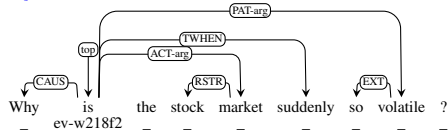
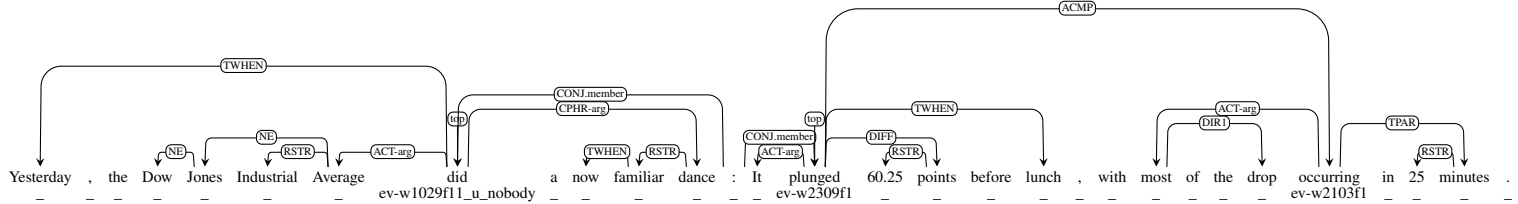


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[22057001]



