Market Summary

Monday 01/28/08
The markets rallied on rate cut hopes despite a dismal new home sales report from the Commerce department. Homebuilding stocks flew higher, even while poorly released earnings from the likes of McDonald’s kept gains in check.

Tuesday 01/29/08
US stocks spent a second straight day in positive territory as investors looked forward to the upcoming Fed meeting and were met with a number of positive earnings announcements. Consumer confidence slumped, home prices fell, and durable goods orders rose. Crude climbed for the fourth straight session, closing above $90.

Wednesday 01/30/08
The market started the day fairly stagnant preceding the highly-anticipated Fed announcement. Fed Chairman Ben Bernake announced a widely expected 50 basis point rate cut to 3%. The markets initially surged higher, but closed slightly in the red as the rally failed to hold ground. Gold ended the day at a new high as the dollar continued its decline on the Fed decision.

Thursday 01/31/08
A day after the Fed announcement, the market opened with a triple-digit loss thanks to some earnings related worries, and a dramatic rise in jobless claims. Investors rallied behind news that bond insurer MBIA does not believe its triple-A credit rating is in jeopardy. In very volatile trading, the market eventually recovered to a triple-digit gain.

Friday 02/01/08
The markets opened lower after a disappointing earnings report from Google and an unexpected fall in nonfarm payrolls. This news, however, was offset by reports that Microsoft would be making a very substantial offer for Yahoo, hoping to capitalize on Google’s perceived weakness. Exxon Mobil, meanwhile, reported record earnings fueled by record oil prices. The intraday low was reached early in the session and all three indices eventually finished the day in positive territory.
Vikram Pandit, the newly selected CEO of Citigroup as of December 11, 2007, replaced Charles Prince who resigned due to unexpected CDO and MBS related losses. Mr. Pandit is 51 years old and was born in Nagpur, Maharashtra, India. He moved to the United States when he was sixteen and received a B.S. and M.S. in electrical engineering at Columbia University in 1977. He later received his Ph.D in finance from Columbia in 1986.

Prior to becoming CEO, Mr. Pandit was Chairman and CEO of Citi's Institutional Clients Group, which includes Markets & Banking and Citi Alternative Investments. Prior to joining Citi Mr. Pandit formed a hedge fund known as Old Lane, LP with total assets amounting to $4.5 billion. Old Lane was acquired by Citi in 2007 for $800 million. Prior to forming Old Lane, Mr. Pandit was President and Chief Operating Officer of Morgan Stanley's institutional securities and investment banking business from 1994 to 2000.

Mr. Pandit serves on the boards of Columbia University, Columbia Business School, the Indian School of Business, and Trinity School. He is a former board member of NASDAQ, the New York City Investment Fund, and the American India Foundation.

John Thain, the newly selected Chairman and CEO of Merrill Lynch as of December 1, 2007, replaced Stanley O’Neal who left the company after being criticized for the way he handled the subprime mortgage crisis. Mr. Thain is 52 years old and was born in the United Kingdom, however, grew up in Antioch, Illinois. He received a B.S. in electrical engineering from MIT in 1977 and an MBA from Harvard Business School in 1979.

Prior to becoming CEO, Mr. Thain served as Chief Executive Officer of NYSE. Prior to joining the NYSE, he served as president and chief operating officer of Goldman Sachs as of July 2003 and was previously president and co-chief operating officer from May 1999 through June 2003. He served in a variety of other positions at Goldman starting in 1994 and was able to amass approximately $300 million in Goldman stock.

Mr. Thain is a member of The MIT Corporation, the Dean's Advisory Council, U.S. National Advisory Board, the James Madison Council of the Library of Congress, the Federal Reserve Bank of New York's International Capital Markets Advisory Committee, a trustee of New York-Presbyterian Hospital, and a General Trustee of Howard University.
A hedge fund is an aggressively managed portfolio of investments that uses advanced investment strategies in both domestic and international markets with the goal of generating high returns. Hedge funds are open to a limited number of investors and require a very large initial minimum investment that is locked in for at least a year.

1. **JPMorgan Asset Management** - $33 Billion
   The fund focuses on absolute return investing, which is a form of market neutral investing (solid returns regardless of an up or down market). JPMorgan accomplishes this by using long-short trading techniques. This strategy involves shorting stocks that they feel are over-priced and going long companies that are under-valued; typically a market-neutral fund will have the same amount of longs as it does short trades.

2. **Goldman Sachs Asset Management** - $32.5 Billion
   Goldman Sachs has an extremely secretive internal hedge fund. It is a multi-strategy fund that involves trading stocks, bonds, currency, real estate, and investing through private equity (buying companies) and venture capital (giving seed capital to start-ups in exchange for partial ownership of the company). It’s most accomplished strategy until the recent sub-prime fallout was their quantitative trading desk which is still considered one of the best in the business.

3. **Bridgewater Associates** - $30.2 Billion
   Based out of Westport, CT it was founded by billionaire Ray Dalio who is worth an estimated $4 billion. It is heavily quantitative and was one of the pioneering firms in separating beta which is gains or losses explained by broad market movements from alpha which is gains or losses independent of the general movements. Bridgewater focuses almost exclusively on achieving alpha returns for its clients, although accomplishing such a task is difficult and risky.

4. **D.E. Shaw & Co.** - $27.3 Billion
   D.E. Shaw was founded by genius computer scientist David Shaw who no longer runs day to day operations and focuses on doing research in the field of computational biology. Though at once the most secretive and mysterious hedge funds in the world, the fund has recently made headlines for its private equity business, which bought out two toy companies, FAO Schwartz and eToys. Outside of private equity, most of its trades done are through extremely complex computer trading systems.

5. **Farallon Capital Management** - $26.2 Billion
   Farallon is the only large hedge fund to be based on the West Coast of the U.S., being headquartered in San Francisco. Its investment philosophy is to invest in companies and securities that are undergoing change (event-driven trading). The fund other strategies include public and private debt, private equity, venture capital, emerging markets, and real estate. Farallon made headlines in 2007 by having investing strongly in several housing companies have the sub-prime mess.
An Interesting Plot...

The high (and low) cost of living well
Since the 1970s, Forbes has been calculating what it calls the CLEWI — the Cost of Living Extremely Well Index. While the consumer price index (CPI), which roughly measures the increase in the cost of living for more average Americans, has doubled since 1982, the CLEWI has almost quadrupled. But have the wallets of the rich been hurt? Hardly. As the dotted line indicates, the very rich have gotten much, much richer over the same period — by a factor of ten, in fact. So these days the 400 are spending a much smaller percentage of their wealth living extremely well than a quarter of a century ago.

A sampling of the 41 items that comprise the Cost of Living Extremely Well Index:

- Sikorsky S-76C: $11,000,000
- Face-lift: $14,500
- 1 oz. Joy perfume: $400
- Hermès Kelly Bag: $6,250
- 25 Anniversario No.1 cigars: $768
- 12 bespoke cotton shirts: $3,600
- Case of Dom Pérignon: $1,559
- Patek Philippe gold watch: $17,600
- Russian natural sable coat: $190,000
- Prep school 2-year tuition, room, board: $39,850
- Gucci loafers: $410