Bulls & Bears Press

Established 2007

Issue 14, February 24, 2008

DJIA 12381.02 ▲ 1.4% **NASDAQ** 2303.35 ▼ 0.7% **NIKKEI** 13500.46 ▲ 3.7%

OIL $98.81 ▲ $3.31 **10-YR TREASURY** 97 16/32 ▼ 05/32, yield 3.80% **EURO** $1.4833

Top Stories

- Oil muscles its way past faltering economy, closes above the $100 mark
- Home builder outlook remains dim, negative housing reports continue
- Fannie Mae and Freddie Mac are downgraded on troubles in the financial sector
- Goldman, Lehman, and Merrill announce lay-off plans
- Possibility of an Ambac rescue pulls Dow into positive territory for the week

Market Summary

Monday 02/18/08

President's Day – U.S. Markets Closed

Tuesday 02/19/08

Despite a dramatic rise in the price of crude, the market tried to put an end to a two-day losing streak, fueled by an upbeat retail sales report from consumer giant Wal-Mart. In the end, however, selling pressure sent the market back into negative territory for the third straight session. RIM announced it was suing Motorola for copyright infringement, while Apple revamped its iPod shuffle line. Onyx Pharmaceuticals dropped considerably after announcing a decline in earnings while US Steel opened higher on an upgrade from UBS. Crude closed above the $100 mark for the first time, while gold gained $3 on a weaker dollar, and growing inflation concerns.

Wednesday 02/20/08

Upbeat earnings from blue-chip computer maker Hewlett Packard started the markets out on a positive note. Other earnings reporters, however did not fare as well. Both Garmin and Suntech power plunged into negative territory. Chip maker Intel was subpoenaed by the New York Attorney General due to monopoly concerns, while Arthrocare shares plunged after the firm cut its outlook. Both Whole Foods and Crocs also declined on weaker outlook. Negative inflation news and housing data put pressure on the markets, while the latest release of the Fed meeting minutes sparked inflationary concerns. Despite the bleak report, stocks recovered with the Dow soaring into positive territory right before the closing bell.

Thursday 02/21/08

The trading day started with an upside bias, but this quickly changed as Wall Street was slammed by bleak economic data. The manufacturing and consumer confidence indices, both slumped to much lower levels than analysts were expecting. This dismal news offset positive reports from the tech sector, as Cisco Systems was upgraded, while Research in Motion enjoyed a jump in its subscriber base. MGM Mirage blew past analyst earnings expectations, while Target was hit with a downgrade due to unfavorable Wal-Mart comparisons. Selling continued into the closing bell with the Dow losing 140 points. Crude fell back below $100 due to increased inventories over the past week, while inflation concerns continued to push gold higher.

Friday 02/22/08

The markets started the day weighed down by financial and tech stocks. Both Fannie Mae and Freddie Mac dropped sharply after Merrill Lynch downgraded the financial duo. Financials received little help from the news that Lehman Brothers, Merrill Lynch, and Goldman Sachs were all thinking of slashing their workforces. Tech stocks saw Intuit act as an anchor, thanks to a substantial drop in quarterly profits. At its lowest point, the Dow was down more than 100 points. Unexpected news of a bailout for bond insurer Ambac, however, sparked a dramatic reversal, sending the index into positive territory in the last

This Week's Issue

The Week in Quotes

"They should take a hard look at it."

-Bill Gates claiming Yahoo's share-holders have a fair buyout offer from Microsoft

"'Change, change, change!' they shouted in unison. I agree. 'Change!' But in the United States. Cuba changed a while ago and will continue on its dialectical course."

-Fidel Castro, criticizing demands by the U.S. presidential candidates and by President Bush for political change on the island

"Wherever you have gambling, you're going to have rich guys and beggars next to each other. And that's what makes these places unique."

-Eric Quinones, on New York's off-track betting parlors, which may close in June

"I'm going to wear a black tie. I'm in mourning."

