

# Robb Report Worth

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## FLYING ECONOMY

**HEDGE STREET HAS OFFERED** economic hedging tools online to retail investors since October 2004. "It's possible to come to HedgeStreet and take general investment views on economic variables," says Russell Andersson, the company's cofounder.

Individuals can glean information about the market's expectation for future Federal Reserve interest rate hikes, for example. "You can come to the exchange and participate in these markets and get a better understanding of the likely outcome for various interest rate movements," Andersson claims. "We also have contracts on nonfarm payrolls, on initial jobless claims, on [ISM Manufacturing] PMI and retail sales."

In addition to economic and financial derivatives, Andersson says the company is in the process of launching contracts on real estate price movements and on the cost of gasoline.

The system differs significantly from the economic derivatives offered by Goldman Sachs and Deutsche Bank. Investors do not buy options or futures, but rather special contracts called "hedgelets" developed by the company. The contracts let investors speculate on whether a particular economic statistic will come in at a given level. It costs \$5 to trade up to 100 hedgelets. If the user bets correctly, he or she collects \$10 per hedgelet. "If I believe that I'm more bullish or bearish on the American economy than the average person, then I could come to the site and buy an option that reflected that view," Andersson explains.

If, for example, an investor has a bullish view of the U.S. economy and expects the next nonfarm payroll figure to have risen by more than the market consensus (a number derived from a poll of economists), he could go online at HedgeStreet and buy a contract that will pay out if the number comes in above the consensus. If he has a bearish view, he can purchase a contract that pays out if the actual figure comes out below the consensus. "What HedgeStreet can provide for an ultra-high-net worth individual is the ability to participate in the markets and an ability to gain insight into the key questions he should be asking his advisors," Andersson says. —JF