BULLS & BEARS

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TOP STORIES

- FED INJECTING $200 BILLION TO LENDING PROGRAM
- GOLD PRICE HITS $1000
- MILESTONE S&P SEES END TO MORTGAGE WRITE DOWNS
- BANKERS STEP IN, BAILOUT BEAR STEARNS
- MICROSOFT, YAHOO IN BREAK-THROUGH MEETING

MARKETS

DJIA	11951.09, -2.57%
NASDAQ	2212.49, 0%
S&P	1288.14, -3.19%
OIL	$110.21
GOLD	$1002.32
EURO	$1.5671

THIS WEEKS ISSUE

MARKET SUMMARY

Monday 03/10/08
Record high crude prices and continued weakness from the financials, together with last weeks weaker-than-expected non-farm payrolls report, started markets off on a negative note. An FBI probe at Countrywide Financial and layoffs at Lehman Brothers helped contribute to an early downside bias while crude's jump past $108 only exacerbated the sell off. McDonald's became the only bright spot as it reported stronger-than-expected same store sales for February. For the fifth time in six days the Dow closed sharply lower as the threat of recession continued to worry investors.

Tuesday 03/11/08
Although the market once again started off on a weaker note, the Fed came to save the day announcing that it would provide a $200 billion liquidity boost in the financial realm. Boeing announced that it will protest a multi-billion dollar deal awarded to Northrop Grumman while Bear Stearns continued its decline, despite denying rumours it was facing liquidity problems. The Dow skyrocketed to a 400 point gain, the largest percentage gain for the index in nearly five years. The dollar finally received a boost on possible Fed intervention, while the International Energy Agency announced lower projections for world oil demand thanks to increasing crude prices and a slowing world economy.

Wednesday 03/12/08
Stocks started the day with a strong start spurred by yesterday's 416 point gain, yet as crude advanced to yet another record high, selling pressure began to weigh the markets down. JCrew group spiked higher after reporting well received earnings, while the Dow components Catepillar upped its outlook for 2008. Investors also digested a narrower than expected second quarter loss and disappointing trial results from Progenics Pharmaceuticals, as the Dow closed with a modest loss. The Euro hit a record high of 1.55 against the dollar, while Gold maintained its safe haven allure, closing with a slight gain.

Thursday 03/13/08
The Dow plunged to an early loss of more than 200 points on news that the Carlyle Group bond fund was on the verge of collapse. Thronburg Mortgage also added to the decline after it was issued a one million dollar margin call from Morgan Stanley. Yet despite all this negative news, stocks managed to bounce back in afternoon trading as Standard and Poor's issued a statement claiming that the majority of financial firms had already recognized most of the losses associated with sub prime securities. Electronic Arts started its tender offer for Take Two Interactive, while Amgen spiked higher on a positive FDA ruling.
The Dow finally closed with a slight gain in very volatile trading.

Friday 03/14/08
The markets opened flat until Bear Stearns jumped into the picture announcing that its liquidity had significantly deteriorated within the past 24 hours. The news rattled the markets, sending the Dow to an instant 300 point loss. Bear Stearns stock fell, reaching a nearly 55% decline at its lowest point. Microsoft and Yahoo met for the first time after Microsoft's bid for the search giant, while Boeing was one of the few Dow components that moved higher on increasing order volume. Oil surged to a new high as OPEC announced production had decline in February, while the weaker dollar continued to spur gold to a new all-time high.

THE WEEK IN QUOTES

"I just don't want to be thought of as a monster."
- Ashley A. Dupre, also known as "Kristen," the prostitute described as having had a rendezvous with former New York governor Eliot Spitzer last month

"They are essentially creating a $300 billion bank out of nothing."
- Lou Crandall, an economist, on the Federal Reserve's efforts to expand credit

"Everyone wants to eat like an American on this globe. But if they do, we're going to need another two or three globes to grow it all."
- Daniel Basse, of the AgResource Company, a Chicago consultancy

WORD OF THE WEEK

TIPS - Treasury Inflation Protected Securities:

A special type of Treasury note or bond that offers protection from inflation. It pays interest every six months and pays the principal when the security matures. The coupon payments and underlying principal are automatically increased to compensate for inflation as measured by the consumer price index (CPI).

