



# BULLS & BEARS

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## TOP STORIES

- Oil Tops \$112 On Supplies
- GE Plunges On Stunning Q1 Miss
- Consumer Confidence Tumbles
- Fed: 'Severe' Downturn Possible
- AOL, News Corp. Join Battle Over Yahoo

## MARKETS

|         |                       |
|---------|-----------------------|
| DOW     | 12325.42, -2.3%       |
| NASDAQ  | 2290.40, -3.4%        |
| S&P 500 | 1332.83, -2.7%        |
| 10 YR   | 100 7/32, yield 3.47% |
| OIL     | \$110.31              |
| EURO    | \$1.5820              |

## THIS WEEKS ISSUE

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## MARKET SUMMARY

Monday 04/07/08

The market seemed to be holding its breath ahead of the unofficial start of the first-quarter earnings season. The aluminum-maker Alcoa reported lower-than-expected earnings and slashed guidance. Ahead of that critical report, though, traders took their direction from last Friday's bleak non-farm payrolls report, the latest installment in the Microsoft/Yahoo! saga, and news of a capital injection for Washington Mutual. Gold and crude continued to rally on the dismal payroll report, and the Dow closed with a gain of 3 point for the day.

Tuesday 04/08/08

The morning kicked off on a bit of a sour note, as Alcoa's earnings signaled a rough start to earnings season. The mood continued its bearish bias, as the National Association of Realtors reported that pending home sales dropped to a new record low in February. Finally, the Fed weighed in on the situation, sealing the day's negative tilt. A late-session rally proved unable to pull the market into positive territory, but the loss was nonetheless pared down a bit, with the Dow shedding just 30 points.

Wednesday 04/09/08

Following a week's worth of sideways progress in the equities market, stocks took a turn south today. Investors took their cue from rising oil prices and a slowing economy as U.S. crude inventories dropped unexpectedly, and United Parcel Service slashed its first-quarter earnings guidance due in part to "significantly increased fuel costs." This pair of early reports set the mood for the whole trading day, with stocks falling as commodities surged. The Dow closed 49 point lower.

Thursday 04/10/08

Lots and lots of news hit the street, including same-store sales from Wal-Mart Stores, which were slightly shy of the consensus estimate. However, the company revealed stronger-than-expected first-quarter earnings guidance, which helped to propel the stock higher. At the same time, News Corp. began negotiations of a possible deal with Yahoo, opening up the possibility of a counter-offer to the \$31 per share Microsoft bid for the company. And finally Goldman Sachs Chief Executive Lloyd Blankfein, commented that the credit crisis may be nearer to the end than the beginning, which helped send the financials sharply higher despite weak performance from retailers. The Dow ended the day with a 54 point gain.

Friday 04/11/08

Stocks barreled into negative territory right out of the gate this morning. Dow component General Electric fell woefully short of Wall Street's earnings expectations and slashed its 2008 guidance. Downgrades and a flurry of option activity on GE ensued, right around the same time that investors were treated to some dismal economic news, as US consumer sentiment fell to the lowest level since March 1982. The markets took this news to heart, as the Dow closed 257 points in the red.

## THE WEEK IN QUOTES

*"Fidel told me one day, 'Chavez, it won't be long before the crisis of the dollar occurs.'"*

*-Hugo Chavez, claiming in a televised speech that former Cuban leader Fidel Castro predicted the U.S. economy would stumble*

*"The chances that we'll have one are more than 50 percent."*

*-Alan Greenspan, Former Federal Reserve chairman, on the likelihood that the U.S. will enter a recession*

*"Why just talk to someone when you can experience them?"*

*-Patrick Thornton, a Facebook user, after the social networking giant launched Facebook Chat, where users will be able to communicate in real time with friends on the site*

## ANNOUNCEMENT

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## WOMEN IN BUSINESS *By Mehnt Bhatia*



*Oprah Winfrey*

Oprah Winfrey, born on January 29th 1954, is currently the richest woman in entertainment and the only African-American woman Billionaire. She was born in Kosciusko, Mississippi to a poor family. At the age of 19, she left Tennessee State University to be the first female African-American news anchor in Nashville. A decade later, she co-hosted the talk show AM Chicago. Eventually, she took over the top-rated show and renamed it to The Oprah Winfrey Show, which in 1986 became the highest-rated talk show in TV history.

