BULLS & BEARS

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TOP STORIES

- Microsoft Rethinks Yahoo Bid
- Jobless Claims Signal Recession
- Bernanke: 'Recession Is Possible'
- UBS Writes Down $19B More
- Paulson Unveils Regulatory Plans

MARKETS

DOW	12609.42, +3.2%
NASDAQ	2370.98, +4.9%
S&P 500	1370.40, +4.2%
10 YR	100 8/32, yield 3.46%
OIL	$106.23
EURO	$1.5726

THIS WEEKS ISSUE

MARKET SUMMARY

Monday 03/31/08
The market kicked off the final days of the first quarter with US Treasury Secretary Henry Paulson announcing a plan for a sweeping overhaul of the financial regulatory system. While the plan is supposed to make the US financial system less bureaucratic and more competitive in the global marketplace, very few expect it to be enacted any time soon. The Purchasing Manager's Index climbed in March, while Philip Morris debuted as a separate company from Altria. Crude underwent a sharp 4% drop on continuing dollar strength, while the Dow edged up to a modest gain of 45 points.

Tuesday 04/01/08
The market started the day on a positive note on continuing speculation that the financial-market meltdown was coming to an end. Reports of new capital-raising endeavors from Lehman Brothers and UBS led equities sharply higher. The bulls caught another boost when the Institute for Supply Management reported an unexpected increase in manufacturing activity for March. The Dow surged 391 points on the first day of the second quarter, with all 30 of the Dow's components moving higher. The dollar added to its gains, while Gold and Oil continued their fall.

Wednesday 04/02/08
After 2 days of gains, investors decided to take a breather. The morning kicked off with positive earnings news from Best Buy, however, testimony from Fed Chairman Ben Bernanke soon changed the mood. For the first time Bernanke stated that he couldn't rule out the possibility of a recession. Factory orders also dipped in March, only adding to the economic concern. When all was said and done, the lift that retail gained from Best Buy could not outweigh the fact that Bernanke had finally acknowledged a recession. The Dow closed with a modest loss, as crude and gold edged back up on concerns of economic weakness.

Thursday 04/03/08
Stocks traded on both sides of the break-even mark today as investors digested a wave of hot-and-cold economic data, along with some mixed earnings from the technology sector. While jobless claims rose, the Institute for Supply Management reported an unexpected surge in service-sector activity. Meanwhile, Research in Motion out did analysts' profit expectations, while Micron Technology gained despite a wider-than-expected quarterly loss. The Dow initially dipped sharply lower, but soon recovered to maintain the week's bullish bias, closing 20 points in the green.

Friday 04/04/08
A positive morning took a decidedly rapid bearish tilt after the non-farm payroll report showed a third-straight monthly decline. The drop of 80,000 jobs was the largest since March 2003, and January and February payrolls were revised lower. In addition, the nation's unemployment rate increased to 5.1%, marking the highest gain since September 2005. Despite the negative news and an initial drop, the market demonstrated a bit of resilience and worked its way into positive territory. Nonetheless, the market gave way to selling pressure as the final hour wound to a close, and the Dow Jones Industrial Average finished in negative territory.

THE WEEK IN QUOTES

"What I learned from economics is that the market is not always going to be a happy place."
-Sandi Heller from the University of Colorado, after a poll indicated that 81% of Americans are dissatisfied with the country's direction

"There is no doubt we're having a tough quarter, that the economy has turned down sharply."
-Henry Paulson, U.S. Treasury secretary; Paulson would not say whether he thinks the U.S. economy is facing recession

"There are a lot of dead carcasses on the road, and the vultures are out sniffing. This is the cycle of Wall Street. When bubbles crash, you get the value guys who come in and say, 'This thing is cheap.'"
-Andy Kessler, a former hedge fund manager, after 80,000 jobs were cut in March

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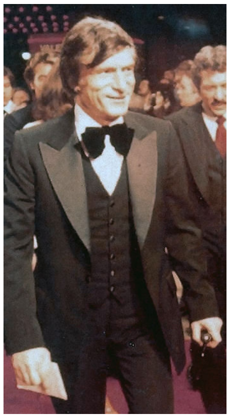
THE PLAYER'S CLUB *By Mehnt Bhatia*



Hugh Hefner

Larry Flynt

Hugh Hefner was born in Chicago, Illinois on April 9th 1926. He received his bachelor's degree from University of Illinois. During his term at the University of Illinois, he also drew cartoons for the Daily Illinois and edited the campus humor magazine. After graduating in two and a half years, in the span of two years, he worked at the Chicago Cartoon Company and worked as an advertising copywriter Carson, Prie, Scott Department store.

