Goldman Sachs Exchanges

What's the outlook for deal-making, corporate and investor sentiment, and markets?

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Allison Nathan: Against the backdrop of a challenging geopolitical landscape, I'd venture to say that the global economy and markets have never been more complicated and more fractured. So how are companies and institutional investors preparing for the road ahead?

Dan Dees: It's always been the case that in every market environment the three of us have lived through there have been real and consequential and important risks. And that's certainly true now. What I think is slightly different to me about this moment, it feels like people are having a harder time balancing a recognition of these risks with an optimism and a likelihood -- not just a potential -- a likelihood that we will navigate these things and navigate them well and end up in a better outcome.

Allison Nathan: I'm Allison Nathan and this is Goldman Sachs Exchanges.

For this special episode, I'm sitting down with the co-heads of Goldman Sachs' Global Banking & Markets business Jim Esposito, Dan Dees, and Ashok Varadhan. We'll be discussing their views on the markets, corporate and investor sentiment, and the outlook for deal-making. And we'll also get some thoughts about the direction of the industry as well as some leadership and career advice from these GS lifers. Jim, Dan, and Ashok, welcome to the program.

Speaker: Thanks for having us.

Speaker: Thank you.

Allison Nathan: Let me just start by saying it's pretty rare to get all three of you around the table for a conversation like this, so I'm looking forward to it and we have a lot of ground to cover so let's get started.

Jim Esposito: I'm just worried I'm not going to get a word in edgewise with my two co-heads here. So this is a first.

Speaker: You're ahead of the game already.

Jim Esposito: Uncharted territory, Allison. Let's see how we go.

Ashok Varadhan: Let the record show he's already gotten 43 words in.

Allison Nathan: Indeed. There is almost 100 years of experience in financial services between the three of you. Let's start by just contextualizing this moment. Unfortunately, we are grappling with geopolitical tensions. We have slowing global economic growth. We have choppy markets. Ashok, maybe you can start and tell us what's most striking about this moment to you.

Ashok Varadhan: I think it's really been the last three years, Allison. We've had sort of 25 years of an economic cycle crammed into three and a half years. You have the exogenous shock of the pandemic. You get unprecedented amount of easing, bond buying, fiscal stimulus, the development of a vaccine, a vibrant recovery, supply chains can't respond quickly enough to aggregate demand, inflation you haven't seen in 40 years, 500 basis points of rate hikes, wars. All of this stuff crammed in within slightly over a three-year period. And so it's just been so much for the markets to digest. And so now I think you're just in this place where you're trying to figure out what the new equilibrium is after you've gotten all of these shocks.

Allison Nathan: But a lot of the shocks are starting to unwind at this point. We've had global economic growth holding up pretty well. We're seeing disinflation well entrenched and we at Goldman Sachs expect that to continue, at least on the research side I should say. So do we think we're at the other side of this bad moment at this point?

Ashok Varadhan: I think we're making our way to the other side of it. I think we're going to see what that normalization is. But there are going to be things that are going to be altered for a while. You mentioned the geopolitical strife that we've been experiencing. I would say anti-globalization, the pendulum swinging in the other direction of globalization, that's been with us for some time. That wasn't something that started during the pandemic. Brexit was a point in that evolution in which globalization wasn't necessarily seen as this fantastic thing because obviously there were costs and consequences.

And I think what we're seeing now, more polarization, less global cooperation. I think that's something that is probably not likely to normalize anytime soon.

Allison Nathan: And Dan, maybe you can share some insights on, again, as Ashok just said, we're coming out of this crisis pandemic era, but you've lived through a lot of crisis eras. So what does the moment feel like to you?

Dan Dees: Yeah, so you asked us to contextualize the moment and put it in the context of the other market environments we've seen over the course of that horrifying stat that you listed of our hundred years of collective financial services experience. I mean, some of us are old. I think all three of us --

Jim Esposito: She was supposed to say, “But you look so young,” and she left that out of our introduction.

Dan Dees: I didn't pause. I didn't pause for it. I should have.

Dan Dees: But I'd say a couple things. One thing that is very familiar to me about this market moment compared to others -- and in your intro you talked about all these scary things and all these risks and all these issues. I think it's always been the case that in every market environment the three of us have lived through, there have been real and consequential and important risks and that's certainly true now. And we could go around this table very quickly, give you a litany of the things that make us anxious. Higher inflation, higher rates, slower global economic growth, growing geopolitical tensions, the horrors that we see on our news feeds, political dysfunction, etc., a lot of the stuff that Ashok just talked about. That's always been the case and we've always been well served in our careers to be attendant to it, anticipate it, think through it, mitigate risk, manage risk, etc.