She continued to add to the world of entertainment with a number of new endeavors. In April 2000, she launched O, the Oprah Magazine. Six years later, it was being circulated to over 2.6 million people. Through the film division of her company, Harpo Films, she produced numerous projects related to literature. In December 2005, she produced a musical show on Broadway. Less than a year later, Oprah, in a joint venture, launched a radio show, Oprah and Friends. Following the success in her entrepreneurial endeavors, she became heavily involved in philanthropy.

She opened an all-girl African School and a leadership academy in 2007, after her visit to South Africa. She also started The Oprah Winfrey Foundation, which provide grants to non-profit organizations that offer education. Oprah's Angel Network, yet another one of her charitable foundations, has founded 60 schools in 13 countries.

Oprah is currently one of the most influential people in the world. Her willingness to start so many projects speaks volumes of her entrepreneurial ability.



*Martha Stewart*

Martha Stewart was born on August 3rd, 1941 in New Jersey. After graduating from College, she chose to pursue a career in modeling, doing commercials for various companies. In 1967, two years after quitting modeling, following the birth of her daughter, she successfully began her career as a stock-broker. Following the recession that hit Wall Street in 1973, she left the brokerage business. Almost a decade later, Martha Stewart published her first book. It was an instant success, and led Martha to unleash her Entrepreneurial abilities and endeavors. Soon after the book, she began producing video tapes, music CDs, television specials and dozens of books, creating a whole media empire.

However, in 2002, Martha Stewart ran into some major road-blocks. She was accused of insider trading. One of her friends in the company IMClone, gave her information that the company had taken a huge blow before it was announced to the general public. With this knowledge at hand, Martha Stewart sold all her shares of the company. Prosecutors suspected that she had been tipped off even though she vehemently denied these claims. Two years later, she was convicted and sentenced to a 5 month prison sentence for lying to investigators who were looking into her stock trading scandal. After the sentence was completed, she reflected on her time in prison as a great learning experience, and resumed her business career.

Martha Stewart has been deemed to be one of the most influential people in the US in relation to the way people eat, entertain and maintain their homes. She is known for her brilliant entrepreneurial skills and ability to face and overcome difficulties.

## CREDIT CRUNCH HITS COLLEGE CAMPUSES *By Dhiren Bhatia*

While everyone is aware of the credit crunch hitting the U.S. economy, few realize the direct impact that it will have on students looking to attend college. Owing to tougher credit checks and higher interest rates, college students looking for private loans to fund their education will have to look towards other alternatives.

Private loans have shown exponential growth in popularity over the past 10 years. According to the College Board, families took out an estimated \$17.1 billion in private loans in the year 2006, as opposed to only \$1.57 billion in 1996. Students and parents have looked toward these loans in recent times as government aid programs have not been able to keep up with rising college costs.

Lenders are struggling to raise the capital required to finance loans in a nationwide credit crunch. Unable to sell securities backed by student loans, lenders are finding it difficult to fund their programs. One of the nation's largest insurers of private student loans, The Education Resources Institute (TERI), filed for bankruptcy protection this week. With total outstanding loan guarantees of over \$16 billion, TERI listed almost \$1 billion in debt in its Chapter 11 petition.

While most institutions have gotten extremely selective about their lending, some have stopped making student loans altogether. According to the Educational Department, at least 25 loan companies in the federally guaranteed loan program have stopped making student loans including big lenders like NorthStar Educational Finance

and the College Loan Corporation.

The federal government is trying to ensure that loans under its Stafford and PLUS programs are available to students this Fall in time for tuition. Congress last year raised the limits on the amount of federal loans a student can receive in an attempt to reduce the need for private loans. It is expected that those limits could be raised again, and the De-

partment of Education could be given new authority to introduce liquidity into the loan market.

Colleges around the U.S. acknowledge the problem and believe that they will be able to really gauge the problem by July when students have made their decisions, and the financial situations of families come to light. Students attending wealthy colleges will be able to enjoy greater financial aid, as these institutions attempt to replace private loans with grants. Colleges like Harvard and Yale have already announced plans to expand aid to families in higher income brackets. However, it remains to be seen if other institutions can match their level of generosity.

Students in search of private loans have been advised by financial-aid professionals to make sure they have exhausted all of their loan possibilities. They have especially been recommended to make use of loans under federally guaranteed programs, which usually involve lower interest rates.





