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The Uncertain Expert

Apollo economist Torsten Slok is writing a story about tomorrow, one daily email at a time

By BEN STEVERMAN
PHOTOGRAPHS BY REED YOUNG

Slok lives in the rectory of a Danish church in Brooklyn, New York, where his wife serves as pastor

Everywhere he goes, all day long, people ask Torsten Slok one impossible question: What does the future hold?

As chief economist of Apollo Global Management Inc., an asset manager that sits atop more than $700 billion, he's supposed to have an answer. Even if he knows that any specific prediction has an excellent chance of being wrong.

Adding to the difficulty, the 54-year-old has lately concluded that much of the economics he learned at school is broken. After the punishing series of rate hikes that began in 2022, the field's models concluded with near certainty that higher interest rates would tip the US into recession. Instead, the economy powered ahead with barely any sign of a slowdown. Bad forecasts aren't just an occupational hazard of Slok's chosen discipline—they seem to be the default state. "The economics profession was totally wrong. And why were they wrong?" he asks rhetorically. "They were too wedded to the textbook. They basically said, 'Oh, when the Fed raises rates, it always goes bad.' "

The world has never needed economists more, and it's never been more suspicious of their expertise. Slok's approach to this dilemma is unusual, as is his role. Investment banks such as Goldman Sachs Group Inc. have employed high-profile economists, strategists and other big-thinking experts for decades. They go on television and answer reporters' phone calls to make the bank's brand visible and project expertise not only to big-money clients but to everyday investors. When Apollo hired Slok in mid-2020 when he was still the chief economist at Deutsche Bank AG, it was surprising and significant enough to merit the flashing of a "hot headline" on the Bloomberg Terminal. Partly that's a testament to the following Slok has won over the years for his terse, thought-provoking and relentlessly frequent mass emails, with charts that often spread virally on social media among the finance set.

But it was also because Apollo and other so-called alternative money managers—which specialize in exclusive investments such as private equity leveraged buyouts and private loans—haven't courted this kind of attention. Slok's hiring was a sign of the firm's ambitions to nudge aside traditional players and put itself at the center of both investor portfolios and the Wall Street conversation.

Big calls get people talking, and the New York-based Slok is willing to deliver. About a year ago at Apollo's annual private credit investor meeting at the Faena Forum in Miami Beach, Florida, the firm's president, Jim Zelter, pulled Slok aside for a chat. "When I was probing him, he clearly had a view that was very skeptical of the market," Zelter says. In the topsy-turvy world of credit markets, the widespread assumption that a recession was coming meant bond investors were optimistic, since a weak economy brings interest rates down. But incoming data—restaurant bookings, air travel statistics, jet fuel demand, visits to movie theaters and even the Statue of Liberty—were telling Slok that consumers were taking high rates in stride and that the economy was still robust. Zelter, who was hearing similar things from Apollo's private equity businesses, says he "encouraged him out on the edge of the diving board" to make a bold prediction.

On the morning of March 1, Slok sent his subscribers an email with the subject line "The Fed will not cut rates in 2024." In 366 words and a dozen charts—practically *War and Peace* by the super-brief standards of a typical Torsten Slok email—he made his argument. Inflation was trending higher, the labor market was tight, and prices, wages, rents and home prices were rising across the country. It seemed there was little reason for the Federal Reserve to try to revive things with rate cuts. "Rates are going to stay higher for longer," he wrote. Slok's prediction was wrong in a specific way—the Fed would cut three times in 2024. But it was also more right than many other Wall Street pundits, who were still worrying about recession well into the year.

THE MAN BEHIND the emails is a tall, slim dual citizen of the US and Denmark. When Slok was growing up in Roskilde, a city of 50,000 people 30 kilometers (19 miles) west of Copenhagen, his father was an economist who participated in economywide wage negotiations between unions and employers, a key plank of Denmark's social welfare state, which suffused his upbringing. Slok says he appreciates that he was "brought up in a world where you care about others," where "everyone went through the same system" and got "the same type of protection." His childhood was pretty typical, he says, with the exception of a national table tennis championship in the 1980s, when a young Torsten and a doubles partner came in third.

When the ever-curious Slok was studying economics at the University of Copenhagen, his academic adviser had to rein him in. "You have to pin down and focus and stay in one area," Slok remembers being told. "You cannot run around and do all these different things." In the end, though, his dissertation was titled "Essays in Policy-Oriented Macroeconomics" which he describes as "stapling together three different things that I had done."

