

SECTION

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# Dow Jones OKs 'Derivatives' Trading Based on the DJIA

■ **Securities:** Options, futures and funds tied to blue-chip index will mean new ways to bet on market; some analysts fear effects.

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NEW YORK—Dow Jones & Co., in a bid to exploit perhaps the best-known brand name in global financial markets, announced Thursday that it will license the sale of "derivative" investment products based on the 101-year-old Dow Jones industrial average.

Assuming regulatory hurdles are cleared, investors will be able to wager directly on DJIA futures, options and a stock fund beginning in the fall, Dow Jones said. The new products will be created under licenses granted to the American Stock Exchange, the Chicago Board of Trade and the Chicago Board Options Exchange.

Securities based on the company's other popular indexes, such as the Dow Jones transportation average and utilities average, will probably follow, Dow Jones said.

Although options and futures are key to some computerized trading strategies often blamed for riling the stock market, most experts do not expect the new products to significantly affect market volatility. There is already options and futures trading linked to the Standard & Poor's 500-stock index and other market barometers.

However, one potential danger of a popular new series of index-based securities is that it could increase investors' fixation on short-term corporate results at the expense of long-term results, said Graciela Chichilnisky, a finance professor

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## DOW: DJIA Licensed for Trading

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at Columbia University.

Options and futures are securities whose value is derived from that of individual investments, such as stocks, commodities or market indexes. Because they can require little money down, such securities often are used by institutional and individual investors to make short-term speculative bets on the market's direction.

In addition, there is a growing array of index-based mutual funds that appeal to long-term investors.

The decision to peddle the DJIA name was a difficult one for Dow Jones, which has resisted such product linkages in the past, Chairman Peter R. Kann said in a news conference here on Thursday.

Dow Jones executives vowed that the commercial use of the index will not compromise the editorial independence of the Wall Street Journal, Barron's or the company's other news enterprises.

"We have a very strong interest in maintaining a wall of separation between our business efforts and . . . editorial efforts," said David E. Moran, president of Dow Jones Global Indexes.

Dow Jones has lately been under pressure to improve its financial performance. The lagging pace of the firm's stock in the last decade has spurred complaints even from within the Bancroft family, which

holds the controlling stake.

New York hedge fund manager James Cramer sold most of his 1.1-million-share stake recently, saying he thought the stock would be dragged down by continuing losses in its Dow Jones Markets unit, formerly called Telerate.

Cramer, in a telephone interview Thursday, said the annual revenue from the DJIA licensing venture will probably amount to less than the ailing Dow Jones Markets unit losses in a month.

Neither Dow Jones nor any of its new partners would discuss details of their agreements nor estimate how much revenue the licenses might generate for Dow Jones.

Executives of the Amex, CBOT and CBOE said they were eager to begin marketing the new products and expected the DJIA name to attract wide investor interest.

"This is a straightforward, cheap, easy and safe way for investors to take a position in American industry," said Richard F. Syron, Amex chief executive, at the news conference, held at Dow Jones headquarters.

Amex will offer shares in a unit trust, a fund composed of the 30 blue-chip stocks that make up the DJIA and in exactly the same proportions. The shares will be designed to trade at prices that mirror the index, Syron said.

For example, the DJIA closed at 7,305.29 Thursday. If the shares had been available Thursday, they would have closed at \$73.05 each.

"No proposed product line has generated as much enthusiasm among individual investors and brokers," said William J. Brodsky, CBOE chief executive. Indeed, on the CBOT on Thursday, a membership for index, debt and energy market futures trading sold for \$128,000, up dramatically from \$65,000 on Wednesday.

Brodsky said the DJIA products will "take the use of options to a whole new level."

But that is exactly what worries some market observers.

Alfred E. Goldman, director of market analysis for A.G. Edwards in St. Louis, said he hopes the new instruments will not stimulate a rash of speculation by individual investors lured by the DJIA name.

"There are people who shouldn't be in options trading, and they'll be drawn in and they'll make mistakes," said Harrison Roth, senior options strategist at Cowen & Co.

Ralph J. Acampora, director of technical analysis at Prudential Securities, said he expects the new products to increase the volume of index-based trading because "it's easier for the public to relate to the Dow than the S&P 500. They already think the Dow is the market."