## YAHOO & AOL *By Nitin Seemakurty*

Weeks after Microsoft Corporation stepped into a bidding game for it, the internet services giant Yahoo Inc. finally took significant steps to leverage its situation. In an attempt to possibly thwart Microsoft's efforts to acquire, Yahoo Inc. and Time Warner Inc.'s AOL, on April 9th, moved closer to a deal to combine their Internet operations. Many believe that this act of establishing a taunting friendship is Yahoo's way of prodding Microsoft for a higher bid, which, as of April 5th, was priced at over \$40 billion. Microsoft, however, has responded to Yahoo with threatening propositions to advance in a joint bid with News Corp itself.

The possible Yahoo-AOL tie-up is part of a plan by Yahoo to present shareholders with an alternative to Microsoft's unsolicited offer. The plan calls for Yahoo's repurchasing of billions of dollars of its own shares and, interestingly, a negotiation with Google in a potential advertising partnership. On Wednesday, Yahoo announced that it will conduct a short-term test in which it will give Google's advertising framework a "trial run".

Yahoo shareholders, however, present the firm with a significant challenge. Yahoo might have difficulty convincing its shareholders that a Yahoo-AOL combination is attractive, and Microsoft has used this fact to its advantage. On April 5th, Microsoft make a cash-and-stock offer to Yahoo valued at \$31 dollars a share. Furthermore, Microsoft, in an attempt to avert further stalling and other possibly threatening negotiations that Yahoo may make, insisted that Yahoo reply promptly within three weeks, setting the deadline on April 26th, four days after Yahoo and two days after Microsoft report they quarterly results. "If we have not concluded an agreement within the next three weeks, we will be compelled to take our case directly to your shareholders, including the initiation of a proxy contest to elect an alternative slate of directors," Ballmer wrote in a letter concerning the matter. Furthermore,

Ballmer made clear the fact that Microsoft's bid is not going to get any higher. In fact, he threatened to reduce Microsoft's offer if the deadline is not met. "That action will have an undesirable impact on the value of your company from our perspective which will be reflected in the terms of our proposal," he said.

And while Microsoft threatens to go hostile in the case of an untimely response, many remain skeptical of Yahoo's ability to generate for itself any option better than Microsoft. While Yahoo executives feel that their firm is being undervalued by the software giant, Yahoo's shareholders currently have no option more palatable than Microsoft's offer.

It is for this reason that Yahoo is hesitantly knocking on Google's door. The short term advertising test that it is running with Google compromises merely 3% of all Yahoo search queries and is expected to last only two weeks. Concerning to Microsoft, however, is the prospect of Google's AdSense seeping into yet another major section of the market. "Any definitive agreement between Yahoo and Google would consolidate over 90% of the search advertising market in Google's hands," said Microsoft in a statement. "This would make the market far less competitive."

And thus, the countdown has begun for Yahoo. While Yahoo searches for options, Microsoft continues to apply pressure. Regardless of Yahoo's decision within the next two weeks, the landscape of the high-tech industry is sure to change drastically, reshaping most high traffic zones on the internet.



## THE HUNT BROTHERS' SILVER GAMBLE *By Emily Anderson*

While almost everyone has heard of Black Friday, the day where Wall Street plummeted, flinging the already unstable U.S. economy into a depression, the slightly less known Silver Thursday of March 27, 1980 creates just as interesting a story. The main players behind Silver Thursday were the Hunt Brothers. Their reckless speculation on silver was a significant cause of Silver Thursday. The Hunt Brothers are the sons of the legendary oil wildcatter H.L. Hunt, a man who was for some time considered the richest man in the world. His fortune, which was passed on to his sons, was completely lost in a gamble on silver.



The Hunt Brothers were of the firm opinion that only “hard” assets were valuable and worth having, especially as they lived in a time of high inflation. Their fear of inflation drove them to invest in something they believed would remain stable. Many people believe that the Hunt Brothers attempted to “corner” the market. When the silver market ran the way it was supposed to, big commercial interests would short the stock. This means that they would borrow the stock with a promise to pay it back later. This works when people believe that the stock price will go down, for they borrow the stock at a high price, immediately sell it at that high price, and then later when the price goes down they pay the company back with shares bought at the lower price. This would have worked had the Hunts not bought a large amount of silver, therefore increasing demand and causing the price of silver to go up. At one point the price of silver reached over \$50 per ounce, when it normally sold at around \$9 per ounce. The commercial interests were then trapped, for they had to pay the Hunt brothers \$50 instead of the normal \$9 per ounce.