Today, Slok likens his job to a mosaic. Grasping all the dynamics underlying a $110 trillion world economy is impossible. The best he can do is scour the world for fresh data, then use each piece to fill in some small part of a big picture. "The mosaic is a work in progress every day," he says. As the portrait changes, he records each incremental shift in the *Daily Spark*, the email he sends out almost every morning.

Usually consisting of just one sentence and a chart, the subject "can basically be anything under the sun," Slok says. Recent *Spark*s covered US immigration trends, the outlook for China, the possible impact of tariffs on Canada and the different types of home equity products across the world. More than 500 subscribers sign up each week, according to an Apollo spokeswoman. As for the total size of his email list, she'll only say that it's in the tens of thousands.

Readers include some of the world's wealthiest investors and most famous economists. "He thinks straight and simple (not a quality all chief economists have)," Olivier Blanchard, a Massachusetts Institute of Technology emeritus professor and former International Monetary Fund chief economist, wrote in an email. "He finds interesting numbers, and draws the right conclusions."

James Bullard, a former St. Louis Federal Reserve president who's now dean of Purdue University's Mitch Daniels School of Business, appreciates that he and Slok track the economy in similar ways—by constantly paying attention to everything that could be relevant. A "kaleidoscope" is Bullard's metaphor of choice. Because the data is always shifting, "you have to really be paying attention at a granular level every day," he says. "If you get a little distracted and do something else for a couple months, you're going to be lost."

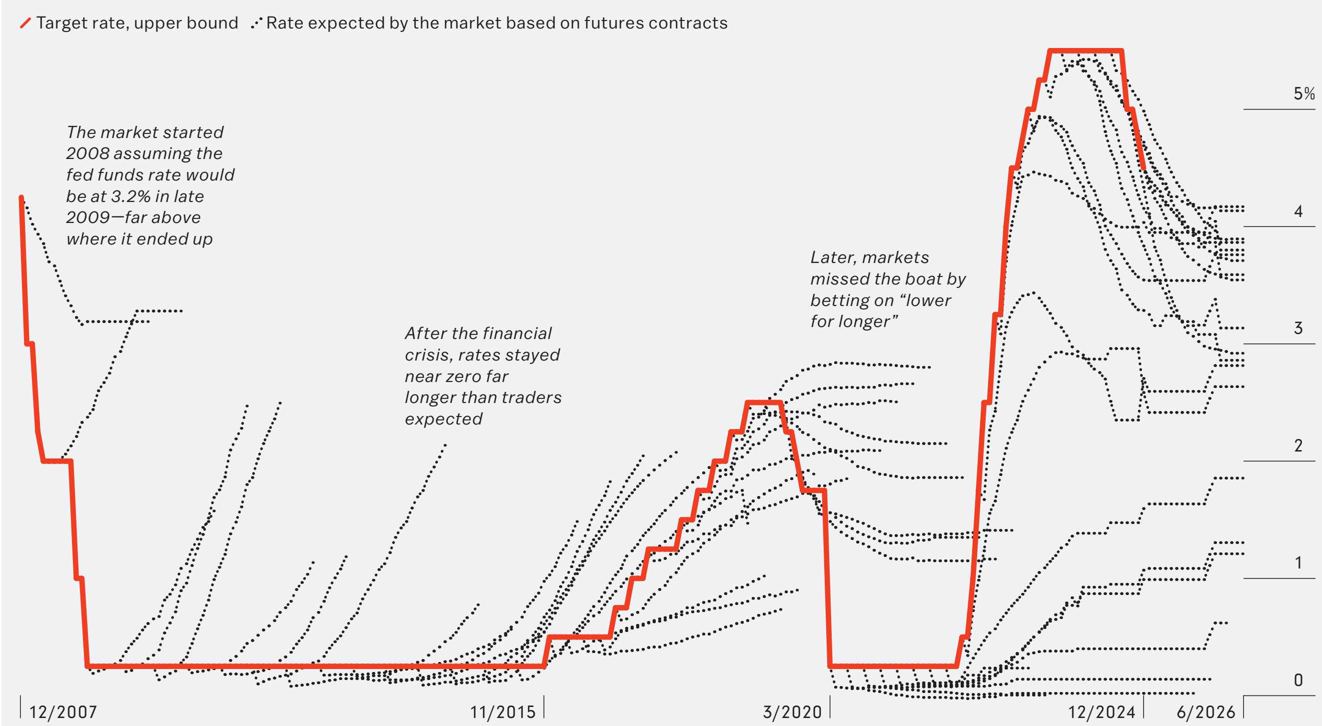
Although Slok says he chats frequently with Apollo Chief Executive Officer Marc Rowan, Zelter and other top brass, he insists he operates independently. "No one comes into my office and says, 'Do this, do that, say this, say that,' " he says. There's no internal committee to persuade and no proprietary economic model to spit out precise estimates. By Wall Street standards, his team is minuscule: just Slok and two India-based associates who build charts for him overnight. "You would be surprised at how incredibly efficient this process is," he says. He tries to keep his notes as short as possible. "Everyone everywhere is just running out of time," he says. "The challenge is communicating and translating [the economic situation] without using Greek letters and using fancy econometrics." Zelter says Slok "can take a very complicated topic and boil it down to three things on a page." For investors, that brevity is like a superpower.