What I think is slightly different to me about this moment and to contextualize it with other moments I've been through is, in the conversations I have with CEOs and

CFOs and institutional investors and financial pundits, it feels like people are having a harder time balancing a recognition of these risks and a discussion around these risks and the consequences and balancing that with an optimism and a likelihood -- not just a potential -- a likelihood that we will navigate these things and navigate them well and end up in a better outcome. And I have all my own theories about why we have more of a negativity bias now -- whether it's 24/7 news coverage on financial services or social media -- I'll spare you all my amateur psychology on it. But we just have more of a negativity bias.

And so I'll just, I'll amplify it with one anecdote. I spoke at this CEO dinner a couple months ago. It happened to be I was speaking on the anniversary, the 25-year anniversary, of the implosion of Long Term Capital Management, which was back in 1998. This big hedge fund wobbled, imploded. It caused a real destabilizing moment. And it was this moment of real instability in the markets and it was a moment of real anxiety for me. I was six years into my career, to give perspective again, on how this compares to other moments. And there was this question: What else is vulnerable? How much leverage is there in the system?

What should we be thinking about? They were all the same anxieties that you see now.

And what was interesting to me in this discussion, I said what if I had gone back to that moment in 1998 and if I could tell you in that moment the following things aren't risks that might happen, these are things that are going to happen? Three years from now on 9/11/2001 we're going to be attacked on American soil in a way that will change our lives forever. A few years after that, we're going to have a global financial crisis that's going to bring the financial world to its knees and cause major corporations and financial services companies to go bankrupt. After that, we're going to have a once-in-a-century pandemic that's going to cause the world to shut down and have major industrialized economies -- the US economy -- go down 35% in a quarter. After that, we're going to have the stimulus required to restart the economy lead to the highest inflation, as Ashok just referenced, in four decades. That's all going to be exacerbated by a land war in Europe instigated by the Russians. And there's going to be these things called tweets and you don't know yet know what Twitter is. There's these things called tweets that, if you could see what our politicians, first, who our politicians are and, second, what they say to each other, it would belie a level of political dysfunction that would horrify you and is the worst you've seen in 150 years. And if I told you all that stuff or if I told myself all that stuff in that moment of anxiety back in 1998, I would be hiding under my desk in the fetal position.

But instead, 25 years later, US GDP is up almost 3x. Notwithstanding all those horrific risks and consequences that played out, US GDP is up almost 3x and the markets are up over 500%. And I just think that sometimes we need to stay very attendant to the risks. The potholes are enormous and scary. And yet, we need to be all balanced. I think we underestimate the resilience of American and global business. We underestimate the adaptability of CEOs and CFOs. We underestimate the resilience of the US consumer and the capital markets. And importantly, we underestimate the compounding accelerating pace of innovation and its impact on productivity in the world.

I just think it's the same as other moments for risk, but we're having a harder time balancing the optimistic in all of that.

Allison Nathan: That history is really quite striking, Dan. Jim, let me turn to you. So what are you hearing from the company client base? How is sentiment at this point?

Jim Esposito: So look, when you listen to both Ashok and Dan and then you layer on top of that how corporations are actually functioning right now around the globe, I think we're pleasantly surprised just how well corporate leadership has navigated what is a very fragile backdrop. That's true geopolitically. It's true macroeconomically. I think with each and every quarter, corporate CEOs are looking around the corner a little bit attuned and alert to the fact that they expect the global economy to slow materially. It slowed a little bit, but I think they're surprised just how well their businesses are functioning.

They've managed to navigate just a real labyrinth of challenges, diversifying their global supply chains, grappling with interest rates that have moved more than 500 basis points higher in a very short period of time, sticky wages, shortages of labor. Now, these are some of the more acute challenges that corporations have had to deal with in the past 15 years. I think if we were giving our corporate clients a report card, we would be giving them very high marks for their leadership and their ability to navigate what is a fragile backdrop.

Allison Nathan: Higher interest rates may be here to stay, Ashok. I think it seems like the markets have begun to embrace this idea potentially that we're in for a structurally higher rate environment. Do you think that's the case? And where do you think the market is right and wrong here?