In 1951, he chose to start a magazine of his own and called it Stag Party. He was able to raise $8000 from his family and friends to fund the magazine. The first issue, featuring Marilyn Monroe, was published in December, 1953. It sold over 50,000 copies. Due to a trademark infringement, he was forced to rename it. The magazine was renamed to Playboy, which is now one of the biggest brands with respect to magazines. By the end of the decade, Playboy sold over a million copies a month.

In celebration of the success of Playboy, Hefner organized the first Playboy Jazz Festival at the Chicago stadium. At the time, it was called the single greatest weekend in the history of Jazz. Soon after, Hefner bought the Playboy Mansion, hosted the television show Playboy's Penthouse and opened the first Playboy Club in Chicago.

Currently, Playboy is one of the most famous brands of men's magazines. The growth of Playboy has made Hefner a millionaire. His idea of starting a magazine featuring nude women was a big risk at the time, but proves that entrepreneurs willing to take a risk can be very successful.

Larry Flynt was born in Magoffin County, Kentucky on November 1, 1942. From 1958 to 1964, he served in the navy. After leaving it, he decided to start a strip club in Dayton, Ohio with the money that he had earned. After the success of the club, Flynt decided to buy several more in different cities. In 1974, he released the first issue of Hustler Magazine, as a newsletter for his strip clubs. The magazine's theme was very similar to that of Playboy.

In a short span of time, the magazine was making millions of dollars. In 1976, Flynt started a new company named Larry Flynt Publications, which now publishes over 30 magazines. It was only in the late 80's that the company started publishing magazines that had a non-pornographic theme, and meant for the general public. In 2000, he opened the now-famous Hustler Casino in Los Angeles.

He has been a long time advocate of the first-amendment rights. However, he faced a lot of opposition for the content of his magazines. Other than the opposition by people, he was involved in multiple lawsuits, most of which ended up costing a lot of money. To add to this, in the mid 80's, his wife died of AIDS. After all this, Flynt continued running his publication company.

In 1996, a motion picture was created The People vs. Larry Flynt which was dedicated to the battle Flynt fought for the first-amendment rights. As an entrepreneur, Flynt's courage and willingness to take risks makes him stand out and can be deemed to be the main cause for his success.

SPIRALING INTO A RECESSION *By Emily Anderson*

After months of talking about recession, the Federal Reserve Chairman Ben Bernanke, for the first time, acknowledged that the US economy is heading into a recession, making it all the more real for people across the country. This statement followed a report released by the labor department on Friday that showed that over 80,000 jobs have been slashed and the unemployment rate has risen from 4.8% to 5.1%. This has hurt the economy, for the labor market was the only thing holding back a recession. The drop in the labor market added to the disastrous effect caused by the housing, credit, and financial sectors. Now there are three things that policy makers have to fight against, and three things is a little too much even in the eyes of the cautiously optimistic Federal Reserve Chairman.

The numbers released on Friday that caused the statement by Bernanke are not encouraging. Employers got rid of 76,000 jobs both in January and February and then slashed 80,000 jobs in March! These jobs were lost in construction, manufacturing, retailing, financial services, and various business services. The government tried to step in and help by increasing jobs in fields including education and health care, leisure and hospitality, as well as adding jobs in the government itself. Without these government position openings, the number of slashed jobs would have been closer to 98,000 in March alone.

The problem right now and in all recessions is that the economy gets into a vicious cycle that is hard to slow down. The markets slow down a little, as they did with the housing and financial crunch, and then everyone panics. Companies turn inward and they slow down spending and investment. People save up in case of a recession, and in turn, spend less. This of course causes the recession, for the less people and companies spend the more the markets slow down, causing even more people to hunker down.

The Federal Reserve has done everything it can to avoid this problem. It has slashed interest rates, provided financial backing for JPMorgan's takeover of struggling Bear Stearns, and it started a huge lending plan to help out big investment corporations. All of these are aimed at, hopefully, making the recession short and not too painful. The government has also helped by creating a $168 billion stimulus package of tax rebates for people and tax breaks for businesses, in addition to the Fed's rate reductions and financial lending. Bernanke stated that he is hopeful that the policies will take effect soon and that the economy will improve in the second half of the year. Only time can tell if he is right.

Many analysts are not as hopeful as Bernanke. They believe that unemployment could rise to 5.5% or higher by the year's end. Not to mention that inflation is still something to be concerned about. The lofty energy and food prices have fueled inflation, and while average income has grown .3% this month and 3.6% over the past twelve months, employees feel, with all of their expensive bills, that their paycheck is actually shrinking.

