

Politics

L.F.ROTHSCHILD LOSES \$44M IN COLLAPSE

Source: The New York Times

Oct 28, 1987 - 11.00am

The first report of how a leading brokerage house fared in last week's collapse of stock prices has come from L.F.Rothschild & Co, which has suffered a \$44 million net loss this month.

The loss came primarily from trading smaller stocks and from speculation in takeover stocks.

Rothschild said on Monday that it would lay off 160 of its 2,000 employees, place severe limits on its risk-arbitrage operation, which speculates in takeover stocks and abandon its municipal-bond underwriting, trading and sales.

The firm also said it had a \$US6.3 million loss for the third quarter, which ended before the market's collapse.

The loss raised the possibility that Rothschild would have to merge with a healthy firm.

It also seems likely that other, bigger Wall Street firms suffered losses in the market debacle.

Many securities analysts have suggested that at the time the Dow Jones industrial average plunged more than 500 points last Monday, most of Wall Street's leading houses had invested large amounts of their own capital in individual stocks, betting that the market would continue its long ascent.

If so, their losses could be enormous and cost-cutting programs begun earlier this year, including lay-offs, could be accelerated.

L.F.Rothschild is unrelated to a number of other financial institutions that bear the Rothschild name, including Rothschild Inc, an investment bank in New York.

So negative was Rothschild's announcement that some analysts began speculating that it was only a matter of time before the broking house started looking for a buyer.

But Rothschild executives insisted they had no intention of selling.

"The answer is no," the chairman of the firm's executive committee, Mr Francois J.P. Mayer, said in a telephone interview.

"We are certainly reviewing all phases of our business, but we are not specifically looking at any such thing."