

Business

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SUN-TIMES Bob Riegan

Leo Melamed keeps track of his myriad interests from his office at Dellsher Investment Co., 30 S. Wacker.

Melamed on Stocks: 'The End of the World Is Coming'

Retirement hasn't been restful for Leo Melamed.

Since leaving the top spot at the Chicago Mercantile Exchange in 1991, Melamed has led the debut of overnight computerized futures trading, authored a book and served on the steering committee to build the U.S. Holocaust Museum. Earlier this month, regulators approved a deal for his small investment firm,

Dellsher Investment Co., to merge with Japan's Sakura Bank.

While some colleagues relaxed at a Florida resort between meetings at the Futures Industry Association convention in March, Melamed holed up in a hotel suite, tracking market moves with a calculator, portable computer and an open long-distance line to an assistant.

"The end of the world is coming,"

BUSINESS

Q&A

the 59-year-old futures maven predicted, referring to the stock market. We're headed for a major correction, he said, and this time he'll be ready.

In Q & A, an occasional Sun-Times feature, Melamed outlines his plans for Sakura Dellsher, his feelings about the Holocaust Museum as a survivor himself, and some advice about the markets. He was interviewed by Janet Kidd Stewart.

Q. You announced the Sakura deal the afternoon you left for Washington, D.C., to dedicate the Holocaust Museum. It was to Japan that your family fled the Nazis in 1939. Did the timing of the two strike you personally?

A. The timing was interesting, but what struck me was the museum.

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itself. It explains an event that is horrifying and must be remembered in order that we send the correct message. This happened, not 2,000 years ago, but 50 years ago, and it should not be forgotten.

Q. You reached agreement with Sakura [total assets: \$40 billion] in early 1991, but the U.S. Federal Reserve Board approved it only this month. What took so long?

A. Bureaucracy works in mysterious ways. That's why I abhor this idea of "industrial policy." The last thing we want is the government deciding how business should run.

I think BCCI [the Bank of Commerce and Credit International fiasco] cost us a year, too. It was a surprise to the Fed and it slowed things down everywhere.

Q. What are your plans as chairman of the new Sakura Dellsher?

A. When I made up my mind to leave the Merc leadership... I wasn't about to retire. I intended to do something else, and I had this little firm called Dellsher I had paid no attention to. The firm was a real boutique, but had made me no money.

Dellsher was too small. In today's world you need two things: capital and a global presence. Firms are global or they're not in business.

Sakura gave me both those things, but it gave me something else, too. It's my very strong belief the growth factor [in the financial services industry] will come from the Far East. What better name than Sakura for that?

Managed funds are clearly the wave of the future, and I've pitched a managed [futures] fund to Sakura. We expect to launch the first fund this year.



Associated Press

Leo Melamed works in the live cattle pit during his Chicago Mercantile Exchange trading days in 1974.

Q. What's your view of the financial markets today?

A. Clinton is the icing on the cake of an economy that cannot get it together. I think it's going to be sluggish for some time. And under these conditions, the stock market has been way out of line. We've reached the end of the good times.

That should be good for the futures markets because of their risk management factor. I think we're going to see heavy market volatility.

Q. What should investors do about that?

A. The safest place is in government securities. I would go for safety now, not risk. I'd be worried about my principal, not my return. If inflation is only 3 percent, you don't need 10 percent returns to do well.

You've got to re-adjust your view of what you need in return. Now if your lifestyle is higher or you're on a fixed income, then you've got a problem. You've got to restructure just like IBM. If the corporate world is coming to grips with this, so must every individual.