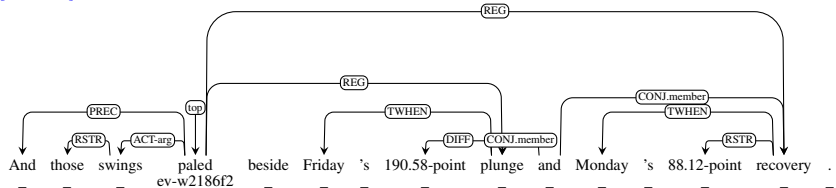
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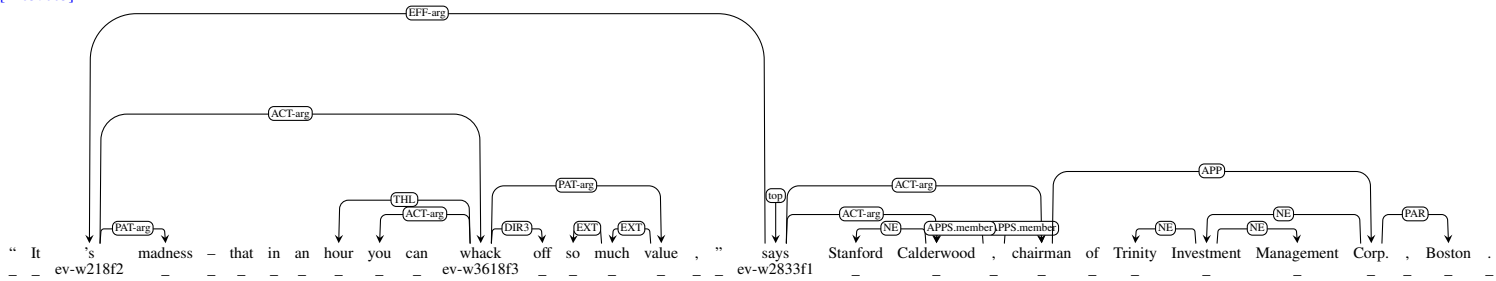
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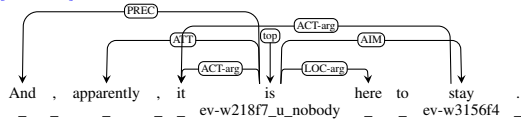
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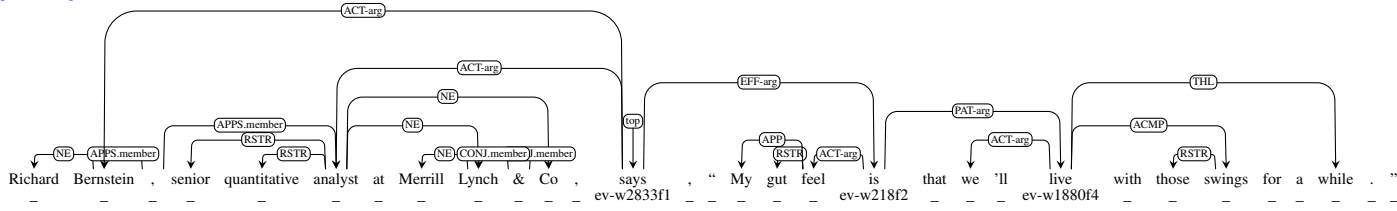
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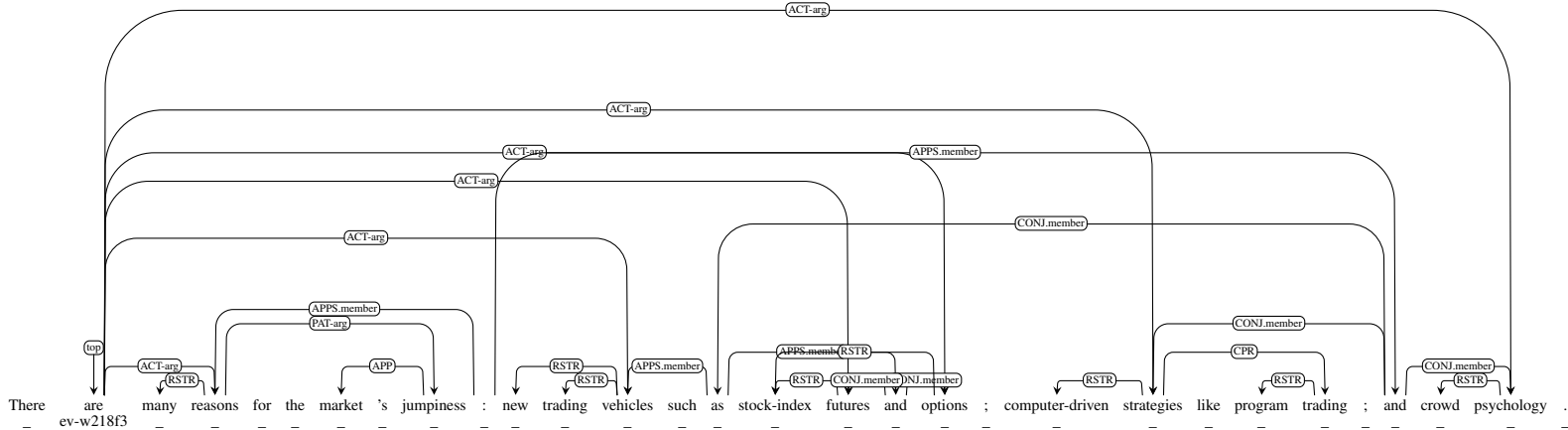
