

MARRIED TO THE MARKET

HALL OF FAME

After making his name as one of the most famous currency traders ever, you might think Bill Lipschutz would slow down. Think again **BY ANDREW BARBER**

AT THE VERY MOMENT you're reading this, regardless of your time zone, Bill Lipschutz is most likely either trading or watching the markets. Should you be reading during the three to four (nonconsecutive) hours a day that his eyes are closed, he admittedly will be doing neither. He will, however, be dreaming about the currency markets.

"I really couldn't be happier with my life," says the 52-year-old former Salomon Brothers legend.

Indeed, although he left the Street some 16 years ago, Lipschutz — thanks to his \$200 million forex vehicle, Hathersage Capital Management — never really stopped trading. His spacious Manhattan duplex is adorned with nearly a dozen state-of-the-art trading flat-screens, strategically placed throughout the rooms. The currency market never sleeps, which is why Lipschutz himself rarely does, either. And not only doesn't he seem to mind, he embraces the challenge — always unnervingly focused and with a remarkable purity of purpose.

THE TRADER MONTHLY HALL OF FAME

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THE PURIST: Bill Lipschutz's world revolves around the currency markets.

"You can get compensated really well, and that's fine," he intones. "But it isn't about that for me."

Not to say he hasn't pulled down some gargantuan scores. Back in the day, Lipschutz helped create one of the most powerful trading groups on earth: the Salomon Brothers FX department. Blessed with an uncanny ability to manage risk and read markets, Lipschutz wrote the tickets that made cash registers sing — he once notched 16 up months in a row — and left competitors in awe. In his heyday, he did half of the currency-option volume on the Philadelphia Stock Exchange and, at times, a staggering 80 percent of the open interest.

Says Lewis Broad, Lipschutz's partner at Hathersage, "Bill understands the options market better than anyone."

For that reason — for being a giant of the game whose passion never waned — Bill Lipschutz now becomes the twelfth

member of the Trader Hall of Fame.

Famously opaque, impossibly low-key, Lipschutz shunned the spotlight despite massive size, helping him garner a reputation as a mysterious figure that lingers to this day. As he settled down for a chat this summer, Lipschutz found it hard to discuss personal accomplishments. "The story of building a money machine is not very exciting," he said, "but I have to tell you . . . John Gutfreund found it pretty exciting."

Lipschutz's own story began ordinarily in blue-collar Farmingdale, New York. The son of a math teacher, he was an avid tennis player in high school, with standout grades. He attended Cornell, completing its rigorous five-year architecture program before pursuing his MBA there. In 1981, a year before graduating, he interned at Salomon Brothers. It was probably the most powerful trading firm on earth — and a veritable playground for a hungry young turk.

HIGH/LOW

“When I first came in, there was no FX department,” Lipschutz says. “It started with one guy, Gil Leindecker, who had been the TED spread trader for John Meriwether. Then they populated it with a couple of trainees, of which I was one.”

All around him were future trading giants — Meriwether, Larry Hillenbrand, Paul Mozer. And since he’d spent part of his internship working in the equity-options department, Lipschutz was put in charge of managing FX options. Within six years, thanks to both his moneymaking and team-building skills, he was named head of the FX department. By 1985, he’d turned the desk into a powerhouse within the firm, raking in \$300 million-plus a year. From 1987 to 1990, Lipschutz’s personal P&L exceeded \$100 million — every year.

Bill Strack, who managed the FX trade support group at Salomon, recalls the time Lipschutz dropped a \$750 million ticket without batting an eyelash. “He did it so calmly. The operations guys all had to call and say, ‘Are you sure this isn’t a typo?’”

“Underlying fundamentals often didn’t matter,” Lipschutz says. “It was about who blinked first.”

Lipschutz, quite simply, never blinked.

the other market makers along the lines of, “Those bastards from Salomon Brothers are trying to take the food off our table.’ Hearing about that only encouraged guys like me.”

That trade — with more than \$500 million hanging in the balance if the pound declined even slightly — made an enormous splash in the financial press, further enhancing Lipschutz’s mythic image. Meanwhile, he was performing so much off-premises trading at all hours that Salomon installed a modem in Lipschutz’s apartment linked directly into the company mainframe.

Finally, after working virtually 24 hours a day for years, Lipschutz left Salomon Brothers in 1990. He was 36. At first, he says, he tried to take it easy, but it was soon clear that as much as he owned the currency markets, the currency markets also owned him. He eventually stumbled back into business after reconnecting with Broad, an old college buddy, who was running an equity-options market-making firm on the AMEX. The two were joined by Strack and Ron Furlong, a key player in the back office at Salomon. The firm, modeled on the old FX department, became Hathersage Capital Management.

So much for retirement — indeed, many prize moments were still to come. During

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As he emerged as the primary upstairs trader driving currency-options volume at the Philly, competition on the floor grew intense. It turned into a blood feud that came to a head in October 1986, when Lipschutz executed a trade for 30,000 put options, expiring in December, on the British pound — at that time the largest listed options trade ever. Lipschutz crossed both sides, shutting out the floor completely.

As he recalls: “Andy Davis, who was running CRT’s operation down there, actually stood up and gave an impassioned speech to

the 1998 Asian financial crisis, when panic took hold of the yen market, major players, including Julian Robertson, got creamed. Lipschutz was up 42 percent that year.

Over the past 15 years, Hathersage has racked up an 18.8 percent average annual return. Only once in that period did monthly losses ever exceed 5 percent.

“It’s the intricacies of the game itself that drive me,” he says. “It’s about getting up every day and trying to figure out how to beat the market. That’s an ongoing fascination that, in its purest form, never changes.” ■