The Hunts put all of their money into this gamble and it paid off until the regulators started to take notice. At one point the Hunts controlled almost 77% of all privately

held silver in the world. Needless to say, this worried many people. After several policies did not work the Feds were forced to take severe action. Rules were imposed that effectively locked the Hunts in. Only legitimate industrial users could buy what they had already shorted; no other silver was allowed to be bought or sold. This cut out the Hunts, for they were no longer allowed to buy any silver and there was no one to sell the silver to. They were trapped with worthless metal.

Soon after those policies were put into place the price of silver took a sharp decline, and the Hunts had to use all of their fortune to pay off the margins. Before long the Feds, in an effort to prevent the inflation that the Hunts were so worried about, put into effect a policy that did not allow banks to put up loans for speculation. This left the Hunts with no money and no way to get any money.

The word spread of this disaster fairly quickly and that news, along with the fact that many of the firms that the Hunts had borrowed from, such as Bache, were dumping all of the Hunts' stock into the market to help pay for damages, caused a sudden and dramatic downfall of the stock market. That day was the day dubbed as “Silver Thursday.” Luckily, the downfall did not last long. The excitement over the election of Ronald Reagan along with other smaller events brought the stock market up and even helped to stabilize the silver market.

While the markets were able to recover from this episode, the Hunt Brothers could not. They had lost all of their fortune and had to declare bankruptcy. To add to the humiliation of bankruptcy they also had to deal with lawsuits, some of which equaled up to \$150 million or more. In the end they were convicted of conspiring to manipulate the market and were sent to jail.

## MACAU: THE VEGAS OF THE EAST *By Robith Salim*

Macau was the first European settlement in the Far East and was colonized by the Portuguese in the 16th century. Due to an agreement signed by China and Portugal on 13th

April 1987, Macau became the Macau Special Administrative Region (SAR) of China on 20 December 1999. By this agreement, China promised that its socialist economic system will not be practiced in Macau and that Macau will enjoy a great deal of autonomy in all matters except those regarding foreign and defense affairs for the next fifty years.

It is perhaps because of this very reason that Macau's economy has enjoyed a strong growth in recent years. This growth is mainly due to the expanding tourism and gaming sectors. After opening its locally-controlled casino industry to foreign competition in 2001, the territory has been transformed into the world's largest gaming sector due to the billions of dollars in foreign investment that it has received since then. In 2006, Macau's gaming revenue surpassed that of the Las Vegas strip, and gaming-related taxes accounted for 75% of total government revenue.

Harry Curtis, a gambling analyst at J.P. Morgan, says that "Macau is going to be a bigger market than Las Vegas. And by the end of the decade it could be twice the size of Las Vegas". Many of the world's biggest casino operators like Sheldon Adelson, Steve Wynn and Kirk Kerkorian, have agreed to invest more than \$20 billion to outfit the city with new mega-casinos, luxury hotels and VIP suites to cater to the appetite of the high-rollers.

Today, very few gambling centers will be able to compete with Macau which already has 24 casinos and over 2,700 gambling tables. To accommodate even more visitors, the

10 square mile city is expanding its airport and reclaiming vast tracts of land from the sea.

This city presently houses two Las Vegas style casinos, the Sand Macao and the \$1.2 billion Wynn Macau which opened late last year with 600 rooms and about 200 gambling tables. Another resort, Venetian Macao, that is scheduled to open soon will have more floor space than four Empire State Buildings. The hotel's slot machines, baccarat tables and other games of chance sprawl across a casino more than three times the size of the largest casino in Las Vegas. The 15,000-seat sports arena nearly rivals Madison Square Garden, the convention center has a 6000-seat banquet hall and the luxury shopping mall has three indoor canals with singing gondoliers; the Venetian in Las Vegas has just one.