-Nicholas Grey, owner of New York's Gray's Papaya food chain, on raising the price of his so-called "Recession Special" — two hot dogs and a drink for $3.50

Subscribing Universities

- Brown
- CalTech
- Carnegie Mellon
- Duke
- McGill
- Princeton
- U-Indiana
- U-Michigan
- Wharton

Sandy Weill & James Dimon

By Emily Anderson

Sandy Weill and Jamie Dimon are two successful businessmen who, through their hard work, and many successful mergers, were able to create Citigroup, the largest financial services conglomerate the world had ever seen.

Weill started his life as the son of Jewish immigrants from Poland. He was born on March 16 1933, in Brooklyn New York. His father was a dressmaker and his mother, a homemaker. At fourteen his parents enrolled him in a military academy, and his father, soon after, started his own steel making corporation, which Weill deemed to take over.

Weill enrolled into Cornell for his undergraduate studies, but hit a major roadblock when his father

left his mother, and sold the steel corporation that Weill had worked so hard to take over. Not knowing what to do Weill barely graduated from Cornell and his first job was a runner for the brokerage company Bear Sterns, which paid a measly $35 per week. During his time working as a runner Weill observed stockbrokers in action and soon decided he would like to join their ranks. When he promised to study for his brokerage license on his own time, Bear Stearns gave him permission to give it a try. Within a year Weill had passed the exam and became a licensed broker at Bear Stearns, the first step in his brilliant business career.

In 1960 he joined with a group of friends to start their own brokerage firm. With a growing number of customers, including some high up companies such Fidelity, they were on their way. From there on out Weill made one thing a priority, to grow the company as fast as he could. Some mergers included the prestigious, old-line brokerage firm of Hayden Stone, Hentz & Company and Faulkner, Dawkins & Sullivan, Shearson Hammill & Company, Loeb Rhoades, Hornblower & Company, and, finally, a $900 million dollar stock deal with American Express.

In 1985, after a power struggle with the CEO of American Express, Weill resigned. He, soon after, joined Control Data, and led their public offering, only to become CEO shortly after the offering. In his predictable business strategy he soon started cutting costs to begin a merger with Travelers Insurance, and soon after that, a $9.1 billion deal to take over Soloman, and then merged with Smith Barney. In 2001, in an effort to make his giant corporation national he merged with Mexico's second-largest financial group, Grupo Financiero Banamex-Accival, for $12.5 billion in cash and stock.

After all of these mergers, and acquisition Weill was able to turn Citigroup into one of the largest brokerage firms in the world. He struggled through controversy especially after being involved with Enron, and other companies accused of trying to withhold financial information, and cook their books. Through all the controversy Weill was able to make it and, in 1933, step down and hand over a successful business to his protégé Chuck Prince.

Jamie Dimon was Sandy Weill's right hand man and the "whiz kid" behind the facts and figures. Dimon

was born in New York City, New York. His grandfather, an immigrant from Greece, was a broker who passed along all of his knowledge to Dimon's father who was both his son and, for over nineteen years, his partner. Dimon worked in their office during the summer and, from there learned the skills to be a broker.

Dimon majored in biology and economics at Tufts University and then earned an MBA at the Harvard business school. He had many job offers at his graduation, including Goldman Sachs and Morgan Stanley, but Dimon turned them down in order to go with Weill. After many years of mergers and acquisitions they, together, propelled themselves to the top. Unfortunately Weill, in 1998, fired Dimon. Dimon soon bounced back and in March of 2000 Dimon become the CEO of Capital One, and later the president of JPMorgan Chase.

Weill and Dimon, together, had a long and successful career filled with success and disappointment. In the end they created, and ran, some of the most powerful and influential banking firms in the world today.

Citigroup Evolution

By Mehnt Bhatia

Citigroup is currently the biggest company in the world controlling assets worth $2.4 trillion. It provides a large variety of financial services to 200 million customers spanning almost a 100 countries. The initiation of the first bank that eventually became part of Citigroup dates back to 1812 when Citibank was founded. Since then, there have been numerous mergers and acquisitions that have led to the creation of a single corporate giant named Citigroup.