Ashok Varadhan: I think there are two factors at play. One is obviously the rapid normalization that was required to attempt to get the disinflation that we've experienced over the course of the last year. I think it's important people talk about inflation a lot but not as much now as they were a year ago. We've made a ton of progress. A year ago, we were at sort of 8% inflation. Now we're down to 3%. I'd say that's pretty good progress over the course of the year.

And to do that, the Fed had to raise the real rate of interest to above 2%. So right now, say inflation is tracking around 3%. Policy rate's five and three eighths. And so that's a pretty restrictive rate. I think on that score, that will have a chance to come down over the course of the next couple years. I don't know how fast. I don't know how far. But I don't think rates need to be this restrictive, especially if you believe that the disinflation will continue and we'll get closer to that sort of 2% target. And so along those lines, I actually think we will start to see some relief in policy. Again, maybe it's the latter part of '24. Maybe it's into '25. But I think the market will obviously absorb that and enjoy that after having lived through this sort of restrictive period.

What's different, though, the other factor is long-term debt dynamics. And there I think structurally a little bit more challenged. Obviously deficits, the fiscal spending has not abated. It's strange for us to be spending this much at a time in which the unemployment rate is basically at or near full employment. And it doesn't feel like irrespective of where your politics lie. If you're a Democrat, you're not going to curb spending. And if you're a Republican, you're not going to raise taxes. So it doesn't feel like we're going to see fiscal discipline anytime soon. And so there, I don't know, it's hard to see long-term rates coming down meaningfully. And so our base case on the trading desk is we expect a more normalized yield curve, a steeper yield curve, but really more with normalized and lower rates in the front end and not a lot of relief in the back end.

Jim Esposito: Just picking up on the thread from Ashok. It's not just the supply side of the US Treasury market that's becoming more problematic. It's also the demand side of that same equation. And when you look around the globe right now for end users of long-dated US Treasuries, there's just a lot less demand than there was even six months ago. Every major central bank has moved from QE to QT. The US regional banks have been some of the largest holders of US Treasuries. They got caught offside in a duration mismatch, so they've been a lot less active in recent auctions. Many sovereign wealth funds specific to China have been historically large buyers of long-duration US paper. They're a bit less active. Some of that might be geopolitics. Some of that might just be less international trade, less US dollars to recycle into the US Treasury market. And then finally, investors don't have to stretch very far to find yield. You can buy a 6-month T-bill that's yielding north of 5%. Why wouldn't you buy that instead of a long bond that's yielding four and three quarters? So the demand side is creating a bit of a supply-demand imbalance right now that we need to keep a proper eye on.

Allison Nathan: So Dan, how are the higher capital costs that companies have been facing and are likely to continue to face affecting their strategic decision making?

Dan Dees: The availability of capital is a key part of a decision on strategic activity in particular. As we think about the strategic activity that we engage in with our clients, I'd divide it across two different client sets. One is corporate clients, the other financial sponsors. On the financial sponsor side, financial sponsors rely on financial capital to make their transactions work. And so as the cost of that capital has gone up dramatically over the last 18 months, it has meaningfully slowed that activity from that client set. And I think, as they get their head around this new cost of capital and how to think about the required equity returns in the context of that new cost of capital, that'll sort itself out and you'll see a reengagement of activity, a reacceleration of activity from that group, but it has been relatively slow.

On the corporate side, it's also been relatively slow, but that's been more to do with the lack of CEO confidence about the outlook in the world. Some of that stuff that I alluded to earlier about real concerns about the potholes ahead of us. And I think, as we start to see a path towards a soft landing and I think as we start to see resolution of some of these other issues I referenced, you'll see a bigger pick-up in that activity and more strategic activity from the corporate side as well.

Allison Nathan: And we have seen IPOs begin to trickle through this year. Some have been more successful than others. So does that mean you're more optimistic on the outlook for 2024? Or how does it look to you?

Dan Dees: I am. Yeah, I am more optimistic on the outlook for IPOs in 2024. I think, as with any market that's reopening, it'll be faster in the back half than in the first half of 2024, but I absolutely think we're going to return to a little bit more normalcy, especially if what Ashok referenced plays out. Which is if we are done seeing the Fed hike from here potentially and start to see them cut late, you know, in the back half of next year, you would really see an acceleration, I believe.

