

# By No Stretch of the Imagination...

## AN INTERVIEW WITH PETER DRABWELL

Peter, or “Stretch”, as he is more commonly known, took a career break early last year after more than 30 years working in the bullion market. Aelred Connelly caught up with him to reminisce about his career and find out what he has been doing over the last year and his plans for the future.

### IT'S OVER A YEAR SINCE YOU RETIRED, WHAT HAVE YOU BEEN UP TO SINCE?

Well, my timing was, for once, pretty good in leaving HSBC when I did, given the summer we had in London in 2018. Plenty of time on the golf course, though sadly not reflected in a reduction of my handicap. Some very pleasant days at Lord's watching cricket and continuing to coach my son's Under 10s football team. Throw in a few holidays, plenty of time with the family and a renewed interest in gardening, and the time has flown by!

### ARE YOU, OR HAVE YOU BEEN TEMPTED, TO DIP YOUR TOE BACK IN THE MARKET, PERHAPS AS A CONSULTANT?

I was determined to take a break from working for a minimum of one year. It gave me time to reflect on what had gone before

and to look at what I wanted to do in the future. At the start of 2019, I decided to look into returning to the market on a consultancy basis. Trade wars, Brexit and the new technology being deployed, all point, by extension, to interesting and exciting times for both gold and the other precious metals. As a result, I created Balance Metals Consulting Ltd and am exploring a number of projects. I like the idea of not being tied into one institution and hopefully being able to call on 30 years' experience where it is considered to be of value somewhere across the metals spectrum.

### YOU SPENT OVER 30 YEARS IN THE BULLION MARKET. WHAT DO YOU MISS MOST, THE WORK OR THE PEOPLE?

The simple answer is I miss both. I was fortunate to work with and become friends with some hugely talented, interesting and decent people during my career. Many of them have also retired, so I am lucky to still be in touch with them and meet up every so often, but I do miss the day-to-day interaction, the humour and the camaraderie that comes with working with a close-knit team. As for the work, my role changed over the years. Regulatory and administrative requirements meant that more and more of my time was spent away from the trading desk, but I do miss the excitement, the cut and thrust of the markets, especially during the volatile periods. I recall being in the office all night on two occasions in 2016 – UK Referendum and the US election – and

the atmosphere across the whole floor was electric. I miss being involved in markets on such momentous occasions.

### WHAT ATTRACTED YOU TO THE PRECIOUS METALS INDUSTRY? WHERE AND WHEN DID YOU START YOUR CAREER?

To be honest, I stumbled into the industry by accident. I left school at 18 and went into accountancy for a couple of years. I was on holiday with some friends in the summer of 1986, one of whom, Andy Huxtable, worked in Bullion Operations at J P Morgan, or Morgan Guaranty Trust Co. as it was known back then. He mentioned that there was a job going in the Financial Accounting department. I interviewed, somehow got the job and Andy earned £300 for the referral. He still owes me a beer for that! About a year later, a vacancy arose in the Bullion Ops team and I moved over.

My boss was Peter Smith, who of course is still very much involved in JPM and the market long after me! It was whilst working in Operations that I started to come into contact with the trading desk and began to get interested in what took place there. I was moved into a trading support role before one of the traders resigned, and I asked to be considered. Luckily, I was given the opportunity, and the rest, as they say, is history.

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Sadly, that path is rarely available nowadays to back office staff wishing to move onto a trading desk in banks due to a combination of compliance restrictions and, of course, the larger firms preferring to recruit from the pool of graduates that they take on annually. I do think that a lot of talent is left untapped as a result. Some of the best traders I have worked with or was in competition with left school at 16 and went straight out to work, started at the bottom and worked their way up to enjoy very successful careers. It's interesting to see firms such as Amazon and Google recruiting school leavers at 18 and giving them an alternative three-year 'education' to that which they would have received at university. With many graduates struggling to find work after completion of their degree, I suspect we may see more firms following suit and, who knows, maybe investment banks too.

**WHAT WAS YOUR FIRST ROLE AND HOW DID THAT EVOLVE OVER THE YEARS?**

My first role on the trading desk was as an assistant to David Spraggs at JPM. He was a hard taskmaster but taught me some valuable lessons in trading which stood me in good stead throughout my career. Eventually, I took over the running of the silver book, then latterly gold when I moved to UBS. I continued to trade gold through my time at AIG, Goldman Sachs and my first five years at HSBC before moving into a sales role and then a managerial position for the last three years of my time there.

**DID THE CULTURE OF THE CITY CHANGE NOTABLY AFTER BIG BANG IN 1987?**

I started working in the city in late 1986 just after Big Bang. Margaret Thatcher's deregulated markets had come into effect, which ultimately lead to some well-documented, unintended regulatory consequences many years later, of course. The mood in the City was one of optimism, ambition and, undoubtedly in some quarters, greed and arrogance. The film Wall Street was released, Gordon Gekko was claiming that "greed is good", Harry Enfield's 'Loadsamoney' character was flashing the cash and some traders probably saw these guys as role models! I was in my early 20s, employed by one of the

premium names in investment banking, working with some very smart and successful people, and enjoying the social side enormously! It was an exciting time and place to be working on a trading floor as a junior dealer for sure.