Citigroup officially came into being following the merger of Citicorp and Travelers' merger in 1998. The combination of the two, led to the establishment of SSBC Asset Management Group that handles assets whose worth surpasses $290 million. Since this merger, Citigroup has acquired and merged with numerous companies. In September 1999, they bought Long-term Credit Bank of Japan. Following this, Citigroup has spread its wings all over the world to places including Europe, Nigeria, Chile, etc.

In 2001, in an effort to make Citi an even greater giant, they merged with Mexico's second-largest financial group, Grupo Financiero Banamex-Accival, for $12.5 billion in cash and stock. Citigroup acquired Associates Inc. in 2000, which was showing drastic growth the previous year. Associates acquired Avco financial in the previous year, a financial company worth around $9 billion. Associates continued to grow after that introducing the "Freedom Loan" which allowed to customers making on-time payments to lower interest rates. It went on to join KeyCorp in managing the latter's credit card program and also managed CITGO Petroleum Corporation's credit card program. Citigroup's acquisition of Associates, thus expanded its reach to a wide variety of financial services

Salomon Brothers was a wall-street investment bank founded in 1910. It had a merger with Smith and Barney to form the Salomon Smith Barney Group. The Salomon Smith Barney Group expanded in all directions. It formed a joint venture with Nikko Securities, a Japanese firm, to form Nikko Salomon Smith Barney Ltd. that began its operations in Tokyo. Salomon Smith Barney Group acquired a wall-street investment bank Schroders. PLC, The Geneva Group Inc., etc. They eventually formed part of the Citigroup Global Markets Inc., one of the key groups in the Citigroup framework.

Citigroup has been organized into three major groups: Global Consumer, Institutional Clients Group, and Global Wealth Management. However, there is a downside to these mergers and acquisitions. At a point in 2003, Citigroup found it hard to control certain aspects of its operations. Owing to this, the Fed had put a year-long ban on Citigroup with respect to any big acquisitions or mergers in March 2005 due to its loose inner controls and regulatory problems. Citigroup was forced to make some changes to its control systems to get the ban lifted a month later.

However, in recent times, Citigroup has been somewhat struggling. Its stock has fallen almost 50% in the last year. Due to this, it has been forced to sell its headquarters of Japan, and some of its branches in Asia and Europe. It has suffered from the sub-prime losses it incurred. The company's CEO, Vikram Pandit has a challenging task ahead of him to get Citigroup back on track of growth and continue its domination of the financial sector.

The Top 5 Series

By Dhiren Bhatia

The Top 5 Smart Phones

1. Apple iPhone (AT&T) – $399 - $499

With its foray into the phone market, Apple turned the industry head over heels with the iPhone. The unique multi-touch interface gives the phone a sleek user-friendly design. It has not only won over customers around the United States but is also the newest “hip” product beating out Apple’s long time winner the iPod.
<u>Features:</u> 8GB/16GB storage, WiFi, iPod capabilities, touch-screen, 2 MP Camera

2. RIM BlackBerry Curve 8320 (T-Mobile) - $499

The Curve is RIM’s best BlackBerry so far, featuring a large number of improvements including one of the most wanted features from RIM: WiFi. With a full QUERTY keyboard, 2-megapixel camera and good call quality, this phone will be coveted by business users and BlackBerry enthusiasts all around.
<u>Features:</u> WiFi, QWERTY keyboard, 2 MP Camera, BlackBerry Push Email service

3. Nokia N95 (Unlocked) - $549

Nokia’s gold standard in smart phones, the N95 contains every feature Nokia could possibly throw into a smart phone. The phone features WiFi, a 5-megapixel camera, GPS and a two sided slider to display a standard keypad on one end and music controls on the other. Apart from its large size, this Symbian phone contains almost everything one would want from a smartphone.
<u>Features:</u> 5 MP Camera, WiFi, GPS, Music Capabilities, Push Email, Symbian S60 OS.