But just stepping back on the IPO market. To me, it's not at all unusual or surprising to see that market open and close. Over the course of my 30-plus-year career, that's what it does. It gets more accommodating and less accommodating over time because it is always an exaggerated reflection of the strength of the overall market. When the overall markets are strong, the IPO market is really robust. When the overall markets are weak, the IPO market really struggles. And so again, with what Ashok and Espo just went through on the 500-basis-point-plus rise of interest rates over a very short period of time, that discombobulated the overall markets and certainly the markets for growth stocks and certainly therefore for IPOs. So not at all surprising to see that slowdown.

And yet when you step back even further, I think the environment for capital raising will be very robust because it has to be in the years ahead. We are in the age of innovation, of accelerating innovation. All that innovation needs to be funded. We have a massive energy transition with trillions of dollars that needs to be raised. All of that needs to be funded. You have economies all around the world trying to grow. All of that needs to be funded, and it's going to be far too big for the private markets. And so the public markets are going to need to be open and accommodating. They're going to need to find their level where buyers and sellers can meet to raise that capital.

We started in September to tiptoe back in, and Goldman did a number of big IPOs, as you allude to, Allison. We did over $5 billion for Arm, and large deals for Instacart and Klaviyo. So it's starting, but it'll be a slow ramp back up.

Allison Nathan: And Jim, how do you see the outlook for M&A activity more broadly?

Jim Esposito: Dan alluded to it. I wouldn't underestimate the importance of one specific client constituency, and that's the private equity industry. I think it's important to bear in mind just how much private equity benefited from the prior 15 years of zero interest rates and very ample and cheap capital that was available. The private equity industry grew exponentially.

If you were to go back, say, a decade ago, private equity would have accounted for about 20% of global merger volumes. Whereas last year, private equity accounted for just shy of 40% of global merger volume. So a lot of deal-making is tied and correlated to how you feel about the mood with the private equity industry.

Suffice to say, with interest rates having normalized, some of the velocity of deal-making coming from private equity, we do expect to slow down a bit. It doesn't mean there won't be private equity deals. There will. But the pace of that, which was really off the charts for a period of time, is expected to normalize.

Now, the big question is: How much will strategic and corporate buyers and sellers step in to fill that void, some of which is being left by private equity? Now, we saw in many sell-side auctions that we were participating in or running on behalf of our corporate clients, for the last decade private equity would have been the best bid, the best buyer of an asset. I think corporates in some places were getting priced out of the market, and I do expect to see corporates starting to step in and fill the void. So to Dan's point, you know, we expect a pickup in deal-making as we get into 2024. We're not going back to, say, 2021 levels, which were a breakout year across Global Investment Banking. But we do expect to see a reasonable pickup in deal-making activity, you know, especially now that we seem to be through the other side of this interest-rate hiking cycle.

Allison Nathan: Let's spend a few minutes outside of the US. Ashok, if we think about EMEA, if we think about Asia, how do you think about the strategic outlook in those regions?

Ashok Varadhan: Sure. Let's start with Asia. I think there are two incredibly important macroeconomic stories, both very different in nature. One is the obvious slowdown that we're witnessing in China. Fastest-growing economy in the world, second-largest economy in the world, sort of the bellwether for emerging markets. And so it's something that we're paying a lot of attention to. The underlying market microstructure doesn't have a lot of modes of expression in it. There's a stock market, and there's an FX market which is managed. And so it's hard to really glean from market parameters things that you can impute.

That being said, we have reasonably good data as it relates to the housing sector with respect to where property bonds trade. Obviously some highly publicized defaults and occupancy rates that are, you know, very low and get even lower when you get away from tier-one cities. And so we've gone through this ourselves 15, 16 years ago. Housing bubbles, when they burst, the reparation period is a very long time. And so we're watching. That will obviously weigh. I think that's one of the things that's probably contributed a little bit to the disinflation that we've experienced over the course of the year. Certainly China was a tailwind in terms of the inflation side, and so that's obviously a super important story and we're watching.

And obviously there's geopolitics attached to that as well. For China to get out of this, I assume that it'll require more global cooperation. And even as we speak, I think we're starting to see, I'd say, green shoots with respect to China coming to the table, the US coming to the table to think through collaborative ideas to get their economy back on track.

