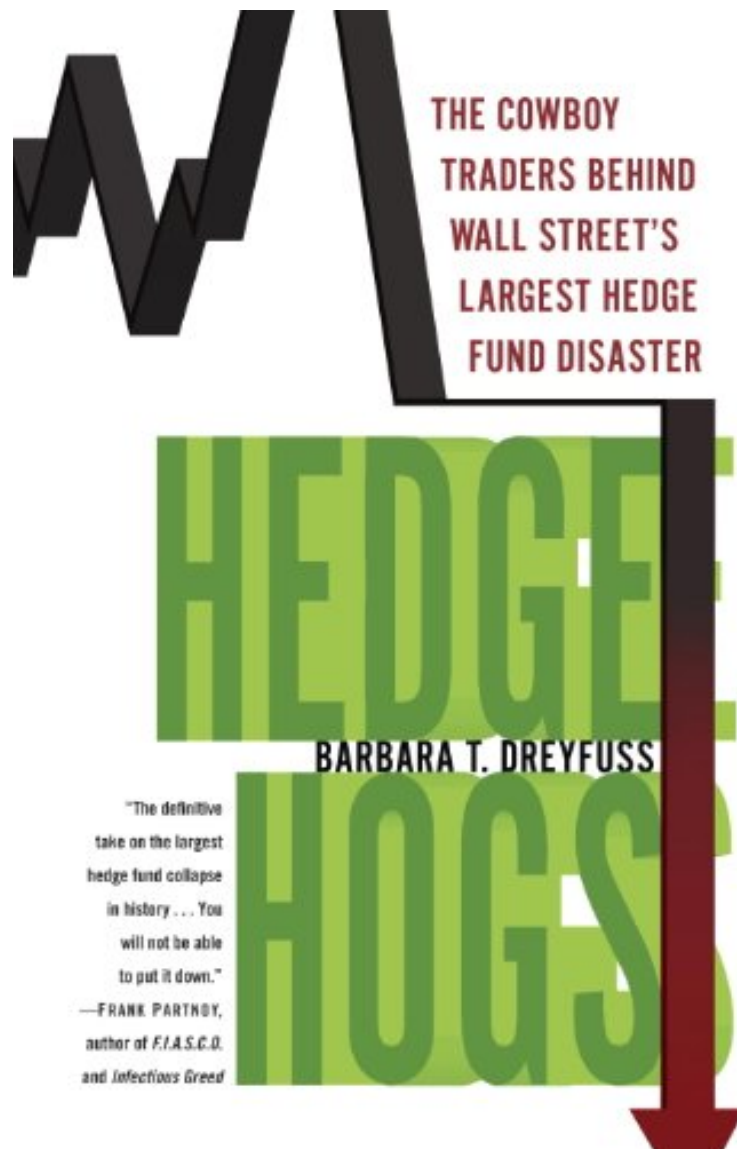


Hedge Hogs: The Cowboy Traders Behind Wall Street's Largest Hedge Fund Disaster

Barbara T. Dreyfuss

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Barbara T. Dreyfuss : Hedge Hogs: The Cowboy Traders Behind Wall Street's Largest Hedge Fund Disaster before purchasing it in order to gauge whether or not it would be worth my time, and all praised Hedge Hogs: The Cowboy Traders Behind Wall Street's Largest Hedge Fund Disaster:

3 of 3 people found the following review helpful. A account of what happens when people are allowed to gamble with other people's money By Ian K. This book is the story of how the hedge fund Amaranth Advisers blew up. The hedge fund was supposed to be conservative, avoiding exactly the sort of huge (largely unhedged) bets that blew up the

fund. Barbara Dreyfuss has written a very interesting account of how Amaranth evolved and it came to pass that they allowed a single trader to take massive positions in the natural gas market. Perhaps it goes without saying that this is a tale of massive hubris. At one point Amaranth's positions were so large that they moved the market. But since the positions comprised a significant fraction of the market there was no way out. Only events like weather could have saved the bet and by its nature weather is an unpredictable phenomena. For those interested in finance and hedge fund excess this is definitely a good read.

2 of 2 people found the following review helpful. the essence of capitalism: eating what you kill
By John E. Drury
Once the hubris quotient and one's natural feeling that the carcass of the bankrupt Amaranth, its owner and its young villain got what they deserve is set aside, the author's journalistic build up and sense of drama delivers an informative "whiz bang" of a true story, especially at the end. While a few of the middle chapters feel like filler to lengthen out the book, Barbara Dreyfuss's "Hedge Hogs" simplifies a lot of the arcane terms of options trading and tells a good yarn about the hedge fund business, its natural inclination of greed and the need for falsehoods in the pursuit of funds from equally rapacious pension funds, unions and Wall Street. In the end, it is all about money and sharks eating what they kill; Dreyfuss makes it very clear and convincing with an admirable restraint. Because in the end, it is all about money.