A rough indicator of a recession is if the economy shrinks for six straight months. While it is certain that we will far surpass that mark, there is a chance that the recession will not be too painful. Along with the Fed's stimulus for the economy, the declining dollar is bringing in a lot of money for exporters. These companies will eventually need more employees to fuel the growing demand, and as more people get jobs, consumerism will be on the rise. This, in turn, will allow even more businesses to begin to grow and will allow the US to crawl itself out of this recession without causing too much further damage. The housing and credit markets still need to work out all of their problems; this might take a while but once they get back on their feet, the economy should be ready to fire back up to full speed.

UBS Writes Down Billions in Its Search for Liquidity *By Akshay Upadhyay*

The U.S. subprime crisis has struck again and this time its impact has been harsher than before. Banks have been hit hard by the recent crisis and are in dire need of cash. On Tuesday, UBS reported that it plans to post a first-quarter loss of $12.1 billion and is seeking $15.1 billion in new capital.

UBS, Switzerland's largest bank, announced that it expects write-downs of around $19 billion in the first quarter. In the last nine months, UBS has announced write-downs totaling an overwhelming $40 billion. The UBS write-downs have been the latest indication of the severity of the effects of the plunge in the U.S. housing prices and the credit crisis caused by mortgage defaults.

In the midst of this turmoil, Standard and Poor's lowered UBS's rating to AA-, citing "risk management lapses, earnings volatility and need for new capital." In spite of this, the bank's shares increased 8.66% to $31.53. This is because UBS announced that once it raises new capital, its Tier 1 capital ratio, a key indicator of a bank's ability to absorb losses, would equal 10.6%, much higher than the European minimum requirements of 4%.

In addition to the write-downs, UBS's Chairman Marcel Ospel announced his resignation. Chairman Ospel said that he was ultimately responsible for the crisis.

In order to remain "one of the world's strongest and best capitalized bank," UBS plans to raise capital through a rights issue that would be fully countersigned by four leading international banks.

UBS significantly decreased its assets in real estate positions through significant disposals and valuation adjustments. UBS continues to reduce its possession of risky holdings. UBS has reduced its exposure to U.S. subprime mortgage-related positions from $27.6 billion to $15 billion since December 31, 2007. UBS also said that it would create a new unit to "hold certain illiquid U.S. real estate assets."

Chief Executive Marcel Rohner said, "We believe this capital increase and the creation of a vehicle to separate problem assets from the remainder of our business will allow us to return to sustainable value creation over time." He additionally pointed out that profits from most of the bank's businesses were satisfactory. UBS believes that by making the write-downs and reducing its exposure to risky real estate assets, the firm's strength will increase.

But, will these procedures be enough? UBS posted a 2007 fourth-quarter loss of 12.45 billion Swiss Francs. This occurred after writing down 15.6 billion Swiss Francs related to U.S. subprime mortgages. The bank also posted a net loss of 4.38 billion Swiss Francs in 2007, its first annual net loss. After these most recent write-downs, UBS is expected to have another difficult year.

PAULSON'S PLAN? *By Madhav Bhagat*

In the middle of the grinding credit crunch, Treasury Secretary Henry Paulson unveiled this Monday, plans for a massive overhaul of the way the government polices the nation's financial system. Paulson, who went to Dartmouth for his undergraduate and Harvard for his Masters, is taking fire from all sides for his sweeping plan to revise the nation's financial industry. Some are calling his 212 page blueprint too little and too late to help homeowners facing foreclosure as a result of the subprime mortgage meltdown. On the other hand, free marketeers are criticizing him for proposing nothing less than socialism.

The plan was in the works before the collapse of the subprime mortgage market that led to a government-engineered bailout of the investment house Bear Stearns. And as far-reaching as the proposal is, it omits some obvious reforms that would have helped in the current mess - such as rules requiring investment banks to maintain bigger reserves of money, so they can cover their losses in a pinch.

The administration plan does address some basic flaws in financial regulation. Even as the lines blur between commercial banks and investment banks, different types of institutions are still subject to different regulators. As a result, no one agency has a clear overall view of a complex financial market, says Hal Scott of Harvard Law School. Scott, the director of a panel of executives and experts called the Committee on Capital Markets Regulation, notes that the week before the Bear Stearns rescue, the chairman of the Securities and Exchange Commission expressed confidence in the firm's health. The Treasury plan, in contrast, calls for regulating companies according to what they do. The financial institutions will now be offered one of three federal charters classifying them as either depository institutions, insurance institutions or as financial services providers.

