



## Annual Review and Outlook 2018-19

05 FEBRUARY 2019

***2018 saw the energy and commodities markets continue to be challenged and disrupted. Global geopolitical uncertainty, shifting trade patterns, rising interest rates, digital innovation, and the emergence of a new generation of leaders are just some of the themes fuelling a sustained period of wholesale structural change across the sector.***

Human Capital has evolved to adapt to this new reality. We have seen our client base diversify as the energy and commodities markets continue to consolidate and as the lines between producer, trader and end-user become increasingly blurred. A growing number of companies have started to embrace the sophisticated trading and optimisation practices that were once the preserve of independent trading houses. In 2018 HC partnered with mining companies, oil and gas producers, refiners and shippers that have all become increasingly assertive in the commercialisation of their marketing and/or procurement divisions, and we expect this trend to accelerate into 2019 and beyond.

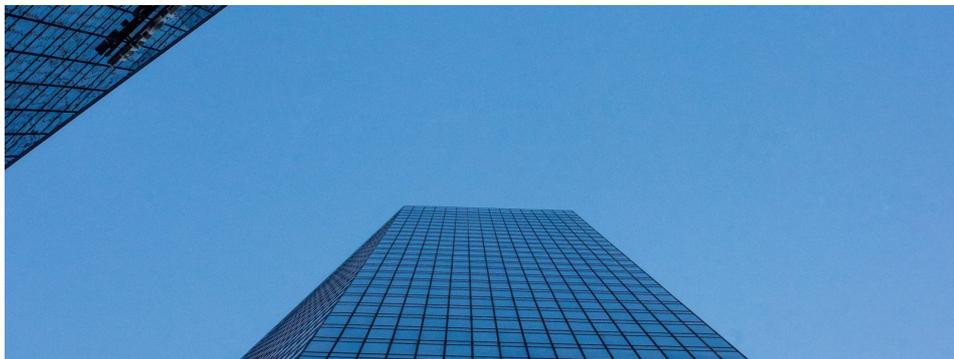
In the agricultural sector we have been increasingly active in the food ingredients, animal and human nutrition markets as traditional agri trading and processing companies continue to feel margin pressure and pivot towards these more profitable growth sectors. As the clean-energy transition continues to shake-up the power and utility space, we have worked closely with companies undergoing significant organisational change as they adjust to a new clean, intelligent, mobile and distributed energy ecosystem. In response to the global metals and mining sector returning to growth in 2018, Human Capital has implemented a mine-to-market search offering allowing our client partners better access to key operational, technical and commercial talent across the value chain.

To cater to an increasingly diverse and geographically dispersed client base, HC has broadened its geographical reach beyond the major trading hubs, establishing operations to cover key origination and destination markets in Latin America, Australia

and Greater China.

### **Size matters**

2018 saw a number of energy and commodity trading houses struggle with a crisis of identity as the gap between the 'haves' and the 'have-nots' continued to widen. More consolidation across the sector seems inevitable as the market continues to suffer from a lack of liquidity in the form of traditional bank financing and with the cost of capital increasing amid rising interest rates. 2018 clearly marked a return to dominance for those asset-backed players who for the first time in a number of years were able to attract and retain some of the industry's top talent. The oil market has seen the greatest disruption with respect to talent flows; the security of a system and the market perspective that comes from operating with size and scale is increasingly valued over the meritocratic performance driven cultures historically associated with the privately held trading houses. As the larger traders begin to look more like mini-majors, and large producers evolve to become producer-traders, it is left to the smaller trading houses to establish new identities to stay relevant.



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### **A Technological revolution**

Digital innovation was a major theme in 2018, with business leaders being forced to embrace disruptive technologies for fear of being left behind. The year was marked by an acceleration in the development and implementation of technologies promoting scalability, flexibility and inter-operability across energy & commodity value chains. Industry consortiums emerged promoting blockchain applications designed to automate all or parts of the trade life cycle, and new smart tools that enhance the evaluation, analysis and trading of commodities are beginning to find space on the screens of traders and analysts in all major energy and commodity product markets. The rise of algorithmic trading methods, particularly in more liquid exchange traded markets is also gathering momentum, and we expect to see a noticeable effect on the

organisational structure of trading desks going forward. Whilst it is unlikely that robots will completely replace humans on the trading floor, it is becoming increasingly evident that augmenting human decision making with AI is a trend that is here to stay. As such, 2019 will see a spike in demand for talent in areas such as data science and software development, where strong quantitative and digital skills are at times favored above more traditional trading skills such as in-depth subject matter expertise or commercial intuition.

### **Changing of the guard**

2018 marked the acceleration of an industry wide generational shift in the energy and commodities markets. The trading veterans responsible for building the platforms and processes on which many of today's trading companies operate are stepping aside in increasingly large numbers. The restructuring of executive leadership teams has already begun, and the issue of succession is more relevant a topic now than ever before. 2019 marks a continuation of the new normal, where energy and commodities markets continue to exist in a state of disruption and transition. The opportunities and challenges presented are numerous, and we look forward to working with our client partners to implement the talent strategies required to secure success in 2019 and beyond.



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## About Human Capital

Established in 2003, Human Capital identifies and recruits business-critical talent for organisations involved in the energy, mining, agriculture and nutrition supply chains.

From our offices in London, Geneva, Houston, Hong Kong, Singapore, São Paulo and Sydney, we have built our high reputation on delivering quality professional search services across multiple product, functional and regional markets.