I'd say the other story in Asia is obviously Japan, where inflation there is also 3-4%. Inflation here is 3-4%. In Europe, it's 3-4%. But all of these central banks have normalized, and the policy rate in Japan is still negative ten basis points. And we're watching that closely. What will normalization look like? I was just there last week. I'd say the sentiment amongst bank leaders, central bankers, people that work in a quasi-sovereign sector, they're much more worried about deflation coming back than they are about inflation getting away from them. So it speaks a little bit to the different mindset there than what we experienced in the Western Hemisphere. And so it'll be interesting to see what has to transpire for them to normalize even modestly. And that's another story that we're watching very closely.

Allison Nathan: Jim, any thoughts on EMEA?

Jim Esposito: Sure. As you know, I live my life in London. I'm here in New York to be with my co-heads today, but normally I'd be based in London. Look, I think, when you consider Europe in the current context, I would say it rhymes with many of the geopolitical macroeconomic themes that we've been discussing today with a couple of caveats.

The first is when you look at hot spots around the globe. Physically or geographically, Europe is just that much closer to those hot spots. The war with Russia and Ukraine and what that might mean for the commodity complex and energy prices going forward. Obviously now what's happening between Israel and Gaza and what's becoming potentially a greater and greater conflict in the Middle East, I think that weighs on Europe that much more than it might on the US economy, given its physical proximity to those hot spots at the moment.

Europe has less energy self-sufficiency than the US does, and so both of those conflicts can cause energy prices to go a lot higher. We're obviously coming into the winter months. Is it going to be a cold winter in Europe or not? What does that mean for energy prices? We saw what happened when energy prices spiked not that long ago in Europe. And so I think Europe rhymes a lot with the trends playing out in the US economy, but a slightly harder path to navigate given those issues.

Allison Nathan: We've talked a lot about risks -- geopolitical risks, inflation risks, and so on and so forth. What keeps each of you up at night? Let's quickly go down the line. Dan, start with you.

Dan Dees: Business-wise, you're asking.

Allison Nathan: Yes. We all have our own fears and worries, but, yes, business-wise.

Dan Dees: There are plenty. And at the beginning of this discussion I went through that kind of litany of risks, and you can very appropriately get focused on each of them and their potential consequences. But if I had to pick one, I think the deteriorating fiscal position of the United States is concerning. It was funny, Espo sent around to us a couple weeks ago and then wrote in our weekly newsletter about Ross Perot back in '92 when he did his election. He wrote those diagrams on the fiscal position of the US and the deficits we were running and the trouble we were in. And I think we had $5 trillion of government debt at that point. And he was probably right, but then probably problematic at $10 trillion and then $15 trillion and then $20 trillion, now $25 trillion, and projections are up for $35 to $45 over the coming years. And so that's something I don't know what catalyzes a crisis in that, but it's something I watch very closely because it makes me anxious as to what that consequence could be.

Allison Nathan: And the resolution is just not clear.

Dan Dees: Yeah.

Allison Nathan: Jim?

Jim Esposito: Look, Dan potentially stole my thunder, so the unsustainable fiscal position of the US government, the stock of debt that needs to get rolled at current levels of interest rates. We might not hit a wall anytime soon, but we're closer to that wall than we've been in the previous decade, and I think it's definitely something that government officials and policymakers need to pay more attention to. But what's really driving that, obviously, is a level of political divisiveness that we've never seen before.

And here it's not just the US government. Almost every major developed economy right now, when you look across continental Europe and the UK, the level of divide between political parties is as wide as we've ever seen. And it just begs the question: Can we get hard stuff done when hard things need to get done or completed? Now, if you look back over the last 15 years, I think when we've had any example of a major crisis, whether that was the 2008 financial crisis, in Europe, the European government sovereign funding crisis, the global pandemic, when we get a major crisis, governments have actually done a very admirable job of stepping up and coming together and doing the right thing in that moment. But it's really needed a major crisis for that to happen.

And when we're in a place where it's business as usual, I don't think we're getting enough done. And so that stock of debt and the fiscal condition of the US, it definitely gives us a reason for concern.

Allison Nathan: Ashok?

Ashok Varadhan: I'd say so much of our workflow has migrated through technological automation, and it's obviously massively productivity enhancing in terms of the amount of things that we can accomplish, by the way, in all parts of Global Banking & Markets, even on the banking side, through the benefits of automation. But at the same time, therefore, you run the risk, if something happens wrong on the automation side, the proliferation that can transpire and that can be problematic. And that's something that's very difficult to solve in the moment, and you typically find out about those things after the fact. Whereas market risks, you can see some of the signs before the fact and engage in mitigation strategies.

