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1-1-2007

Goldman Fabrice Tourre email to Marine Serres, PSI Exhibit 62

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Recommended Citation

Tourre, Fabrice and Chin, Edwin, "Goldman Fabrice Tourre email to Marine Serres, PSI Exhibit 62" (2007).
YPFS Documents. 4389.

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"I am not sure what is worse, talking to market players who generally believe that 'this time it's different', or to more seasoned players who . . . privately acknowledge that there is a bubble waiting to burst but . . . hope problems will not arise until after the next bonus round."

He then relates the case of a typical hedge fund, two times levered. That looks modest until you realise it is partly backed by fund of funds' money (which is three times levered) and investing in deeply subordinated tranches of collateralised debt obligations, which are nine times levered. "Thus every €1m of CDO bonds [acquired] is effectively supported by less than €20,000 of end investors' capital - a 2% price decline in the CDO paper wipes out the capital supporting it."

"The degree of leverage at work . . . is quite frankly frightening," he concludes. "Very few hedge funds I talk to have got a prayer in the next downturn. Even more worryingly, most of them don't even expect one."

Since this message arrived via an anonymous e-mail account, it might be a prank. But I doubt it. For, while I would not normally write an article about responses to an article (it is the journalist's equivalent of creating derivatives of derivatives) I am breaking this rule, since I have recently had numerous e-mails echoing the above points. And most of these come from named individuals, albeit ones who need to stay anonymous, since they work for institutions reaping profits from modern finance.

There is, for example, a credit analyst at a bulge-bracket bank who worries that rating agencies are stoking up the structured credit boom, with dangerously little oversight. "[If you] take away the three anointed interpreters of 'investment grade', that market folds up shop. I wonder if your readers understand that . . . and the non-trivial conflict of interest that these agencies sit on top of as publicly listed, for-profit companies?"

Then there is the (senior) asset manager who thinks leverage is proliferating because investors believe risk has been dispersed so well there will never be a crisis, though this proposition remains far from proven. "I have been involved in [these] markets since the early days," he writes. "[But] I wonder if those who are newer to the game truly understand the impact of a down cycle?"

Another Wall Street banker fears that leverage is proliferating so fast, via new instruments, that it leaves policy officials powerless. "I hope that rational investors and asset prices cool off instead of collapse, like they did in Japan in the 1990s," he writes. "But if they do, monetary policy will be useless."

To be fair, amid this wave of anxiety I also received a couple of "soothing" comments. An analyst at JPMorgan, for example, kindly explained at length the benefits of the CDO boom: namely that these instruments help investors diversify portfolios; provide long-term financing for asset managers and reallocate risk.

"Longer term, there may well be a re-pricing of assets as the economy slows and credit risk increases," he concludes. "But, there is a very strong case to be made that the CDO market has played a major role in driving down economic and market volatility over the past 10 years." Let us hope so. And certainly investors are behaving as if volatility is disappearing: just look at yesterday's remarkable movements in credit default swaps. But if there is any moral from my inbox, it is how much unease - and leverage - is bubbling, largely unseen, in today's Brave New financial world. That is definitely worth shouting about, even amid the records now being set in the derivatives sector.

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