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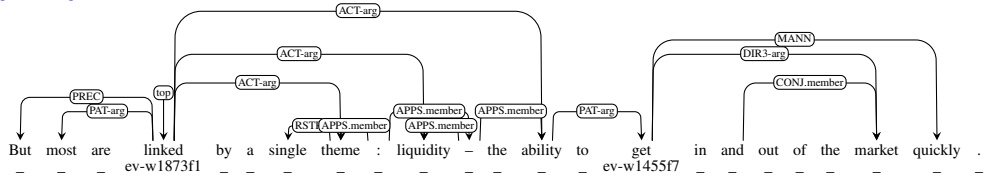
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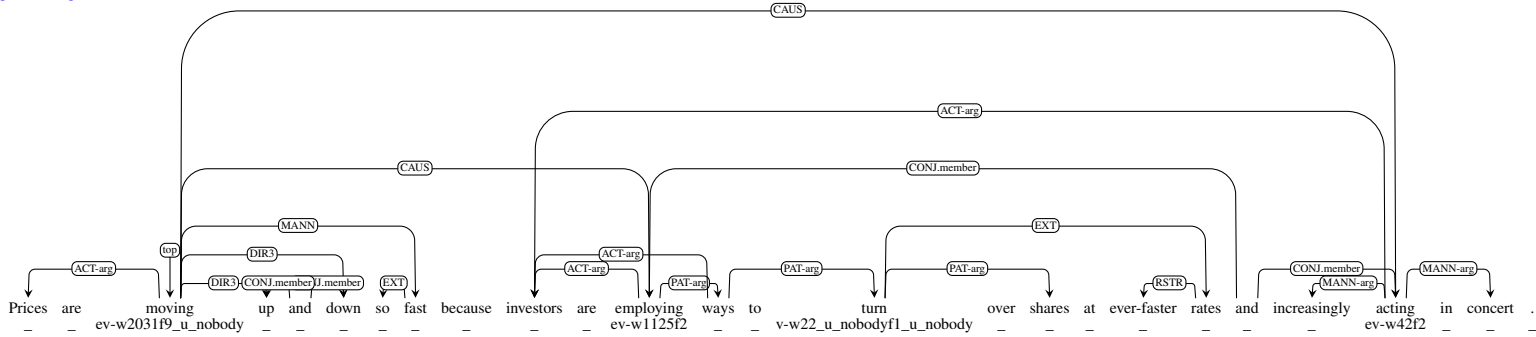
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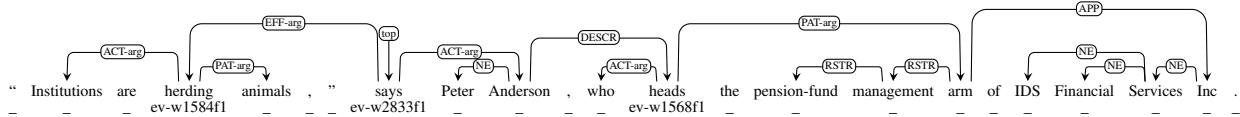
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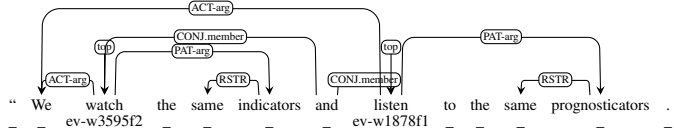
[22057010]