Allison Nathan: Let me switch gears for a moment. The three of you co-run a business unit that is about 75% of GS revenues. That is a big number. I think that fact is somewhat underappreciated. It's large. It's complex. It's global. And as we've just been discussing, against a backdrop that is quite complex. Any leadership advice at this moment in time that you can offer?

Jim Esposito: We do run a large, complex, very much a global business. I think the first piece of leadership advice and the place the three of us spend I'd say the most amount of our time is putting great leaders, putting the right person into an important seat at Goldman Sachs is the most leveragable asset you have as a leader. So identifying, cultivating talent, and then unlocking that talent by giving him or her the right opportunity. That's truly a leveragable asset. And we do that a lot in our respective roles.

We're spending an inordinate amount of our time talking about talent and identifying the right place for that person to sit that will give us the most amount of leverage.

Dan Dees: Yeah, I think that's a really good one. I agree. The thing I would add that I've noticed is we all progressed through our career, you start by running a very small business and then bigger businesses and you get more responsibility over time. And as you're doing smaller businesses, you can learn these management leadership muscles that are very much you can dip down into everything and by very micro and deal with the nuance and manage small issues with direct interaction. And the more you zoom out and become someone who's running a bigger business, it gets harder to do that. You can't rely on that old muscle.

And so I think one kind of core tenet is just get in touch -- the bigger the business is that you are managing, get in touch with what is your true north. For investment banking, it is investing in our clients. Client relationships. And if you can just keep that in mind in everything you do -- so as you lead by example and people are watching you, you are investing in your clients and engaging with your clients. As you speak in your town halls or do whatever else we do, you're talking about your clients and your client relationships. You quickly learn that whatever you measure is what motivates people and what drives their behavior. And so measure client relationship progress and that type of thing.

And so I think the bigger remit that I get over time, the more you have to zero back in on what is your true north? And are you really manifesting that and communicating that in everything you do?

Ashok Varadhan: I would say for me it's reference, you know, the 100 years of experience, cumulative experience amongst three of us. I think it's really important in leadership to draw upon that. I think we're in a unique position, Dan itemized all the things that happened over the course of the last 25 years. You have to recognize for a lot of the people that we work with, they've only experienced the last thing, and they have no idea what he was talking about up until the last thing. And I think it's really important when those things transpire to sit there and say, “No, I've been there. I've seen that. I've done that. It's not the end of the world. In fact, it could be an opportunity for us.” And I definitely felt that way, you know, the pandemic, subsequent to the financial crisis, frankly, from, like, a markets perspective felt like nothing. I was like I've done this surgery a thousand times; everything's going to be okay. And I think exhibiting that, especially for people that are experiencing it for the first time and it's very scary, I think is a good quality to project as a leader.

Dan Dees: Whenever I get nervous, I just call Ashok and he just talks me off the ledge.

Allison Nathan: I'll do that next time. What's the advice you have then for these younger people entering the firm, entering the industry at this point?

Ashok Varadhan: I think it's really important to have context. It's a mature business, you know? It's a lot more mature than it was when the three of us came into it, and so there's a lot of specialization. And so sometimes you can be doing something, you're working on pitch books and you don't know -- try to figure out how it fits into the whole scheme of what the firm does, what its reason is to exist, what the mission is of the firm. Contextualize why that workflow is actually very important with respect to whatever the true north is that's being articulated to you by your division head or business unit leader.

And that I think gets you invested in your work because you understand the importance of your work but also gets you invested in the firm and what the firm is trying to accomplish, not with respect to financial output and financial goals but what it's trying to do to serve its clients. And so that's I think context, especially when you're starting out in the firm and you're one of a swarm of people working on something very specific. Context is key.

Jim Esposito: Yeah, I think if you have that intellectual curiosity that Ashok is describing, you can reflect back, even at a very young age, at a place like Goldman Sachs and realize you have an unbelievable privileged position by which to see the world. And when I think back about the arc of my career, every major geopolitical event, every major macroeconomic event that's taken place over the last 30 years, I found that Goldman Sachs gave me a front row seat by which I could observe whatever was playing out in the world.

It was true in the late '90s during the Asia currency crisis. The first dot-com bubble bursting. The global financial crisis in '08. The global pandemic. Our seats allowed us to really be a part of that, to influence outcomes and to really see it playing out live. But to do that, you have to have a broad perspective. You have to be intellectually curious.

You have to paint outside the lines a little bit in your career. I think the three of us have always taken advantage of that at Goldman Sachs.

