
Risks &
Rewards

Managing Investment
and Liquidity Risks Within
Nonfundamental Market Sell-off
and Volatility Feedback Loops:
A Market Impact Perspective

Chairperson's Corner

By Bryan Boudreau

I'm thrilled to be writing my first Chairperson's Corner. While I can't remember exactly how long I've been an Investment Section member, I'm sure it's been the majority of my 30+ year career. The Investment Section has always provided valuable content and helped to satisfy my interest in understanding both sides of the balance sheet.

The left-hand side of the balance sheet has certainly provided its share of interesting twists and turns. At the early part of my career, I witnessed the stock market crash of 1987 (while studying for exams). Two decades later, I had a front row seat to the demise of Lehman Brothers. In more recent years, we've witnessed an extended bull run in stocks and a period of developed-market interest rates lower than any contemplated when many investment strategies or insurance products were designed.

The growth and maturation of asset liability management as a discipline has been a key nexus for investment actuaries. Several decades ago, assets and liabilities were managed almost independently. Today, we see variable annuity hedge programs modeled with the same sophistication as Wall Street trading desks, with immediate marks to market and rebalancing. We also see pension plans looking at their funding ratios daily and implementing strategies that react to market moves.

While the development of ALM, as well as advanced risk analytics, has been a great leap for insurers and pension funds, the investment markets will always defy prediction. The big turns in the market have generally surprised investors by contradicting widely held views such as "portfolio insurance can protect against market downturns" or "housing prices will never decline." I think these events should teach us to be especially wary of consensus.

As a second-time Investment Section Council member, I can attest that the section leadership is always looking for ways to serve our ultimate goal: to provide useful and relevant investment-related content to our membership. In recent years, our section webcasts were a huge hit. We plan to increase the number for 2019. We also sponsored a number of podcasts; Jeff Passmore's "Becoming an Investment Actuary" was one of the SOA's most downloaded podcasts of all time. Plans are also underway for the 2019 Asset Allocation Contest and the awarding of the section's Redington Prize.

Before signing off, I'd like to give a special acknowledgement to our longtime *Risks & Rewards* editors, Joe Koltisko and Nino Boezio. As the former section liaison to *Risks & Rewards*, I'm continually amazed at the time, effort and dedication that both Joe and Nino give to the newsletter, which is a centerpiece of our section's efforts. Thank you, Joe and Nino!

I encourage all current and future members to check out the section web page (*www.soa.org/sections/investment/investment-landing/*). Please contact me, David Schraub (*dschraub@soa.org*) or any other section council member if you have ideas for how we can do a better job for our section members. ■

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