[22057011]



[22057012]



[22057013]

When they did , the firm reduced those stock holdings to about 70 % .

[22057027]

A classic example of institutions ' hunger for liquidity is portfolio insurance , now widely discredited .

[22057028]

Before the 1987 crash , an estimated \$ 60 billion in institutional money was managed under this hedging technique .

[22057029]

The idea was to " insure " the value of a portfolio by selling futures when stock prices dropped - eliminating the need to sell the stocks themselves .

[22057030]

But in October 1987 , when portfolio insurers rushed to sell at the same time , they overwhelmed both the stock and futures markets .

[22057031]

Yet even today , institutions are quietly practicing forms of portfolio insurance by nervously rushing to and fro in the markets .

[22057033]

Unlike traditional buy-and-hold strategies , all of the above require that market makers be on hand to provide liquidity by buying and selling stocks in a crunch .

[22057034]

But institutions say Wall Street brokerage firms are less willing to make markets .

[22057035]

Brokers do n't deny that .

[22057037]

" I think everyone 's a little more leery , " says Jack Baker , head of equity trading at Shearson Lehman Hutton Inc .

[22057038]

" The institutions have driven (commission) rates down to the point where it makes no sense to commit capital . " says Tom Gallagher , senior executive vice president in charge of institutional trading at Oppenheimer & Co .

[22057039]

" Why should I risk money for a guy for who 's paying me five cents a dance ?

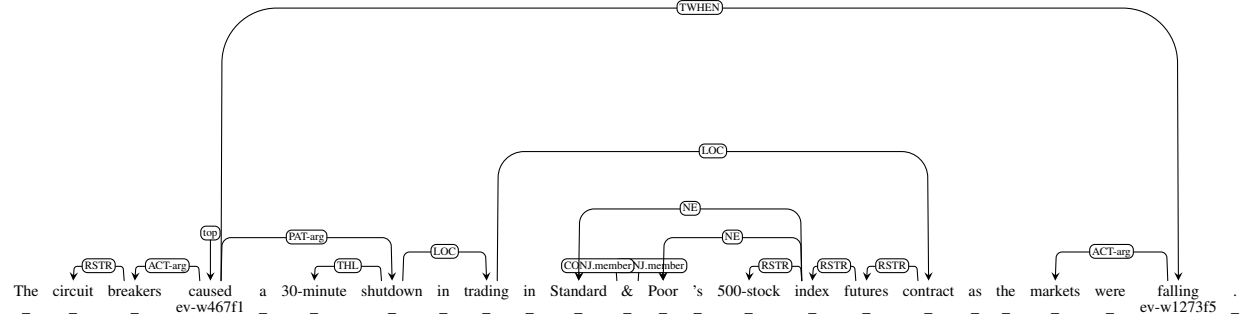
[22057041]

Lack of liquidity can also result from exchange " reforms . "

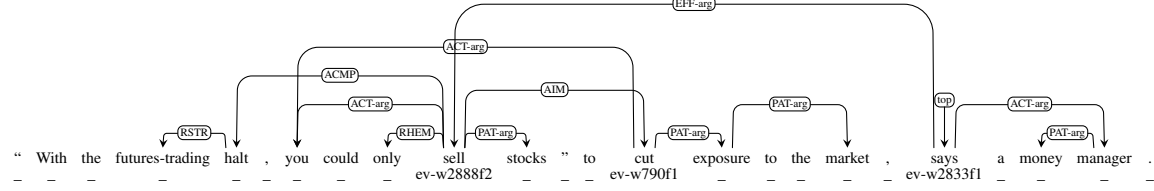
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Many traders say that " circuit breakers " put in place to damp volatility after the 1987 crash actually added to volatility when the stock market plunged Friday .

