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Morgan Stanley In Hiring Push To Jump-Start Trading, Sales

By Joe Bel Bruno, Of DOW JONES NEWSWIRES

NEW YORK -(Dow Jones)- It appears Morgan Stanley (MS) has gotten Wall Street's message about punching up risk.

The investment bank has embarked on a hiring binge that will add up to 400 trading and sales positions in the coming months, people familiar with the matter said. The push is designed to revive profits in areas like fixed-income trading, emerging markets, and foreign exchange.

Morgan Stanley has lagged behind rivals since taking on a more conservative stance to survive the financial crisis. But that caution has come at a price: three consecutive quarters of red ink while Goldman Sachs Group Inc. (GS) and JPMorgan Chase & Co. (JPM) reaped huge profits.

The firm's co-president, Walid Chammah, told investors last month that the hiring plan is a "strategy of rebalancing and repositioning" fixed-income and equities trading. The new hires will be split evenly between both sides to boost Morgan Stanley's ability to handle trades for clients, he said.

"These hires are a good step because Morgan Stanley cut back substantially from fixed income in 2008, and they just didn't anticipate the big recovery," said Brad Hintz, an analyst with Sanford Bernstein & Co. "We might start to see things turn around as soon as the fourth quarter."

It was not known how many managing directors were cut from Morgan Stanley's trading division last year. Chief Executive John J. Mack, who earned the nickname "Mack the Knife" for slashing jobs to reduce costs, tried to cut back on risky businesses to build a stable, less volatile firm.

However, Mack conceded last month that parts of the company got too conservative after posting a \$159 million second-quarter loss. And Morgan Stanley has since been scouring Wall Street trading rooms looking to find new blood.

Last year's shakeout of major Wall Street firms has caused a number of high-profile defections, and Morgan Stanley has recently picked up key hires from JPMorgan, Deutsche Bank (DB), Citigroup Inc. (C), Credit Suisse Group (CS), UBS AG (UBS) and Merrill Lynch.

The biggest name so far has been Jack DiMaio, a former Credit Suisse Group fixed-income head for North America, who was named global head of interest rate, credit and currency trading.

Morgan Stanley also raided top talent at UBS, including co-head of emerging market trading Al Chinappi and his six-member team. The firm tapped Alex Ehrlich as global head of prime brokerage; and Clark Hutchinson and Bill Templer as global co-heads of listed derivatives.

Morgan Stanley is continuing to expand its foreign-exchange sales team in New York, adding David Zakaiem from JPMorgan and Kristen Fanarakis from Citigroup.

The firm, which has maintained it would take on more risk when the right time came along, is also concerned about managing it. About 50 officials have been added to Morgan Stanley's risk management division this year in an effort to make sure trades don't go awry as one mortgage bet did in 2007, leading to a \$ 3.6 billion fourth-quarter loss. Morgan's staff in risk management now stands at about 335 people, up from about 235 when Chief Risk Officer Kenneth deRegt was hired in early 2008.

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