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work for some major players in the market and was never unemployed in over 30 years, so hopefully that means I was doing something right. In terms of price action, I was fortunate to be in the market during a period which saw the lows of \$250 per ounce and the high above \$1,900. I traded through two Gulf wars, the financial crisis, 9/11, the Washington Gold Agreement, Brexit and Trump's election amongst others. Whilst I would not wish most of those events in recent history to be repeated, it meant, as a trader, challenging yourself during some of the most volatile conditions ever known. Luckily, all the institutions I have worked for are still in business!

**WHAT WERE THE BIGGEST CHANGES AND DEVELOPMENTS THAT YOU WITNESSED DURING YOUR CAREER?**

In terms of PM markets, these were probably three-fold. Firstly, the technological changes and advancements in trading and execution were huge. When I started out, liquidity was via interbank telephone call-outs to fellow market makers and voice broking. Comex was open outcry, accessed via a phone clerk bawling orders to his broker in the pit.

Whilst no doubt sounding archaic to the millennials, such techniques provided a good trading education. Being a spot market maker then meant a steady stream of calls and price requests – far more so than now. It taught you to read a market, to quote your position and your view. It was more intense and faster paced. Nowadays, execution is electronic, largely anonymous and obviously much less labour intensive, for better or worse. That's not to say that the innovations that followed are not welcome, but that old-fashioned, 'seat-of-your-pants' quoting style proved to be invaluable experience in later years for many traders during extreme volatility.



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The second-biggest change would have to be the regional diversification in demand for gold and silver, specifically, the well-documented 'West to East shift'. The emergence and integration of the Chinese market onto the global stage, to the point where it is the world's largest producer and consumer of gold, has changed the whole dynamic of the market.

Finally, the access to trading and owning gold in the last 10 to 15 years, by virtue of the new products developed to do so, has expanded the participation hugely. The advent of ETFs helped put gold front and centre onto trading screens where it previously was not considered. Now we have gold-backed, digital currencies invading the space, and so corporate and sole traders alike have far more choice in how they can invest and speculate, and are able to do so simply and efficiently.

**WHAT WAS YOUR BIGGEST ACHIEVEMENT DURING YOUR CAREER?**

It's hard to pinpoint one. I was proud to be elected to and remain on the Management Committee/ Board of LBMA, and I hopefully contributed in some small way to the Association. I was fortunate to



From a people perspective, whilst still not at the desired levels, I think the greater numbers of women on trading floors and in positions of seniority has been a significant, welcome and long-overdue development. Within our market, we are fortunate to have a role model in Ruth Crowell at the forefront of LBMA, hopefully providing inspiration to other women seeking a successful and rewarding career in financial markets and, specifically, precious metals.

### YOU WERE A MEMBER OF THE LBMA MANAGEMENT COMMITTEE (NOW THE BOARD) FOR MANY YEARS. WHAT WAS YOUR BIGGEST ACHIEVEMENT?

My time on the Management Committee/ Board coincided with some important changes for both the market and LBMA. One of the standout tasks we had to undertake was the transitioning of the Fixings to the new London Gold/Silver Price methodology post LIBOR. Ensuring the processes were IOSCO-compliant required a move to an independent third-party provider and administrator. I believe this was a good example of LBMA, original Fixing members and technology providers working together in the interests of the wider market to transition the benchmark to meet the new regulatory requirements.

*Below - Stretch (far left) with the rest of Management Committee at the 2012 Biennial Dinner.*



### DO YOU THINK THAT THE NEW BOARD STRUCTURE INTRODUCED IN 2017 HAS IMPROVED THE WAY THAT LBMA OPERATES? (E.G. THE INTRODUCTION OF NEDS, ETC.)

Without doubt. The London market has expanded and evolved greatly since the formation of LBMA and therefore the workload and responsibility of the various committees, including the MC, have similarly increased. Whilst many of the original Management Committee members, drawn from various member firms, gave freely of their wealth of knowledge and experience, it made sense to diversify and increase the skill sets and make-up of the new Board, as well as introducing fresh, independent ideas. To that extent, an independent Chair, plus an NED, along with specialists from the various sectors within the industry can only be welcome and worthwhile additions.

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### WHAT ARE THE BIGGEST CHALLENGES, OR THE NEXT BIG CHALLENGE FOR LBMA?

For many people within the industry across the globe, LBMA is seen as the authority for gold, particularly in the physical sector where the Gold Delivery List remains the 'bible' for refiners, vaults and clearers. However, LBMA is, by definition, an Association and not a regulator.

