



"We will profit from instability."

Bill Lipschutz, principal, Hathersage Capital Management, New York, November 7, 2007.

Photo by Rayon Richards for Alpha

Currency of Change

By Frances Denmark

Bill Lipschutz is obsessed with trading. Not content with the conventional world of stocks and bonds, Lipschutz seized upon the currency markets early in his career and never let go. After rising to fame during the 1980s as one of the archers and then head of the global foreign exchange desk at Salomon Brothers, he is now principal of his own currency trading firm, Hathersage Capital Management. Lipschutz's trading acumen has earned him a profile in Jack Schwager's book *The New Market Wizards: Conversations With America's Top Traders* (1992).

Ironically, U.S. pension and endowment investors don't share Lipschutz's passion for foreign exchange—the biggest, most liquid, most transparent market there is. But if institutions have been slow to catch on to the alpha-generating potential of currency trading, Lipschutz predicts that is about to change.

"There are very sophisticated investors who are not there yet," he admits. "Any large institutional investor is going to be equity-centric. They think of currency management as a way of mitigating the risk of owning non-asset-currency assets."

Unsure whether foreign exchange trading returns are the

result of skill or luck, investors with an equity mind-set have long been suspicious of currency as an asset class. In the past

few years, though, the tide has turned, as investment consultants have expanded their searches on behalf of a growing number of alpha-seeking pension clients. But the real avalanche of new assets will come from giant sovereign wealth funds in China, the Middle East and Russia, says Lipschutz, who is gearing up to receive them. China's sovereign fund alone is growing by \$25 billion a month, he adds.

Since 1990, Lipschutz has traded from his home office in a duplex in New York's Greenwich Village. Four huge Macintosh computer screens sit atop a modern desk planted at one end of his architecturally designed workspace, which was featured in a 1999

Bill Lipschutz made his name in the 1980s as one of the world's top currency traders. Today he is looking to capitalize on institutional investors' newfound appetite for foreign exchange.