

# THE WALL STREET JOURNAL.

## EUROPE

### Madrid, Barcelona Unite in Effort To Boost Futures, Options Market

By CARLTA VITZTHUM  
And CAITLIN RANDALL

Special to THE WALL STREET JOURNAL EUROPE

MADRID

**I**N A MOVE TO PATCH UP age-old differences, Barcelona and Madrid have agreed to join forces in an effort to revitalize Spain's fledgling futures and options markets. The two cities will launch on Friday a holding company to oversee all trading in futures and options contracts, scrapping a complicated and inefficient system that had split the market between Barcelona and Madrid. The holding company will be centered in Barcelona, but the Catalan capital may find itself struggling once again to emerge from the shadow of its bitter rival.

Madrid plans to launch on Jan. 14 Spain's first futures and options contracts on stock indexes, a move expected to boost liquidity on the Madrid Stock Exchange and further draw attention away from the Barcelona market. In addition, Madrid plans contracts on equities within six months.

"We've been praying for this product for the past five years," says Clive Heathcote, an analyst with BT Asociados SA in Madrid. "The introduction of stock futures and other derivatives will finally permit major portfolio managers to hedge positions. It's absolutely essential," he says.

"**THE MARKET IS LIKELY** to find quick acceptance. It'll be used as much for hedging as for speculating," says Marco Mocquard, a futures and options trader at Madrid brokerage firm FG Inversiones Bursatiles SA.

Two years ago, an options market was set up in Madrid. To quell political resentment, all futures trading was given to Barcelona. The move was aimed at compensating Barcelona for the weakening of its stock market following the advent in 1986 of screen-based trading. The Madrid Stock Exchange currently accounts for 80% of trading on Spain's four stock exchanges.

As Michael Siska, a futures analyst with Madrid brokerage firm Banesto, Lombardi & Lacaci SA, says, however: "It didn't make any sense whatsoever to have futures in one place and options in the other for the same contract."

**UNDER THE NEW SYSTEM**, the holding company, known as Meff Sociedad Holding de Productos Financieros Derivados SA, will coordinate trading in equity contracts in Madrid and fixed-interest security and currency contracts in Barcelona.

While futures and options contracts still will be divided between the two cities, they will be split according to underlying assets rather than type of contract, a move that makes more sense, traders say. Adds Mr. Siska: "What matters now is the content of the contract, not where the contract is being negotiated."

According to Ignacio Solloa, financial director of Madrid's futures and options exchange, market volume could reach 10 billion pesetas (\$100 million) a day over the next six months, roughly equivalent to daily turnover on the Madrid Stock Exchange.

Meanwhile, in Barcelona, daily trading volume for fixed-income and currency futures and options stood at 65 billion pesetas in mid-December, and is expected to gain.

**BUT IN THE RACE** to lure investors, Madrid promises to give Barcelona a run for its money. A month before the launch of its new futures and options contracts, Madrid already has signed on 15 market makers, including several top foreign banks. After more

# THE WALL STREET JOURNAL.

## EUROPE

*Continued From Page 9*

phase, when everyone was mad about equities. Recently, the bond market has been the flavor of the month."

For most of 1991, the Spanish bond market was one of the hottest in Europe, bolstered by expectations that Spain's high interest rates eventually would fall to German levels as European Community economies converge.

Barcelona's currency futures market, hailed as an example of the city's quest to outshine Madrid financial markets, has been slow to get off the ground.

Launched Sept. 20 with peseta-mark and peseta-dollar contracts, the market eventually is expected to trade 1,000 contracts a day, Meff officials say. So far daily volume hasn't exceeded 250 contracts.

Some currency traders are pessimistic about the market, saying that onerous commissions and a lack of liquidity have discouraged investors and potential market makers.

But Mr. Jaro of Banesto doesn't agree. "In the short term, we have to sell the idea and teach the market. In the medium term, the market will attract more market makers and foreigners, which will make it extremely important."

Jose Luis Oller, chief executive officer of the Barcelona market, notes that in general, acceptance of futures and options contracts takes time — several months in the case of contracts on Mibor 90, the 90-day Madrid interbank offered rate.

He also notes that futures trading on government securities and interest rates, started in 1989, is climbing, with daily trading volume of about 5,300 contracts in November, compared with 3,600 contracts in the January-to-October period.

"We can survive with small volume. In 1991, our first full year of operation, we'll post a profit. We thought it would take us at least two years," Mr. Oller says.

Mr. Mocquard of FG Inversiones Bursatiles suggests that the market has plenty of room for growth. "Barcelona's bond (futures) market is going well. About 18% of the orders come from clients and the rest from market makers trading for their own account, when the division is 50-50 in most other countries."

Although the Madrid stock market be-

lieves the equity index futures contracts will cement the city's role as Spain's financial center, the timing of the launch may be less than optimum.

The arrival of the contracts, which will trade on the FLEX 35, an index of Spain's 35 biggest listed companies, coincides with a lull in trading in market. Daily value of trading has slipped to below 10 billion pesetas from near 15 billion pesetas in mid-September, while the general index has dropped more than 15% in the second half of the year.

At the same time, Spain last month introduced a seven-day settlement system aimed at curbing speculative trading and improving market transparency. While market watchers generally have applauded the reform, some argue that it could damp liquidity.

And, as one broker remarks: "A successful futures market depends to some extent on market speculation and volatility."

Further complicating the launch of the contracts are plans to scrap fixed commissions on trading, leading to greater competition among brokerage houses. Analysts predict that many of the more than 50 firms will disappear as a result.

For the Madrid exchange, with market capitalization of around \$87 billion, the success of its stock futures-and-options trading is critical if it hopes to catch up with more sophisticated European markets. Spanish officials complain that the paucity of financing instruments has stunted the Madrid market's development.

Barcelona, for its part, is inaugurating the futures and options holding company in the knowledge that the 1992 Olympic Games will put the city on the world map but won't ensure its place as a financial hub in the new Europe.

### **Wasa Foresaekring**

Sweden's Wasa Foresaekring said it will reduce its staff by 170 employees over the next two years, as part of a cost-cutting program valued at 165 million kronor (\$29 million). About 100 of the non-traded insurance group's 2,700 employees in Sweden will be made redundant during 1992, but none of Wasa's 400 employees abroad will be affected.