

Jennison Associates

Life of a trader

April Borawski – Principal, Fixed Income Trader

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[00:00:00] Hey everyone. Welcome back to Clipping Coupons with Jennison Associates. My name is Alex Chansky, and I'll be your host for the show. Today I have with me April Borawski, who is a trader on the Rates desk here at Jennison. She works under Sam Kaplan, who has been a guest on the show before, so really excited for you all to hear what she has to say.

April, welcome to the show.

[00:00:27] **Alex:** Can you maybe give me like a quick 30-second introduction about your position here and yeah, how you fit into Jennison and how long you've been here?

[00:00:35] **April:** Thanks Alex. Yeah, I'm happy to be here. So I've been, we're almost at my two year anniversary mark, and I am a rates trader. So I trade rates for Jennison and I previously was a portfolio manager at SSGA where I managed money market funds.

[00:00:54] **Alex:** Great. And rates trader, that's typically trading Treasuries, is that right?

[00:00:58] **April:** Yep. Treasuries, STRIPS, TIPS agencies.

[00:01:01] **Alex:** Fantastic. Okay. Thank you. So yeah, happy to, happy to jump into things here. Um, can you maybe gimme a high level overview of what traders do at Jennison? Are your responsibilities now versus what those are of a portfolio manager?

[00:01:17] **April:** Yeah, absolutely. So traders are responsible for the implementation and execution of the trades that the portfolio managers want to put in their portfolios.

With that said, we're, we're definitely not just executioners, you know, we represent the investment team to Wall Street on a daily basis. We're the ones having those interactions, we're the ones having those daily conversations and managing those relationships and gathering that market color. And we're also responsible for trade idea generation.

So I really think that helps set Jennison apart. Um, we have quite a lean and senior investment team, so US traders are absolutely expected to be active participants in the investment process. Suggesting and propping trade ideas that we think could add value to the portfolios is absolutely something that's expected.

Of course, ultimate decision making lies with the portfolio managers, but the process is quite collaborative. Um, I absolutely adore it. I think being a trader here is a privilege. I was

hoping and looking for an environment where. The folks that I worked with demanded and exuded excellence, and that's absolutely the standard that's set here.

[00:02:38] **Alex:** Fantastic. Great. And then my understanding of your role here is that you are very focused on the front end of the curve. Um, can you maybe tell me a little bit about how you think about the front end differently versus the middle and back and parts of the curve?

[00:02:53] **April:** Yeah, absolutely. So as I mentioned earlier, I used to manage money market funds, so I will always have a soft [00:03:00] spot in my heart for the front end of the yield curve and money market funds.

I also just think it's very helpful to have a fundamental understanding of money markets and the front end of the yield curve. Because really if there is any stress and funding pressure starting to appear in the market, that's the first place that you can find those pressures. So if you're looking for any funding, stress or pressures, great place to look for that would be in the repo market.

So the repo market, that's short for repurchase agreement, and that's a multi-trillion dollar market where essentially cash is lent in exchange for securities as collateral. That would involve an individual who needs access to cash. They would be selling the security and then agreeing to buy it back at a predetermined price.

And since they are buying it back at a predetermined price, that's why we call it a repurchase agreement. And these agreements can last overnight. They can be over a week, they can be over a month. The majority are done overnight. But as I mentioned earlier. This is a multi-trillion dollar market, and it's really a key key source of funding for many market participants.

So really any dislocations, any disruptions in this market really can give us an idea of any mounting funding pressures. So we believe it's a good idea to keep an eye on that market and have it be a part of your broader outlook when thinking and talking about market liquidity. Another trend that I like to keep my eye on in the front end is money Market fund AUM.

So money market funds are very short term investment vehicles. They're usually the most liquid and easily accessible investment option available to investors.

So really keeping an eye on the growth and the magnitude of money. Market Fund AUM gives you a sense of the size and the amount of cash that's sitting on the sidelines. So cash, when it is invested in a money market fund, it is invested.

It is earning a market rate of return. It could be redeployed out the curve, so it could move out the curve. It could move into a different asset type. So given the right catalyst. So that's something to keep an eye on. Taking a step back from the front end, and thinking about the

curve holistically, it's helpful to think about this liquidity dynamic in terms of DV01. So DV01 stands for dollar value of a basis point, and that essentially means that bonds with longer duration have greater interest rate sensitivity.

So if they have greater interest rate sensitivity, they have greater risk and they trade wider. They're less liquid than their shorter bond counterparts.

[00:05:49] **Alex:** Just to interrupt for a quick second to clarify that -- the interest rate sensitivity being higher, that means, a single basis point shift in the interest rate has a bigger impact [00:06:00] on price.

Is that right?

