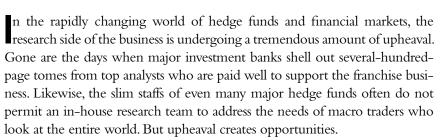


CHAPTER 6

THE RESEARCHER

Dr. Andres Drobny Drobny Global Advisors Manhattan Beach, California

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Dr. Andres Drobny is an academic economist, former Wall Street chief economist and proprietary trader, and current strategist behind the independent research firm Drobny Global Advisors. He is my business partner, but there is no relation despite the fact that we share an uncommon last name.

I struggled with whether to include an interview with Drobny in this book, for obvious reasons, but concluded that he should be treated like any other top practitioner. Although he is not actively managing money like many other interviewees, his wealth of knowledge and unique background spanning all three market disciplines (academia, research, and trading) is of particular value to this book, not to mention that most of the top global

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macro traders are reading his reports and talking markets with him on a regular basis.

Drobny began his varied career as a professor of economics at King's College Cambridge and London University, having completed his PhD at the former institution. At the age of 33, he entered the financial markets after the head of research for Bankers Trust saw a letter he had written to the editor of the *Financial Times* and promptly hired him. Within a short period of time he became chief economist and head of research, titles he views as completely meaningless. Later he went to Credit Suisse First Boston (CSFB) to help build a global currency trading operation.

Never at home inside the conservative world of Wall Street, Drobny retired in the spring of 1998 and moved to the beach in Southern California, to the student life again. Always an eccentric, it is obvious upon meeting Drobny for the first time why he did not entirely fit in on Wall Street. He hates neckties, has a phobia about buttons, and never wears shoes. He is incredibly intense, never afraid to challenge someone by waving his arms, making a heated case for something he believes in, and telling people they are wrong. But while he is confrontational and excitable, he is also open to original ideas and intellectually honest.

Bored being a student in Los Angeles, Drobny began to contact old friends from the financial world who missed his wild, out-of-consensus views on markets. He began writing a newsletter that soon grew into an advisory role, which again grew into today's open discussion forum that is Drobny Global Advisors (DGA). Sitting at the center of a living discourse on global macro markets, Drobny facilitates an open dialogue among top hedge fund managers and other leading intellectuals, but unlike other research platforms, he is continually striving to capture the trade. In other words, all views must be captured in tradable, actionable ideas. Theories, views, and opinions are not enough. As banks have reduced proprietary risk taking and trading floors are becoming almost anachronistic, DGA has created in essence a global, virtual trading floor of smart guys from around the world. The virtual group congregate twice a year at the Drobny Global Conference to argue and debate favorite trades with Drobny moderating the discussion.

I first met Drobny when I was working in the Hedge Fund Group at Deutsche Bank in London. I cold-contacted him on *Bloomberg* because I was continually being asked if I was the "crazy, smart strategist from CSFB." We found out that we both had grandparents from Prague; had gone to







high school in Bethesda, Maryland; had studied at the London School of Economics; and worked at investment banks in London. As we got to know each other, I quickly found that in a world where everyone claims that he or she is "out-of-consensus" or contrarian, Drobny truly is. He has the academic rigor and varied experience to frame bold ideas in ways that others cannot capture. We soon joined forces, as our complementary skill sets just seemed right, not to mention that my name was already on the door. And the beaches of California were far more appealing than the rainy gray of London.

Five years later, we sat down at his sunny Southern California home to conduct this interview. As Drobny sprawled on his couch, he commented that it felt just like a shrink session.

How did you get started in global macro markets?

I was an economics academic in London and had heard all this talk about "City whiz kids." I got frustrated when my not-so-smart graduate students went to the City and started on salaries several times mine. I wanted to see what all the fuss was about and I needed to see if I was up to the test.

It was 1986 and the USD was falling hard. I wrote a letter to the editor about it, which the *Financial Times* published, and soon thereafter got a call from the head of research at Bankers Trust London about it. We talked for a bit and he hired me as a senior economist in his group.

What led you to academia and economics in the first place?

I have always been a teacher. I love it. So academia was essentially the path of least resistance. Also, I was good at it and got a lot of kudos—at Cambridge, becoming an academic made you a star. I studied history as an undergrad but felt I needed to understand material conditions better. I was always very numerical anyway so it led me to economics. It was a natural fit.

Do you think a deep understanding of economics and history is crucial for success in global macro markets?

No, but it can help. It's one way, but not the only way. One of the things I've learned in global macro is there are many ways to be successful.