Recently the real yield on five-year TIPS turned negative for the first time (-0.026%), meaning the return investors get on these securities is a little less than the inflation rate.

THE RICHEST BROTHERS *By Mehnt Bhatia & Rohith Salim*

Mukesh Ambani

Mukesh Ambani, born on April 19th 1957, is currently the Chairman of Reliance Petrol Limited as well as Reliance Retail Limited, both former parts of Reliance Industries, which was initiated by his father Dhirubhai Ambani.

Mukesh Ambani completed his degree in chemical engineering from University of Mumbai, India and obtained an MBA from Stanford University. He joined his father's company in 1981 and is now its largest shareholder.

He has made very significant contributions to the company's growth including leading the company to pursue its expansion into petroleum products. He plans to extend the Reliance brand into the retail industry in a very big way.
His contributions to the Company have put him in a very strong financial position.

With a current net worth estimated at $43 billion, he is the 5th richest man in the world. His worth went up $23 billion last year, second only to his brother Anil Ambani. However, the race to becoming the richest is one with sudden fluctuations and uncertainty.

At a certain point of time, in October 2007, owing to a rise in the stock price of Reliance, Mukesh's net worth shot up to $63 billion making him the richest person in the world for a few hours.

Furthermore, on a larger scale, it is interesting to note that of the 8 richest people in the world, 4 are from the Indian subcontinent. This indicates that the reigns of economic power are being distributed more equally among countries and is finally reaching the grasp of developing nations.

Anil Ambani

Anil Ambani, an Indian Businessman, has a net worth of US$ 45 Billion, making him the 6th richest man in the world – one rank below estranged brother, Mukesh. The feud with his brother led to the splitting up of the family fortune created by their late father Dhirubhai Ambani.

While his brother got Reliance Industries and Reliance Petroleum, he took over Reliance Telecom, Reliance Finance and Reliance Power. Last year, he was India's biggest gainer with a net gain of 23.8 billion dollars. Anil's wealth comes mostly from his over 65% stake in Reliance Telecom, which has a market cap of about $25.75 billion.

Anil holds a Bachelor of Science degree from the University of Mumbai, India and an MBA from the Wharton School of Business at the University of Pennsylvania.

He joined Reliance in 1983 as a Co-Chief Executive Officer. He has pioneered many financial innovations such as having led India's first forays into overseas capital markets with international public offerings of global depositary receipts, convertibles and bonds.

Since then he has been considered a financial wizard. He is the primary reason for the current status of the Reliance Group as India's leading textiles, petroleum, petrochemicals, power, and telecom company.

A former marathon runner, he was voted 'Businessman of the Year 2006' by the Times of India, 'CEO of the Year' at the Platts Global Energy Awards in 2004 and 'The Entrepreneur of the Decade Award' by the Mumbai Management Association in 2002. He is currently married to former Indian Actress Tina Munim and has two children.

FED PUMPS $200 BILLION *By Emily Anderson*

The Federal Reserve on Tuesday, in an effort to control the downward spiral of the market, stepped up as a lender of last resort and allowed the biggest investment banks on Wall Street to borrow up to $200 billion in Treasury securities in exchange for hard-to-sell mortgage-backed securities as collateral. The Fed hopes that by allowing the companies to take what they have trouble selling and turn it into cash, it will increase the liquidity of money in the market and help ease the pain that subprime mortgages have caused over the last few months.

There were a lot of factors that encouraged the Fed to take this giant step. Before the Fed's decision to act on Tuesday, seemingly safe debt had fallen so much that major financial institutions were being forced to put up more capital to secure their debt. Also, two big investment groups, the Carlyle group and Thornburg Mortgage, worried the Fed by failing to satisfy margin calls, or demands for extra collateral, by creditors. The forced selling and falling of prices had even begun to affect government backed mortgage programs such as Fannie Mae and Freddie Mac. All of these were huge signs that the Fed had to step in.