0 of 0 people found the following review helpful. Before Investing in Another Hedge Fund, There's Required Reading
By Andrew M Sifton
Before anyone makes an investment in a hedge fund, they should be required to read one book: Barbara Dreyfuss's "Hedge Hogs: The Cowboy Traders Behind Wall Street's Largest Hedge Fund Disaster. Whether you serve on an investment committee, a retirement board, or act as a sole fiduciary, you should not make another investment in hedge funds until yours are done with this book. Better yet, you ought to have your entire staff read it as well, and then schedule a meeting to discuss it. While you are getting folks to read the book, add your consultant, actuary, and custodial bank to the list of required readers.

Ms. Dreyfuss chronicles the demise of Amaranth Advisers, a multi-strategy hedge fund that allowed its natural gas trader to build a series of investment positions that wiped out a majority of its investors' capital. The book contains some dramatic scenes, especially when Brian Hunter, Amaranth's star energy trader, desperately tries to trade out of his untenable position. However, the real value of this book comes in the details, and that is why Hedge Hogs is so important. Ms. Dreyfuss shows how Mr. Hunter slowly amassed the means to destroy Amaranth, despite all the risk managers and risk management systems deployed by the firm. There are times when you have to read this book slowly in order to grasp how Mr. Hunter and his competitors at other hedge funds are placing their bets on natural gas prices. However, it is important to understand what is going on, because this small group of traders made speculative bets that were much bigger than the physical market for natural gas. In other words, we get to see what happens when too much institutional capital swamps just one tiny niche of the investment marketplace. We also find out that these speculative excesses have consequences for the real economy. Ms. Dreyfuss details how Mr. Hunter's trades distorted the natural gas market and made it nearly impossible for utilities, manufacturers, and other businesses to hedge their energy costs. I am not recommending this book because it will help investors avoid making mistakes. Rather, they need to read this book to help them prepare for dealing with the inevitable problems that will befall their hedge fund investments. As more and more money flows into these types of speculative investments, there will be more implosions. What happened to Amaranth isn't the by-product of some cataclysmic event like the credit bubble. Instead, Ms. Dreyfus reveals that an ordinary, well-diversified investment can turn toxic, when too much money meets someone who is willing to gamble with it. For all of those investors who think that their investment checklists, scrupulous due diligence, and risk models will steer them clear of the next Amaranth, read the book and think again. There's probably another Amaranth already in your portfolio; you just don't know it.

For readers of *The Smartest Guys in the Room* and *When Genius Failed*, the definitive take on Brian Hunter, John Arnold, Amaranth Advisers, and the largest hedge fund collapse in history. At its peak, hedge fund Amaranth Advisers LLC had more than \$9 billion in assets. A few weeks later, it completely collapsed. The disaster was largely triggered by one man: thirty-two-year-old hotshot trader Brian Hunter. His high-risk bets on natural gas prices bankrupted his firm and destroyed his career, while John Arnold, his rival at competitor fund Centaurus, emerged as the highest-paid trader on Wall Street. Meticulously researched and character-driven, *Hedge Hogs* is a riveting fly-on-the-wall account of the largest hedge fund collapse in history: a blistering tale of the recent past that explains our precarious present . . . and may predict our future. Using emails, instant messages, court testimony, and exclusive interviews, securities analyst turned investigative reporter Barbara T. Dreyfuss charts the colliding paths of these two charismatic traders who dominated the speculative energy market. We follow Brian Hunter, the Canadian farm boy and elbows-out high school basketball star, as he achieves phenomenal early success, only to see his ambition, greed, and hubris precipitate his downfall. Set in relief is the journey of John Arnold, whose mild manner, sophisticated tastes, and low profile belied his own ferocious competitive streak. As the two clash, hundreds of millions of dollars in pension and endowment money is imperiled, with devastating public consequences. *Hedge Hogs* takes you behind closed doors into the shadowy world of hedge funds, the unregulated wild side of finance, where over-the-top parties and lavish perks abound and billions of dollars of other people's money are in the hands of a tiny elite. Dreyfuss traces the rise of this freewheeling industry while detailing the decades of bank, hedge fund, and commodity

deregulation that turned Wall Street into a speculative casino. A gripping saga peppered with fast money, vivid characters, and high drama, *Hedge Hogs* is also an important and timely cautionary tale—a vivisection of a financial system jeopardized by reckless practices, watered-down regulation, and loopholes in government oversight, just waiting for the next bust. Praise for *Hedge Hogs*: “Regulators, legislators and judges inclined to sympathize with the industry ought to rush out and buy a copy of Barbara Dreyfuss’s *Hedge Hogs*, a wonderfully instructive tale about Amaranth Advisors. . . . Dreyfuss, a Wall Street analyst turned investigative journalist, not only plowed through what turned out to be a treasure trove of official records and transcripts, but supplemented it with plenty of her own reporting. She manages to organize it all into a tight, riveting and understandable yarn.” —*The Washington Post* “Clearly and entertainingly told . . . a salutary example of how traders who believe they are super-smart might be nothing more than lucky, and how there is nothing so intoxicating as the ability to speculate with other people’s money.” —*The Economist* “[Dreyfuss] does a great job of putting Amaranth’s out-of-control trader into historical context, explaining the blitz of deregulation that set the stage for someone like Hunter to do maximum damage.” —*Bloomberg* “The definitive take on the largest hedge fund collapse in history . . . You will not be able to put it down.” —*Frank Partnoy*, author of *F.I.A.S.C.O.* and *Infectious Greed* Named One of the Top 10 Business Economics Books of the Season by Publishers Weekly