Paulson's plan would also give the Federal Reserve more power to oversee investment houses. On some level this is only fair, since the Fed is now allowing them to borrow at a discounted rate as commercial banks do. Yet Congress should worry about overloading the nation's central bank with responsibility; under not-so-infallible-after-all Alan Greenspan, the Fed fueled a housing mania that set the stage for the current mess.

Under the plan, the current patchwork of more than half-a-dozen separate federal regulators – set up to deal with problems from decades ago and focused mainly on banks – will also be revamped under three superagencies to deal with only broad areas:

- Overall market stability.
- Regulation of banks, thrifts, credit unions.
- Business conduct that affects investors and consumers.

Also disturbing are provisions that would reduce state oversight of financial services - a change the industry has been pushing for years. It's true that one federal system of regulation would be more efficient than 50. But federal regulators haven't earned the presumption that they would do a better job; states have been aggressive in taking firms to task for questionable practices.

The Treasury plan, in short, is a perfect creature of this Bush administration: a few attractive long-term ideas, mixed in with easy giveaways to favored industries. More than anything, it would change the subject - advancing potentially desirable bureaucratic changes at the expense of tougher measures that would make a difference now.

EMIRATE OF DUBAI *By Rohith Salim*

Dubai has gained international recognition because of its innovative real estate projects and sports events. It is said that 25% of the world's cranes are currently in Dubai. Today, it is the home of The Palm Islands (the largest man made islands in the world), the World islands (artificial islands constructed as a map the world), the Burj Al Arab (the only seven star hotel in the world), the Burj Dubai (which on completion will be the tallest building in the world) amongst many other things. Most of these real estate projects are made possible because of two gigantic real estate firms, Emaar and Nakheel Properties.

In 2005, Dubai had a gross domestic product of US$ 37 billion. However, unlike 30 years ago where the entire economy was centred on oil, only 6% of the total gross domestic product came from oil. The remaining 94% is through the service industry, real estate, trading and so on.

The Palm Islands are artificial peninsulas constructed of sand dredged from the bottom of the Persian Gulf by the Belgian company Jan De Nul and the Dutch company Van Oord. These three islands are being constructed by Al Nakheel Properties, a property developer in the United Arab Emirates. The three islands are The Palm Jumeirah, The Palm Jebel Ali and The Palm Deira. Nakheel Properties claim that the surface area for The Palm Deira is greater than that of Paris. Between the three islands there will be over 100 luxury hotels, exclusive residential beach side villas and apartments, marinas, water theme parks, restaurants, shopping malls, sports facilities and health spas.

The World (islands), once again developed by Al Nakheel Properties, is an archipelago of 300 islands. Like the palm islands, the world is also built from sand dredged from the sea. The total cost for this project is US$ 14 billion. Most of these individual islands have a price range of US$ 15 million to US$ 50 million. Due to the uniqueness of the project, only one island is left for sale at a price of US$ 250 million.

The Burj Dubai is going to be the center of attraction in Downtown Dubai, yet another real estate project started by Emaar. Construction of the Burj Dubai began in 2005 and is expected to be complete by 2008. At an estimated height of over 800 meters, it will easily be world's tallest building when finished. It will be almost 40% taller than the current tallest building, the Taipei 101. The total budget for the Burj Dubai project is approximately US$ 4.1 billion while for the entire 'Downtown Dubai' is US$ 20 billion.

The Dubai Waterfront is expected to become the largest waterfront and largest man-made development in the world – twice the size of Hong Kong Island. The project is a conglomeration of artificial islands and canals. It will occupy the last remaining Persian Gulf coastline of Dubai. The Al Burj will be the centerpiece of the Dubai Waterfront. Once it is completed, it will take over the title of the tallest structure in the world from the Burj Dubai.

Currently, the largest amusement park in the world is Walt Disney World Resort in Orlando. It also happens to be the largest single-site employer in the United States with more than 58,000 employees. Dubailand will be twice the size of Walt Disney World. It will be built on 3 Billion square feet and will include 45 mega projects and 200 sub projects. These mega projects include projects like the Dubai sports city, a huge collection of sports arenas, the Global Village, a collection of replicas of famous structures of numerous countries, and so on.

With these collections of unmatched real estate projects complemented by superb services in health and education, and highly priced sports events such as the Dubai Tennis Open, the Dubai Dessert Classic and the Dubai World Cup, this city has indeed become one of the biggest boom cities in the world today.

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