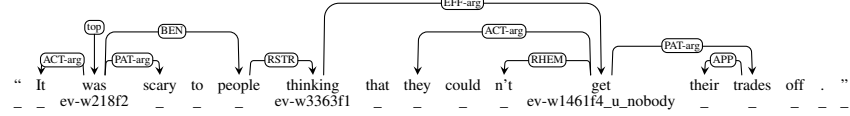
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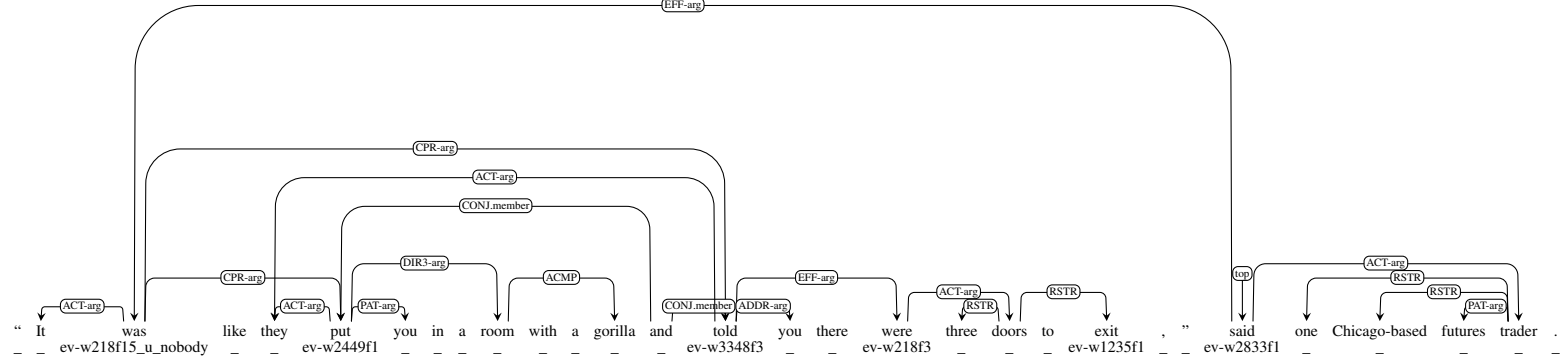
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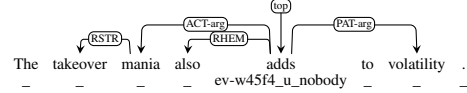
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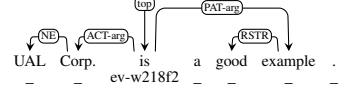
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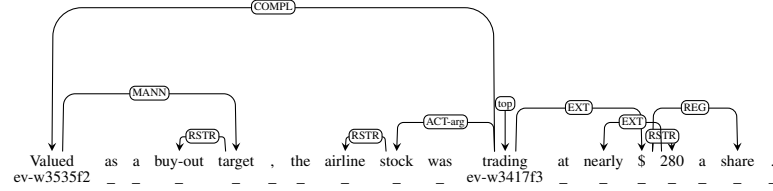
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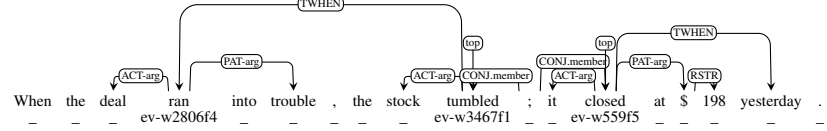
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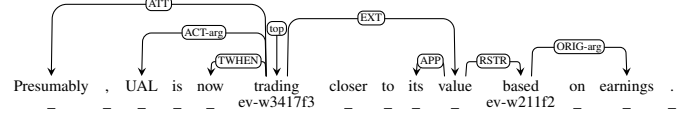
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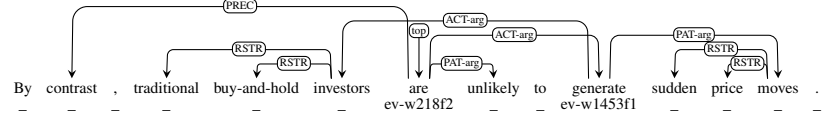
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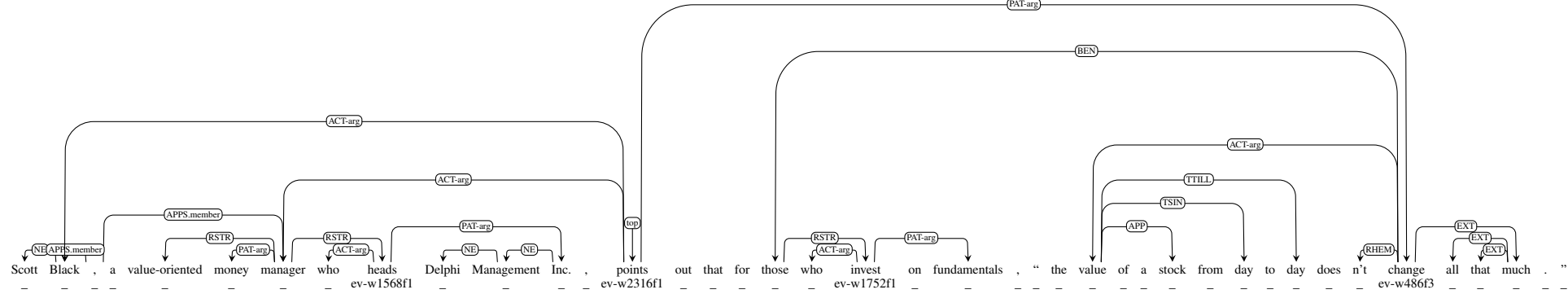
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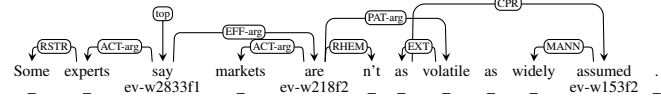