4. AT&T Tilt (AT&T) - $499

The new AT&T Tilt known internationally as the HTC TyTN II is HTC’s latest model to recently make it shoreside. It features the full gamut of wireless options, including 3G and GPS, push email and a 3-megapixel camera. The phone has Microsoft Windows Mobile 6.0 Professional as its Operating System.
<u>Features:</u> 3G, GPS, 3 MP Camera, Windows Mobile 6.0, Push email

5. T-Mobile Wing (T-Mobile) – $299

The most affordable of the lot, the T-Mobile Wing offers good call quality with features like WiFi, a slide out QWERTY keyboard as well as a 2-Megapixel Camera. At only $299 it is definitely a powerful, affordable option for business users.
<u>Features:</u> WiFi, QWERTY keyboard, 2 MP Camera, Windows Mobile 6.0, touch screen

By Adam Klein

Doing Your Homework This week we will research and analyze **Citigroup (C)** as a potential investment**.**

Step 1- Find out how the company makes its money.

Due to the sub-prime crisis and higher credit prices, Citigroup has experienced a disappointing 2007. This past year Citigroup earned $3.6 billion from continuing operations on revenues of $81.7 billion. Income and EPS were both down 83% from 2006 levels. In its annual report Citigroup says, "As a worldwide business, Citigroup's financial results are closely tied to the global economic environment. There is a risk of a U.S. and/or global downturn in 2008. A U.S-led economic downturn could negatively impact other markets and economies around the world and could restrict the Company's growth opportunities internationally. Should economic conditions further deteriorate, the Company could see revenue reductions across its businesses and increased costs of credit." With Citigroup looking to establish growth abroad, and an expected rise in credit costs in 2008, look for many of Citigroup's products to be negatively effected by economic and credit conditions in the U.S.

Step 2- What sector does the company belong to, and how has that sector performed?

Citigroup is part of the financial sector. Recently the financial sector has taken a large hit after the sub-prime mortgage crisis and the resulting credit crunch. With continuing increases in credit losses due to mortgage-related activities, and a 2008 effective tax rate that is expected to return to the normalized rate, watch for the financial sector's struggles to continue.

Step 3- How has the stock performed?

Citigroup's stock has fallen significantly over the past year by $30. Like most of the financial sector, Citigroup has been hit hard by the sub-prime mortgage fiasco. Citigroup reported fourth quarter net losses of $9.83 billion, and a loss of $1.99 per share. Citigroup stock has experienced a lot of volatility in the past year. In addition the stock performed poorly when it was announced that Citigroup would layoff 17,000 employees in America, while continuing to increase its employee base overseas in emerging markets.

Step 4- What do the comparisons tell you?

Citigroup's competitors have experienced the same downward trend due to sub-prime mortgage losses and increasing credit costs. In the financial sector however, Citigroup surprisingly still has the highest P/E ratio indicating that it is more expensive than its competitors, Bank of America, JP Morgan, and Wachovia. Finally, Citigroup's Long Term Growth rate (5 year expected) of 8.28% is ninth out of its 18 competitors, somewhat discouraging when one considers that it is the most expensive stock.

Step 5- Can the stock survive its balance sheet?

Citigroup's Total Assets ($1.8 trillion) barely exceeds its Total Liabilities ($1.7 trillion); this is a weak position considering expected tax increases and credit costs. Citigroup has $2.8 billion in cash flow this year, which may leave Citigroup with some buffer when dealing with the small difference of their assets and liabilities. Citigroup's cash flow this year was very volatile from quarter to quarter. Lastly, Citigroup is surviving its balance sheet but will have to figure out how to cut costs with credit costs and taxes expected to rise this year.

Step 6- In light of your homework, does this stock look like a good investment?

Currently, Citigroup's long term potential is promising if one thinks that Citigroup's stock has gone as low as it possibly can. However, Citigroup is trading relatively expensive right now with respect to its competitors, and its expected growth. As a short-term investment, Citigroup looks highly speculative.