From Booklist Hedge funds, once an obscure investment vehicle confined to the ultrarich with a penchant for risk, have ballooned to a \$2 trillion industry in recent years, as ordinary pension and retirement money have been poured into these unregulated funds. One of these funds, Amaranth Advisors, managed \$9 billion in assets until its collapse in September 2006 owing to oversized holdings in shy; natural-gas futures executed by a brash young shy; Canadian trader named Brian Hunter. Wall Street analyst Dreyfuss details how Hunter’s manipulation of the natural-gas market not only lost billions of dollars for Amaranth investors but also caused speculative price spikes that took a heavy toll on consumers and business owners. Her work shines light on the little-known sector of unregulated energy trading in the wake of Enron, where reckless traders continue to take enormous risks with investors’ money and wreak havoc in energy-commodities markets, which are essential to the lives and livelihoods of ordinary Americans. --David Siegfried “Regulators, legislators and judges inclined to sympathize with the industry ought to rush out and buy a copy of Barbara Dreyfuss’s *Hedge Hogs*, a wonderfully instructive tale about Amaranth Advisors. . . . Dreyfuss, a Wall Street analyst turned investigative journalist, not only plowed through what turned out to be a treasure trove of official records and transcripts, but supplemented it with plenty of her own reporting. She manages to organize it all into a tight, riveting and understandable yarn.” —*The Washington Post* “If you are an avid follower of Wall Street, you’ll read [*Hedge Hogs*] in one sitting. . . . Dreyfuss is able to strategically select the essential elements that make for an accurate and fast-paced read laced with illuminating Wall Street lore while sparing the lay reader useless financial jargon. This riveting book gives us much to think about.” —*Wall Street on Parade* “Clearly and entertainingly told . . . a salutary example of how traders who believe they are super-smart might be nothing more than lucky, and how there is nothing so intoxicating as the ability to speculate with other people’s money.” —*The Economist* “[Barbara T. Dreyfuss] does a great job of putting Amaranth’s out-of-control trader into historical context, explaining the blitz of deregulation that set the stage for someone like [Brian] Hunter to do maximum damage.” —*Bloomberg* “A telling insider’s story on how hedge funds are playing high-stakes poker for massive personal profits and stealing the American Dream from average families . . . This is a case study that cries out for tougher crackdowns on the derivatives game.” —*Hedrick Smith*, author of *Who Stole the American Dream?* “Brian Hunter, dubbed one of the top rogue traders of all time by *The Wall Street Journal*, is the only one on the list not to have gone to prison for his crimes. In *Hedge Hogs*, Barbara Dreyfuss reveals in forensic detail how Hunter carried out a speculative assault on the highly vulnerable U.S. energy market. *Hedge Hogs* is a great read for those interested in an introduction to the games often played by energy traders, as well as Wall Street veterans who think they know everything there is to know on this subject.” —*Leah McGrath Goodman*, author of *The Asylum: Inside the Rise and Ruin of the Global Oil Market* “*Hedge Hogs* is not merely the definitive take on the largest hedge fund collapse in history—it is a window into how the financial system came unstuck. Barbara Dreyfuss gets all the details right. This is *Enron II*, the sequel in which a thirty-year-old farm-boy from Calgary makes \$113 million one year and then destroys his firm—and yet he isn’t even the highest-paid or most intriguing character his age. Once you start reading this book, you will not be able to put it down.” —*Frank Partnoy*, author of *F.I.A.S.C.O.* and *Infectious Greed* “Dreyfuss smartly deploys her inside knowledge. . . . [Her] lucid, perceptive tour of the high-wire culture of hedge funds highlights how vapid Wall Street’s pretense of market expertise and risk analysis really is.” —*Publishers Weekly* “A well-crafted investigation.” —*Kirkus* “Dreyfuss’s work shines light on the little-known sector of unregulated energy trading in the wake of Enron.” —*Booklist* Named One of the Top 10 Business Economics Books of the Season by Publishers Weekly About the Author Barbara T. Dreyfuss was a Wall Street analyst for twenty years, covering health policy

issues. She was part of a five-member Washington, D.C., team that consistently won top honors in Institutional Investor magazine's ranking of Wall Street analysts. She was a senior correspondent for The American Prospect, and has contributed to The Washington Monthly, Mother Jones, and The Veteran.