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GFI Group Inc. Q2 2008 Earnings Conference Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And now our first question comes from the line of Chris Allen of Banc of America Securities. Please proceed.

Chris Allen – Banc of America Securities

Hey, guys. How are you doing?

Michael Gooch

Good morning, Chris.

Chris Allen – Banc of America Securities

I realized you guys can't really address probably directly, but maybe Mickey you would give us some thoughts on the need for scale and product diversity in all the major asset classes including say rates over the long term for a successful IDB franchise.

Michael Gooch

I mentioned in my prepared remarks that we had actually disposed of our US interest rate swaps business globally in a transaction that we closed at the end of the first quarter which gives us a minority interest in an organization called Blackbird which operates an electronic – or that were in the process of operating an electronic marketplace for interest rate swaps.

I think for GFI, if we were to beyond that initiative look at the G3 interest rates swap business, our best approach to entering that business in a significant manner would be through a merger with one of the existing IDBs that has a significant position in that space. I think our action of disposing of our interest rate swap business is twofold. One, clear indication that from our sort of less price position, it was not really achieving what we wanted to. We were not going to try to grow that business through flashy hiring of relationship brokers. And instead we merged it into or sold into, I'm not sure what the technical term is, into this stake in Blackbird which we clearly hope will be very successful. But beyond that, we wouldn't have really a strategy for expanding our position in G3 interest rate options, I mean swaps. We should do very well in emerging market interest swaps globally.

Chris Allen – Banc of America Securities

If we just turn a little bit to the third quarter outlook, I'm you are already about a month in. I'm just wondering, how is July tracking so far?

Michael Gooch

We have basically come even with last July, it's like dead even, we performed for the same revenue this July as last July, which I think is actually a result all things considered, because last July was actually extraordinary in light of the credit crisis exposing and that's why looking at August with two less business days, but my strong confidence for – September is kind different this year around, I think. September last year actually was quite a bit slower than August and July, and I'm still expecting kind of the opposite this year. So, with the various initiatives we have in place, that's where we come up with our guidance for 5% to 7% growth in the brokerage and then 7% to 10% in total revenues because obviously we are doing quite well with our technology sales.

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