LETTERS TO THE EDITOR: These swaps morea hedge than a bet

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By Paul Dawson
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From Dr Paul Dawson.

Sir, Lex's lucid explanation of the mechanics of variance swaps was slightly marred by the word "bet" ("Volatility", Lex, May 24).

Variance swaps serve a valuable role for many market participants; they are not just esoteric instruments of speculation. Hedge funds find it harder to make money in calm markets. Hence, their selling variance swaps is not so much a bet on markets remaining calm as (most appropriately) a hedge against this.

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