy. Although not where I thought I would begin my post-graduate career, my knowledge and expertise in natural resources and statistical modeling played a crucial role in advising both the Governor and state legislature.

My quantitative skillsets have allowed me to move between the public and private sector and various industries. Ultimately, it helped with the creation of Stategy Capital and launching an alternative investment fund.

I think acquiring fluency in quantitative methods is becoming increasingly important in all areas of commodity markets. Whether someone's interest is to become a trader, a fundamental research analyst, or a senior manager, the ability to synthesize data and understand how commodities interact with other markets and the overall global economy demand a quantitative framework.

Thank you, Dr. Jerrett, for this opportunity to interview you!