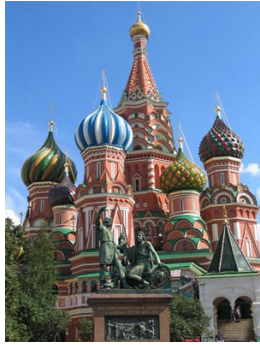
The most surprising fact of the 3,000-suite project is that it is merely the first of 14 interconnected hotels being built in Macau by the Las Vegas Sands Corporation. When all these interconnected hotels are completed, the complex will include a St. Regis, a Shangri-la, a Raffles, a Conrad, an Intercontinental and a Sheraton, each of them with their own



casinos, bars and restaurants. The project, which will cost \$10 billion to \$12 billion, is the largest of a series of giant gambling complexes constructed in Macao.

The gambling industry will keep growing. Currently, Macau generates larger revenue from gambling than Las Vegas. However, it is still far behind state of Nevada, which in 2005 reported close to \$12 billion in gambling revenue.



TOP 5 MOST EXPENSIVE CITIES IN THE WORLD *By Stuti Bhageria*

## 1. MOSCOW

Cost of Living Index 134.4

- Rent for a luxury two-bed unfurnished flat (per month): \$4,100

- Cup of coffee: \$6.28

Bursting with oil money, Moscow has come a long way since its Communist days. Oligarchs snap up exclusive apartments inside the Garden Ring. Now they're splashing out in Kensington and Chelsea and the Home Counties. Beneath the skin of modern Moscow lurk the souls of Puskin and Dostoevsky. The appreciation of the ruble against the U.S. dollar, combined with ever-increasing accommodation charges, has driven up costs for expatriates in Moscow. So next time your boss wants to transfer you to Moscow this year, he'd better offer you a fair sum to do so - or even a downright handsome one depending on where you live now.



## 2. LONDON

Cost of Living 126.3

- Rent for a luxury two-bed flat: 4,000

- Cup of coffee: \$4

It'll come as no surprise that London is now the second most expensive place on the planet. Record city bonuses and an influx of billionaires from around the world have seen the cost of living and property prices rise in the past few years. The London housing boom just keeps going and going. The 2012 Olympics has had an effect on house prices in parts of East London. In other parts of the city even a parking space can cost £200,000. With the British pound rivaling the strength of the London Bridge, the heart and soul of the U.K. has leaped over three cities since its '05 No. 5 seat. Steep housing bills seems to be what's run up the tab, but high-priced cups of coffee and cigarettes add up as well.



## 3. SEOUL

Cost of Living 122.4

- Rent for a luxury two-bed flat: \$3,624

- Cup of coffee: \$4

With one of the fastest-growing populations of super-wealthy residents, Seoul is now the most expensive city in Asia, beating long-time competitor Tokyo. Skyscrapers are popping up on the city's skyline. An intersection of ancient history and bustling modern commerce, Seoul's typical living budget is about 22 percent more intimidating than New York, but only fractionally less affordable than Tokyo and Hong Kong, its two runners-up.



## 4. TOKYO

Cost of Living 122.1

- Rent for a luxury two-bed flat: \$4,220

- Cup of coffee: \$4.66

At one time the most expensive city on the planet, the cost of living has not shrunk so much as been overtaken. Make no mistake: it's still a fiendishly expensive place to live or visit. Known for great shopping and fabulous design, for an earlier generation of investors, it was also know as a great place to put savings. Whatever happened to Coke for a nickel? Tokyo, the hot No. 4 seat sells a can of Coke for 200, milk for 180, and half-dozen oranges for 260 ... yen, that is. At about 1:120 yen to the dollar, the cost of living does not come cheap, and is about 22 percent more expensive than living in the Big Apple.



## 5. HONG KONG

Cost of Living 119.4

- Rent for a luxury two-bed flat: \$6,400

- Cup of coffee: \$5

The third Asian city in the top five, the change-over to Communism doesn't seem to have taken the shine off Hong Kong's hustle. It's got mountains and beaches as well as the skyscrapers. The former colony retains its wallet-busting reputation with some of the most expensive real estate in the world. Now property investors from the UK are a growing trend both in Hong Kong and in China. Here Gerard Baker takes a look at Hong Kong's future. As it relentlessly modernized and industrialized, China surpassed Manhattan by 19 percent when its check came to the table. Hong Kong is one of the "Four Asian Tigers," along with Singapore, South Korea and Taiwan, famed for their growth rates and rapid industrialization between the 1960s and the 1990s: numbers that haven't lost pace in the subsequent 15 years.

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TUFTS UNIVERSITY



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UNIVERSITY OF CALIFORNIA AT BERKELEY



UNIVERSITY OF CHICAGO



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