"We're drinking from a fire hose of information," says Ben Carlson, director of institutional asset management at Ritholtz Wealth Management LLC. Slok "doesn't belabor the point. He doesn't try to offer more nuance and explain it." David Kotok, Cumberland Advisors' chief investment officer, appreciates how Slok says, "here's the information, I'm not going to tell you what to do." Kotok adds: "Unless you're lazy," Slok's curated data are "the best sort of resource for people who have buy, sell and hold decisions."

When Slok disagrees with the consensus, he isn't shy about it. "The market narrative at any point in time is ►

Missing the Mark

Federal funds rate, monthly



Source: Federal Reserve and Bloomberg data compiled by Torsten Slok almost always wrong," Slok wrote one morning last October, an assertion he backed with a chart showing how wildly traders' bets on future Fed rates had been swinging for more than two years. Making predictions, and occasionally being wrong, is "the name of the game," he says. As useless as economic models often are, at least they provide a framework, he allows. "The worst investors are those who just find one pet indicator," he says, and that one metric drives their "whole worldview."

The past year showed that high interest rates alone can't trigger a downturn. That left Slok with a "little Sherlock Holmes mystery" to solve, he says. Why exactly did rates stop being that one metric a forecaster could depend on? Slok has a guess. On the one hand, the economy in the US is now much less sensitive to rates than it used to be, with homeowners and companies alike locking in low-rate debt during the pandemic. On the other hand, the country has economic "tailwinds" the rest of the world doesn't, namely an artificial intelligence boom as well as fiscal stimulus from the Inflation Reduction Act and other federal legislation signed by President Joe Biden. "It's like *Waiting for Godot* here," Slok says. "We're waiting for the slowdown, and the slowdown has just not arrived."

SLOK CAME TO the US for a year to study at Princeton University and started his career at the IMF in Washington, DC, where he worked on a team of specialists focused on Mongolia and then on the preparation of the IMF's wide-ranging annual *World Economic Outlook*. He had a short stint at Bank of America Corp., spent a few years at the Organization for Economic Cooperation and Development in Paris and moved to New York in 2005 to join Deutsche Bank, recruited by former IMF colleagues who had landed there.

At the giant German investment bank, Slok developed his distinctive style of frequent, brief emails. At the end of many weeks, he also started sending out "Weekend Reading," a long list of new research he found interesting. It's a practice he continues today for anyone who wants to spend their

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lazy Sundays curled up with a fresh Fed analysis, think-tank white paper or academic article. He offers no commentary, just the titles, links and maybe an abstract or key quote.

At Deutsche Bank during the financial crisis, he was humbled as much as everyone else. "I was saying, 'From a research perspective, the housing market is fine, the economy is fine, so there's nothing to worry about,' " he says, even as some inside the bank were warning of the coming disaster. It taught him the danger of relying on those textbook models of "how the world works."

Apollo contacted Slok "out of the blue" in 2020, he says. "Wherever we go around the globe, people ask us for our crystal ball," says Zelter. He and a colleague, Stephanie Drescher, teamed up to meet candidates. Some would show up with 30- or 50-page slide decks, "and 15 minutes into the interview, I'd be falling asleep," the Apollo president says. Slok came with one slide, "and within a couple of meetings, it was very apparent that he was the person for Apollo."

Private equity and private credit firms have rushed to fill a financing gap left by traditional banks, which have faced constraints because of post-financial-crisis regulations. That means "lots of new products that need to be placed with end investors," says William Whitt, strategic adviser at research firm Datos Insights. Apollo has doubled its assets under management in the last five years, to $751 billion, and Rowan, the CEO, has set a goal of doubling that again, to $1.5 trillion, in the next five years. Pensions, endowments and other institutions already invest heavily in private assets. "That leaves retail investors as the big source of untapped demand," Whitt says. A big target for Apollo's fundraising, and an audience for Slok's constant stream of emails and conference and media appearances, are wealthy individuals, financial advisers and family offices that manage generational fortunes—the kind of clients that are typically served by brand-name banks.