Some have pushed for this step to be taken, but the logistics, costs and legalities involved in such a transition

remain preventative. It comes down to identity and how LBMA wishes to be perceived. Whilst the terminal market can still be argued to be here in London, undeniably vast amounts of gold and silver trade outside of LBMA jurisdiction. Ideally, the global market will trade under one 'rule book'. This will require LBMA to extend its reach and presence regionally, as I understand it has already begun to do, and work in collaboration with local regulators to ensure that the integrity and credibility of the global market is upheld.

### IN YOUR TIME IN THE INDUSTRY, WHO HAVE YOU MOST ADMIRED IN THE INDUSTRY. AND WHY?

I have been fortunate to work with, for and in competition with some of the good and the great of the bullion market in my career. Certain clients I have respected for both their skill and their integrity in how they conducted their business. I have been lucky to have had some good role models in the managers I have worked for, many of whom I remain firm friends with. But if I had to pick one person, it would be Martin Stokes, who gave me my opportunity at JPM to join the trading desk and showed faith in me despite some early doubts! Martin was extremely loyal to his team and would fight its corner at every turn. He did not always endear himself to his own management as a result, but nevertheless would not back down if he believed he was right. His success prior to and during his time at JPM earned the respect of his peers and team, and of course he went on to become chairman of LBMA. He was respected and admired globally within the market, and was a hugely intelligent and knowledgeable presence. Somewhat eccentric, I can also say that he is the only boss I have worked for who would put a central bank call on hold because he was listening to a horse race in which he had a vested interest! I have much to be grateful to Martin for, on many levels, and I always enjoy his company when we meet up.

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## DO YOU THINK THAT THE PEOPLE STAYING IN THE MARKET FOR A LONG TIME HAS HELPED LONDON MAINTAIN ITS POSITION AS THE GLOBAL CENTRE OF THE PRECIOUS METALS MARKET?

I think continuity and experience are valuable assets in any business so long as they are balanced with the introduction of fresh ideas and initiatives along the way. The bullion market is somewhat unique in that it has many 'lifers' – people who have spent most of their careers trading, selling or managing within the industry, and so tapping into that experience and knowledge base has to be worth harnessing. I have always felt that there has been a great sense of pride amongst my peers in our market. This extends to promoting and maintaining its position as the

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pre-eminent centre for precious metals, maintaining its integrity but ensuring it does not stand still and rest on its laurels.

I was concerned that there was a seven- or eight-year gap in recruitment when gold was in the doldrums in the late 1990s and early 2000s.

People were leaving for other markets and graduates were being lured onto FX and equity desks. Consequently, it was not until the financial crisis, when gold hit the headlines again, that precious metals was back on the radar as a career path. In my experience at HSBC over the last five years, that gap seems to have been filled ably by some very capable 30-somethings and, with the guidance of the more experienced heads around them, I am confident that the market is in good hands for years to come.

## LAST YEAR, WE INTERVIEWED ONE OF YOUR FORMER COLLEAGUES AT JP MORGAN AFTER HE STEPPED DOWN AS CHAIR OF THE PHYSICAL COMMITTEE AFTER 26 YEARS AND ASKED HIM WHETHER HE HAD BEEN SHAPED BY THE MARKET OR THE OTHER WAY ROUND? HOW WOULD YOU ANSWER THAT QUESTION?

I could argue that Peter himself 'shaped' me, given he was my first boss within the industry! I could never claim to have had any meaningful influence on the market personally. Certainly, it has given me a hugely fulfilling career, one I could not have envisaged on leaving school. It has provided me with many memorable experiences and travel to various parts of the globe, and enabled me to meet many fantastic people along the way. It has taught me too many life lessons to list here and continues to fascinate me still. I was lucky to stumble into it at the outset and I count myself lucky to have been a part of it for so long.

## FINALLY, WHAT MESSAGE WOULD YOU LIKE TO GIVE TO FRIENDS AND FORMER COLLEAGUES WHO MIGHT BE READING THIS INTERVIEW?

Without wishing to sound like an Oscar acceptance speech, thank you for helping me survive in the industry for over 30 years, for your friendship, support and advice, and to those nearer the beginning than the end of their careers, make sure you take good care of our market, but don't forget to have a good time along the way.

*Left - Stretch recreating the classic comedy sketch from the 1966 Frost Report as John Cleese, with Neil Harby (Ronnie Barker) and Peter Smith (Ronnie Corbett).*



### **Aelred Connelly, PR Officer, LBMA**

Aelred joined the LBMA in September 2011. He provides support to the Chief Executive in the administration and

organisation of the Association's Public Affairs. He is responsible for Press enquiries, is the editor of the *Alchemist* as well as contributing to other LBMA publications, provision of the website and support for LBMA events.

Prior to joining the LBMA, he worked at the Bank of England for more than twenty-five years, the last five as an analyst in the Bank's gold bullion department.