

Melamed the lawgiver

Richard Metcalfe *bears witness to the Ten
Commandments of Leo Melamed*



Melamed: tales of blood and thunder

And the Lord spake unto Le-o and said unto him 'Le-o! Go forth into the land of Illi-nois and separate the cash from the futures. Yea verily, let the futures be separate from the cash. And let this be done at the exchange that is in Chicago called Mercantile, for the Eurodollar shall be blessed in the eyes of the Lord.'

And Le-o did as the Lord bade him, separating the cash from the futures and the futures from the cash, and the world saw that it was good. And he smote the Philistines that do dwell in the valley of Wall Street. And there was much rejoicing in the land that is called Illi-nois. Yea even unto the lowliest trader in the pit of the pork belly. Here endeth the first lesson.

All of which is to say that 'Escape to the Futures', Leo Melamed's tale of his love affair with futures, has a strong claim to be the 'greatest story ever told' on the subject. Certainly, it is essential reading.

Followers of Leo will recognise the man behind the markets, even though he says he has deliberately avoided producing an autobiography in the traditional sense. More

to the point, they will find a veritable bible of anecdote and chronology, full of Old Testament blood and thunder.

Nineteen ninety-six is turning into a year of semi-autobiographical books set in the futures markets. We allude to the coincidence of Melamed's book appearing around the same time as Nick Leeson's 'Rogue Trader'. Do the two have anything in common? For one thing, the notion that 'one man and the markets' makes for a good story.

The difference, of course, is that Leeson's book is purely self serving, and shows a man out of his depth in the markets. In 'Escape', even through the inevitable hyperbole, Melamed's genuine and thorough understanding comes through clearly, combining intuition and intellect.

Like Leeson's tome, 'Escape' is ghosted by a full-time professional writer. This probably explains the rather tired, formulaic scene-setting that does not quite obscure the lack of a strong narrative line. But then the trouble with books about relatively arcane parts of the financial markets is that they end up as an awkward compromise between the

technically proficient reader and the generalist. Essential reading is not always pretty reading.

That said, 'Escape' certainly rattles along, moving almost too swiftly from one event and observation to the next. Yet perhaps that is also its most effective feature, suggesting as it does the nervous energy of the pits.

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The book performs a balancing act by skipping over much of the financial world beyond the futures pits, yet brings in the political manoeuvrings of events such as the floating of the pound and the 1987 stock market crash

floating of the pound and the 1987 stock market crash. But this book reflects a trading style that is all Leo's - 'ally' as he describes it - which means that swaps, options, risk management, hedging even, do not get much of a look in. As for an outright guide to the future of futures, Melamed confines himself to the now customary 'Globex vision', though there are plenty of lessons embedded in the text more broadly. The economics, naturally, are pure Chicago, reminding one of the old joke: 'How many Chicago economists does it take to change a light bulb? None - just leave it to market forces!'

Each reader will have a favourite chapter, though the one on the (original) peso crisis in 1976 has to be a strong candidate. But the main point is that, for all our quibbles, this book adds much needed depth and liquidity to the published work on this area. As Melamed/Bob Tamarin writes of the IMM: "We were not trying to resurrect or reinvent something. This was pure invention."

We hope Charlton Heston gets the lead role in the film.... ♦