Private equity managers have been taking on a more institutional look after decades of being widely regarded as corporate raiders. Under former CEO Leon Black, Apollo was famous for aggressive debt-fueled acquisitions that in some cases (such as Caesars casinos and retailer Linens 'n Things) left bankrupt companies in their wake. Black resigned from Apollo in 2021 amid revelations that he had paid $158 million to convicted sex offender Jeffrey Epstein, who died by suicide in jail in 2019, for financial and tax advice. An investigation by an outside law firm found no evidence Black was involved in any of Epstein's crimes. After a high-profile power struggle at the firm, Rowan returned from a "semi-sabbatical" to take over.

Despite Slok's claims of independence, there's often a clear overlap between his views and those of Rowan and the firm. The strength of the US economy has also been a frequent theme for Rowan and others at Apollo, echoing Slok's points. Apollo's chief economist has also been an occasional cheerleader for private markets' growing share of the financial industry.

Slok and Rowan have both cited the dominance of one stock, Nvidia Corp., to argue that public markets aren't necessarily safer than private ones. For the Apollo CEO,

it's been a frequent talking point in favor of more private assets in retirement accounts—which some investor advocates worry would flood 401(k)s with lower-quality, less transparent products that charge higher fees.

WHEN HE'S NOT obsessing over the economy, Slok serves in a very different role, as a pastor's spouse. His wife, Julie, leads the Danish Seamen's Church in the Brooklyn Heights neighborhood of New York City, where they've raised their three children in the rectory. While pouring tea or serving snacks at church functions, Slok is often asked by concerned members of the congregation if he's been able to find something to keep him busy while his wife attends to the spiritual needs of the area's 10,000 or so Danish nationals. "I found a very nice job, thank you very much," he replies.

Slok is 6-foot-5, but he's anything but imposing. Sit with him in a TV waiting room or walk with him through Apollo's office, and people are constantly approaching to say hi. In Apollo's 2024 holiday video, a goofy six-minute succession of inside jokes apparently featuring every senior executive at the firm, Slok plays the comic relief. He serves out frozen yogurt in a green apron and bow tie, then gives the last word when he shouts, "Happy holidays!" in a green Santa hat. He seems endlessly enthusiastic, especially when giving his economic views—surprising when you realize he's delivered some version of this spiel about a thousand times before.

Slok seems to thrive on a travel schedule that would crush most frequent flyers. In just a few weeks late last year, he touched down in Australia, Mexico, San Francisco, London, Los Angeles and Miami.

A typical Monday shortly before the 2024 presidential election started with an in-person investor meeting at Apollo's headquarters in the Solow Building, the classic curved-glass skyscraper on East 57th Street in New York overlooking the Plaza Hotel and Central Park. At 9 a.m. he called a Middle Eastern sovereign wealth fund. At 10 a.m. he spoke virtually with a group of about 80 family office investors. At 11 a.m. he joined the regular investment committee meeting for Apollo's private equity group. Afterward, he squeezed in a chat with some folks at the European Central Bank in Frankfurt before a lunchtime media interview. Then he headed across town to the offices of an Australian pension fund, followed by a call to prepare for an event with Apollo board chair Jay Clayton, the former chair of the Securities and Exchange Commission who'd soon be nominated as US attorney for the Southern District of New York. The day ended with a talk with a Mexican client about Slok's economic forecast.

All the while, Slok was looking for bits of data to put in his *Daily Spark*, which that week would include charts addressing the future of nuclear power, the growth outlook for the US and Europe, the 10-year Treasury rate and maturities of commercial real estate debt. Friday's email reminded readers that 86% of US companies with revenue of more than $100 million were not publicly traded, a statistic that underlined private equity's pitch to investors. Colleagues marvel that he can keep up with everything. "Torsten has a remarkable ability to consume and process information faster than almost anyone," Drescher says.

Slok spent most of Election Day thinking Kamala Harris was about to be elected president. That's what markets were suggesting until shortly before his weekly 9 p.m. Tuesday soccer game with Team Denmark. Slok helps organize the team, consisting entirely of Danish expatriates from across the city, many of them students or young professionals rotating through New York who are half his age. Although he struggles to keep up, he says, "we do play to win."

Just before logging off, Slok saw his computer screen flashing signs that the market was interpreting the latest results differently. The US dollar, bond rates and the stock market were all up now, signs of a "Trump trade" that suggested Donald Trump was returning to the White House. By the time Team Denmark won, it was increasingly clear Trump was also headed for victory.

The next morning Slok was up again at 5:30 a.m. and back on television by 8:30 a.m., trying to give investors a sense of where interest rates might go next. Once again, Wall Street was eager to know what he was thinking. ●

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