[00:06:00] **April:** Correct. Exactly. So therefore, as a trader, I'm looking for best execution. This DV01 dynamic absolutely affects the amount that I can easily get done at market levels, mid-market level. So if I was to size that up, I'd probably say between 250 and 500 million in the front end, and then between 50 and a hundred million in the backend that I could easily relatively easily execute at mid market levels.

Now, this is broad guide guidelines. You know, I definitely would like to caveat that by saying it depends on the bonds that we are looking at. So I could be looking at a 30 year on the run, very liquid issue. Trades tighter, which is more liquid than a shorter, but deeper off the run security and an off the run security is a security that hasn't been issued as recently and just trades less frequently. There's less volume there. So that's a caveat and it absolutely depends on the bonds that we are looking at, but that rough guidance is a good place to start. So as a trader, it really falls to us to analyze the instrument that we're trading.

Look at its liquidity characteristics within the context of the current market, and then determine which method of implementation we believe will provide the best execution.

[00:07:19] **Alex:** One other thing I wanted to ask about here. Are there maybe any trading styles or things that you've learned at other places that you'd be able to bring to Jennison? Kind of. Help us grow here?

[00:07:30] **April:** Yeah, that's a great question. So this is an initiative that's near and dear to my heart, and it was definitely a focus at Jennison Fixed Income, but certainly something that I used to focus on at my prior firm that I've continued to focus on here.

And it's been a joy to be able to do that. But we've had success, working with minority owned dealers. So minority owned dealers are broker dealers that are owned and operated by minority groups. That could be veteran owned, that could be Hispanic owned, that could be women owned and operated.

That's not a holistic list. That's just a few examples. But you know, as I mentioned, I have prior experience in this and it's near and dear to my heart, but also at Jennison Fixed

Income. We believe that working with these firms is just good business. You know, the, the firms that we've been able to get trades done with have been quite competitive in the front end, and a lot of them do have expertise in the front end.

They've also provided us with liquidity solutions that have truly added value to our trading process. So despite the current environment where there's been a shift away from some of these more inclusive initiatives at Jennison Fixed income, we remain committed to engaging with these broker dealers and have had continued success.

[00:08:43] **Alex:** Fantastic. Thank you.

Next question I wanna ask is about how far into the details do you get with individual securities versus looking at like overall economic sentiments of what's going on around us?

[00:08:54] **April:** Yeah, absolutely. So from a macro perspective, Jennison does not have an in-house [00:09:00] economist, so we typically don't make outright duration bets versus our benchmark.

We feel that it's quite difficult to accurately predict. The direction of rates. So what we focus on is the shape of the yield curve and yield curve positioning and mean reversion. Of course, we are constantly monitoring incoming data and we have our own views about where we think rates could go and what that means for positioning.

But the primary lever that we use is yield curve positioning. We can, and we do tactically trade the yield curve should there be opportunities to do so. If we're talking about the day-to-day of what we focus on, the majority of that time is spent looking down at the individual security level. So we are looking at CUSIP by cusip, looking for any dislocations, any opportunities for relative value to add to our portfolios.

And you know, that's true across all of the products that we trade and manage. So structured product and credit as well.

[00:10:04] **Alex:** Great. last fun question I have for you here that we like to ask? Do you have maybe, a recent movie or show or book that you've, uh, liked recently and want to tell people about?

[00:10:14] **April:** Yeah, I was excited for this question. So, a friend of mine recently wrote a book. His name is Wes Shaput, and the book is called "Seven Minute Citizen. Your Power, your Rights, your Democracy". So honestly, I found this book quite inspiring. You know, it reminded me of the beauty of democracy and the power that we all have as being participating members in that democracy.

Um, the author, he's an educator, so it was informative, it was educational, it was easy to read, but it was also fun. And I'm not sure if you're a fan of the musical Hamilton. Oh, yeah. Um, it was a little bit reminiscent of Hamilton. He added some musical elements into it as

well, which was kind of fun. And, you know, my biggest takeaway was it just reminded me who we are as a country, our core values, and that we have the power to protect that.

But he did it in a really inspiring and motivating way. So it was a refreshing read for sure.

[00:11:12] **Alex:** Cool. Great. can you remind me, what was the name of the book and the author?

[00:11:15] **April:** "Seven Minute Citizen" by Wes Shaput.

Great. I'm guessing

[00:11:19] **Alex:** that's the book I've seen floating around on the desks behind you guys.

[00:11:22] **April:** Oh, you did see that? I snuck it in there.

[00:11:24] **Alex:** Okay. Alright. I'll be, I'll be stealing that to borrow. Awesome. Um, and read sometime soon. Thank you so much, April. I really appreciate it.

[00:11:29] **April:** Thank you, Alex. It was great.

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