

Release 2.0⁸

Issue 2.0.8, April 2008
<http://r2.oreilly.com>



"A year after *Release 2.0* first looked at what financial markets and web markets have to teach one another, it can seem like the two groups are still talking past each other. But we're seeing early signs of how Wall Street and Web 2.0 can work together—and deepening evidence that the two may become inextricable."

Jimmy Guterman, from *Money 2.0*, page 1

Release 2.0

Issue 2.0.8, April 2008
ISSN 1935-9446

Published six times a year by
O'Reilly Media, Inc.,
1005 Gravenstein Highway North,
Sebastopol, CA 95472
<http://r2.oreilly.com>

**This newsletter covers the world
of information technology and
the Internet—and the business
and societal issues they raise.**

executive editor

Tim O'Reilly
tim@oreilly.com

editor

Jimmy Guterman
jimmy@guterman.com

publisher

Sara Winge
sara@oreilly.com

art director

Mark Paglietti
markp@oreilly.com

copy editor

Steven Sloan

contributing writers

Brady Forrest
Marc Hedlund
Jerry Michalski
Sarah Milstein
Peter Morville
Nathan Torkington
David Weinberger

© 2008, O'Reilly Media, Inc.
All rights reserved. No material
in this publication may be
reproduced without prior
written permission; however, we
gladly arrange for reprints, bulk
orders, or site licenses. Individual
subscriptions cost \$495 per year.
80315

subscription information

Release 2.0
PO Box 17046
North Hollywood, CA 91615-9588
<http://r2service.oreilly.com>

customer service

1.800.889.8969
1.707.827.7019
r2@oreilly.com

Contents

01: Money 2.0

By Jimmy Guterman

10: Looking for the New Pond

Advice from Money:Tech conference chair Paul Kedrosky on how to overcome skepticism and how not to look like a "twit."

12: The Wider Impact of Money 2.0

Collective money management shows one way Wall Street and Web 2.0 could work together.

By Marc Hedlund

**16: What Do Hedge Fund Managers
Want from Web 2.0?**

They'll want more once they understand it more.

By Cathleen M. Rittreiser

21: Seven Hot Prediction Markets Tips

Best practices for starting and managing a prediction market in your company.

By Nathan Torkington

24: Calendar



Jimmy Guterman is the editorial director of O'Reilly's Radar group and editor of *Release 2.0*.

Money 2.0

One year later, the connections between Wall Street and Web 2.0 are getting stronger and moving in surprising directions.

One year ago, we published an issue of *Release 2.0*, entitled “When Markets Collide,” in which we considered what Wall Street and Web 2.0 might have to teach one another. Quite a bit, it turned out: the key parallels we uncovered include latency (both have to do their jobs more or less instantly), connectivity (that’s the liquidity of Web 2.0), sensors and actuators (and how to use them), and reputation (stockbrokers are no longer curators—they’re rated, in public).

Since the publication of that issue, we’ve seen a tremendous amount of activity as Wall Street and Web 2.0 size up one another, culminating in our inaugural Money:Tech conference, intended to bring the two sides together in the same room, which we held in February. So it’s a ripe time to consider the status of the relationship. What’s new? What’s changed?

On one level, there’s nothing new about Wall Street looking to new data sources to discover alpha, an edge. In *No Bull: My Life In and Out of Markets*, hedge-fund legend Michael Steinhardt notes that long ago, in the early 1980s, he “constructed my own New York City taxi index relating the percentage with ‘available’ lights to those occupied, hoping for more to be ‘available,’ thereby signaling a slowdown in demand.” He discovered a proprietary economic indicator around the availability of taxis and traded on it. And Peter Lynch, manager of the Magellan mutual fund for Fidelity Investments, famously suggested that individuals buy stocks based, in part, by what they could see for themselves: in particular, how full a store’s parking lot was.

But Lynch didn’t limit himself to anecdotal data sources. As portfolio manager Omid Malekan writes, “Lynch also looked at all sorts of fundamental and technical information on top of how full a store’s parking lot looks.” →



Our original coverage of the collision between financial markets and web markets can be found at <http://downloads.oreilly.com/radar/r2/issue2.0.2.1.pdf>. You can find out more about the inaugural Money:Tech conference at <http://en.oreilly.com/money2008/public/content/home>. The second one will take place in New York on February 5–6, 2009.