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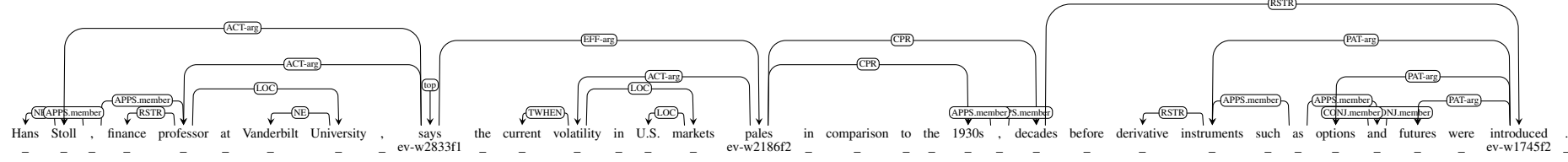
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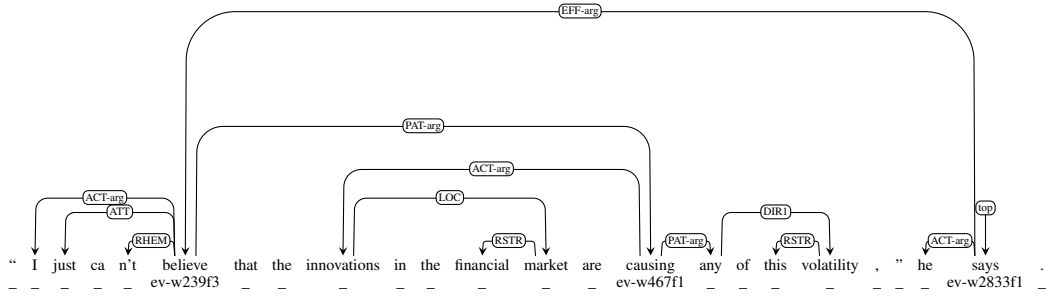
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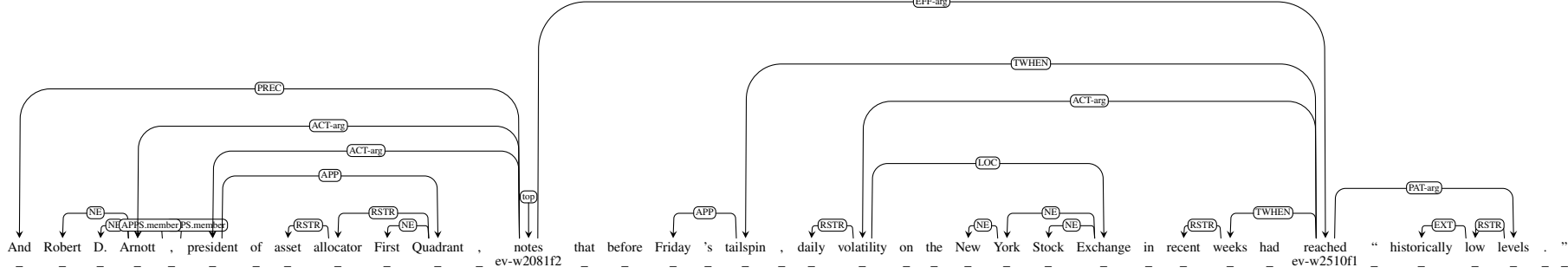
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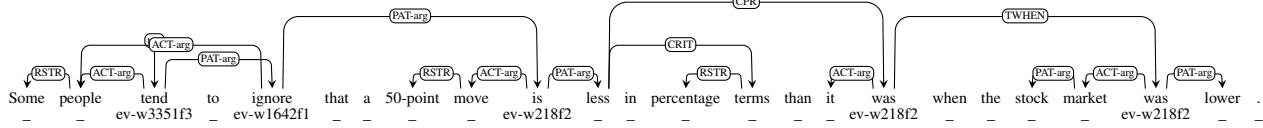
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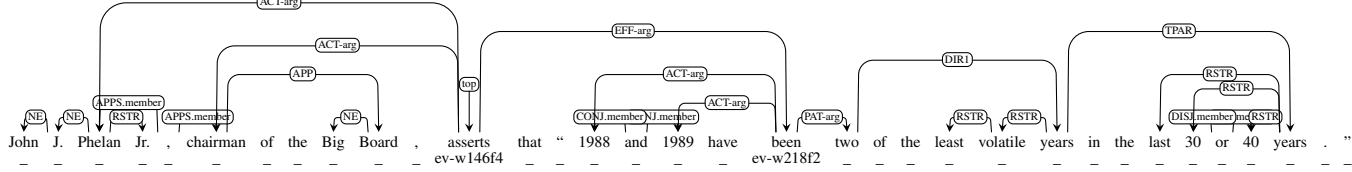
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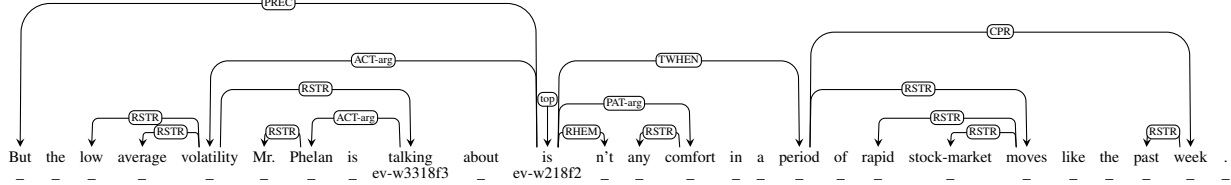
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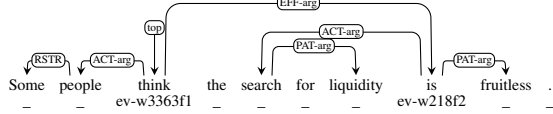
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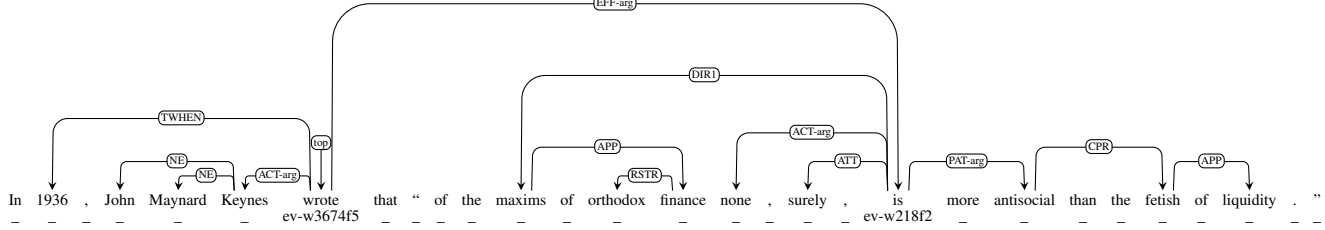
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[22057063]



[22057064]



[22057066]

