U.S. Issuance Hits $50 Billion in 2005, Yet Structured Products Continue to Remain "Wall Street's Best Kept Secret"

With a $50 billion year in 2005, Structured Products continue to be the fastest growing investment class in the U.S. since ETFs and hedge funds. Yet, even though structured products are hugely popular among investors in Canada, Latin America, Europe, Asia and Australia, many U.S. retail investors aren't aware of what a "structured product" is. According to Keith A. Styrcula, Chairman and Founder of the Structured Products Association trade group, 2006 will be a critical year for the fastest growing investment class in the United States, which should experience a 20-25% growth in issuance in 2006.

Boca Raton, FL (PRWEB) February 8, 2006 –- The American structured products industry is booming on Wall Street, with an estimated $45 to $50 billion worth of products placed in the United States in 2005, according to the New York-based Structured Products Association ("SPA").

Yet despite the fourth straight year of high double-digit growth, the investment class continues to be "Wall Street's best-kept secret," according to SPA Chairman and Founder, Keith A. Styrcula.

"As an investment class for American investors, 2005 was a breakthrough year for structured products," Styrcula said in a speech at the recent LaSalle Bank/ABN-Amro's 24th Annual Fixed-Income Symposium & Exposition at the Boca Raton Resort & Hotel. "The penetration among retail investors in the last year was unprecedented."

As result, the growth of the structured products business in the United States today resembles the growth of hedge funds in the 1990s, according to Styrcula. "Six, seven years ago, many mainstream investors were just beginning to understand what a 'hedge fund' was."

"The same could be said for structured products at this point in time," he stated.

The SPA Chairman's third annual state-of-the-industry speech also enumerated several highlights and new milestones for the industry in 2005:

-- Commodities-linked structured products were the hottest new category of the investment class, driven by rising commodity prices and lower returns from the equity and fixed income markets in 2005. The phenomenon was exemplified by a near 450% increase in structured products linked to the Dow Jones AIG Commodities Index in 2005 ($5.3 billion vs. $1.2 billion for 2004), according to Eric Kolts, Director of Fixed Income and Commodities at Dow Jones Indexes.

-- Buy-write equity index-linked structured products continued to dominate the structured funds category with nearly $18 billion in 35 new products issued by firms such as Nuveen, Eaton Vance, Claymore, Merrill Lynch, Morgan Stanley and Citigroup, the result of a survey from by Matt Moran, Vice President of the Chicago Board Options Exchange.

-- The American Stock Exchange reported an 18 percent increase in the number of structured products issues listed on the Exchange (136 in 2005 vs. 115 in 2004) bringing the notional amount of structured products on the AMEX over $13 billion, reported Richard Mikaliunas, Senior Vice President of Capital Markets at the exchange.

-- The New York Stock Exchange reported $14 billion in new listings in corporate-issued structured products in 2005, stated Susan G. Waiter, head of the NYSE's Structured Products Group, with ten issues of over $500 million including launches from MetLife and Aegon.

-- The Chicago Board Options Exchange experienced a record year as its options volume rose 30% and its membership prices reached record levels, most of the growth attributable to structured products and structured funds tied to buy-write indexes. In the past year, the CBOE set daily volume records on Expiration Fridays; the average daily volume on the 12 Expiration Fridays rose 40% to 2.9 million contracts in 2005, again, with much of the growth tied to structured products.

Styrcula also identified other positives for the structured products industry in 2005, including significant legal and regulatory advances. “In October, the NASD established a clear framework for the industry to develop best practices in marketing structured products to their clients, and on December 1, the SEC provided some relief on December 1 to permit firms to provide educational materials to investors as part of the prospectus delivery requirement.”

He noted that this provides “an unprecedented opportunity for the industry to educate brokers and investors on the risks and attributes of these instruments.”

For 2006, the SPA is forecasting a 20% to 25% growth in overall business in structured products industry over the next four quarters, with new channels of distribution, and the emergence of structured investments in mutual funds, closed-end funds and variable annuities.

“The challenge for the industry continues to be promoting structured products as investments that can provide retail investors with benefits such as principal protection, enhanced upside, tax benefits and above-market income potential,” Styrcula concluded. “The continued upsurge in the investment class depends entirely on how successful we as structured products professionals can communicate this message.”

The Structured Products Association is an 1,800-member professional trade association headquartered in New York.

The SPA is dedicated to developing best practices among structured products professionals; identifying legal, regulatory, tax and compliance challenges to the industry; fostering innovation and education for the benefit of investors in the products. The website of the SPA is located at www.structuredproducts.org.

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