Dan Dees: Yeah, these guys articulated what I would have said. We all speak off the same hymn sheet. I guess another one occurs, which is build your network as you go because there's no place like it from my perspective. At least Goldman Sachs has been that for me in terms of the quality of the network you get to build. And the three of us have been friends for more than two decades and working side by side. And that's a pretty extraordinary privilege.

And then you also have a bunch of friends that you meet here and network you build here that go off and become the diaspora of Goldman Sachs people in the world. And they become clients or colleagues or whatever. And so from the very beginning, jump in and build your network and build your relationships.

Allison Nathan: Right. I mean, the three of you have really grown up at the firm together.

Dan Dees: Well, Espo hasn't really grown up very much.

But he's been here a long time.

Jim Esposito: I've been here a long time.

Dan Dees: You've grown old. We haven't grown up.

Jim Esposito: Working on the maturing part. It's a work in progress.

Speaker: No, you're making real progress.

Jim Esposito: Thank you.

Allison Nathan: Let's end by rewinding the clock. So again, each of you have been here for a long time, and you've seen a lot in your careers. What's one memory that stands out? And why does it stand out? Dan?

Dan Dees: Boy, there's a lot. I've been 31 years at the firm, so I've got a lot. How long is the podcast? No. The one that really stands out the most is I had the privilege of being part of the team that helped take Goldman Sachs public. And so that was back in 1999. I worked on the IPO. And at the time I had taken public, in the seven years

I'd been at the firm, taken public a lot of other companies and clients. And you get to see the IPO process. And I thought I was good at it and really understood it. But it wasn't until I took our own company public and saw the importance I think of what we do and the impact it has on the company and the eyes of the world being on the company at the time and the pressure on the company, you know, it really seared into me the consequence of what it is we do and the impact that we can have in doing it. And so every step of that process was a very cool thing to be involved in.

Jim Esposito: For me, I'd say 2008. And at that time, my main responsibility was running our capital markets business. And as a part of that, part of my job was helping Goldman Sachs fund its own balance sheet. And I think the closer you were to understanding really what was going on at that time in financial markets, the lack of available funding to corporates and financial institutions, it was pretty staggering. And I worked incredibly closely with our then CFO David Viniar, trying to secure any funding in financing that was available. It was an incredibly fragile and delicate period emotionally in the markets and psychologically on all of us, an incredibly taxing time. And

I remember that period like it was yesterday and just seeing how people came together within the four walls of Goldman Sachs, working with government officials and policymakers, trying to find a way through what was the largest financial crisis of our time. And there we really have to give a hat tip to government officials, policymakers, treasury secretary Hank Paulson. People stood up and really led the market, led our country, in a very profound way. And I know I'll never forget it.

Ashok Varadhan: I'd say for me, I'll go all the way back to 1998 when I joined as an associate and I was here for the eight months that the firm was private before it went public. And I remember obviously Dan referenced Long Term Capital Management and markets were very volatile. Obviously it was especially acute for the partners at Goldman because their IPO just got delayed. They were all expecting to have a liquidity event in '98, and that obviously got pushed out.

But I remember specifically being an associate and Jon Corzine walking up and down the rows of the trading floor, asking me my opinion about what was going on, trying to get a feel for what was transpiring in the markets. And the thing that I remembered -- and obviously the firm was much smaller then -- but that sort of partnership culture of, irrespective of where people are on the letterhead, a culture of things being very flat. And no matter how senior you are -- in the case of Corzine, he was the senior partner of the firm -- being accessible and being present. And I'd like to think, even though obviously we're multiplicatively bigger, the ethos which certainly the three of us try to run Global Banking & Markets is we're pretty accessible.

I think you'll see us out on trading floors. I think you'll see us in meetings with people that span all parts of the hierarchy of the organization, whether they're analysts or associates. And I think that's something that I was the beneficiary of when I got here in 1998. Obviously the firm was private. We're public now and we're much bigger, but I'd like to think that we pay that forward a little bit.

Allison Nathan: We will leave it there. Jim, Dan, Ashok, thank you for joining us.

Speaker: Thanks for having us.

Speaker: Thank you very much.

Allison Nathan: Thanks for listening to this episode of Goldman Sachs Exchanges, recorded on November 13th, 2023. If you enjoyed the show, we hope you'll follow us on Apple Podcasts, Spotify, or Google Podcasts or wherever you listen to your podcasts. And leave us a rating and comment.