The Fed has recruited help for this effort, enlisting other central banks to lend money. The European Central Bank said that it would lend $15 billion this month and would continue to do so if needed. Other banks including the Bank of England, the Bank of Canada, and the Swiss National Bank have all promised to help out if needed.

While this seems like a great program, many people are becoming skeptical about the outcomes. Some analysts do not believe that the infusion of money will be enough to make up for the hole caused by subprime mortgages and the fall of the housing bubble. Lou Crandall, chief economist at Wrightson ICAP, a financial research firm, has an even poorer view of the Fed's decision, stating that, "It is essentially creating a $300 billion bank out of nothing." This decision by the Fed seems to show that it is trying to use inflation to solve the banks' problems, but many believe that this just creates bigger problems.

The people who speak out against this move by the Fed may be right, but that does not eliminate the fact that it has instilled some hope in the people and has allowed Wall Street to have its biggest one day gain in five years, with the Dow Jones climbing 416.66 points right after the Fed's announcement to add liquidity into the system. The market had a good day all around after the Fed's announcement. The Standard & Poor's 500-stock index was up 47.28 points, or 3.7 percent, to 1,320.65. The Dow Jones industrial average was up 416.66 points, or 3.6 percent, to 12,156.81. The Nasdaq finished high, up nearly 4 percent. Major markets in Europe all rose at least 1 percent on Tuesday, and Asian stocks joined in Wednesday morning, rising the most in a month in early trading. Financial firms in the S&P index were up 7.4 percent, their best day in about eight years. Washington Mutual, the mortgage lender, jumped 18 percent on speculation that big investors would put money into it.

The dollar was also able to gain some ground on currencies such as the Japanese Yen. While credit markets did not have a big turn around, there were some improvements as premiums started to slowly decline.

What the Fed did may or may not get the U.S. economy out of the downward spiral it seems to be sinking into, but it is a step in the right direction and a relief for many investment bankers. This will not cure the credit problem, but it will instill some liquidity in the system, and the market can take it from there.

SPITZER GONE: WALL STREET HAPPY *By Madhav Bhagat*

Eliot Spitzer, whose rise to political power as a fierce enforcer of ethics in public life was undone by revelations of his own involvement with prostitutes, resigned on Wednesday, becoming the first New York governor to leave office amid scandal in nearly a century.

The son of a wealthy real estate investor, Spitzer was educated at Princeton University and Harvard Law School and worked as a prosecutor in the Manhattan district attorney's office before being elected New York's attorney general in 1998. It was there that Spitzer built a reputation as a prosecutorial avenger, bringing some of Wall Street's biggest names to heel and pressuring banks, insurance companies and brokerage houses to pay defrauded investors huge settlements and to adopt tighter regulations.

He was so successful at using the relatively limited office of the state attorney general to redress the regulatory failures of the federal Securities and Exchange Commission that he was swept into the governor's office in a landslide. Some of Mr. Spitzer's admirers mused that he might one day be the first Jewish president.

In 2002 he pursued the crass barons of Wall Street for their self-serving research reports that praised the prospects of high-tech companies even as their e-mails described those firms as pieces of junk (or worse). Several investment banks were sued for inflating stock prices and using affiliated brokage firms to give biased advice about initial public offerings of high-tech companies. A total fine of $1.4 billion was assessed on 10 firms including Credit Suisse First Boston, Deutsche Bank, Goldman Sachs, J.P. Morgan Chase, Lehman Brothers, Merrill Lynch, Morgan Stanley.

A year later, he took on the mutual-fund industry. The investigations by his office uncovered that mutual fund brokers allowed select clients added privileges. The two practices highlighted in the investigation were late trading and market timing. Late trading allowed hedge fund investors to file trades at the previous day's price after the market close. Market timing, on the other hand, allowed privileged investors to buy and sell shares in funds more frequently than allowed under the fund's rules. At last count 23 fund managers, handling more than $1 trillion of other people's money, had been implicated in market-timing frauds. Total fines, restitutions and management-fee reductions so far amount to more than $3 billion. The implicated companies included Alliance Capital, Bank One, Investco, National Funds and Prudential Securities.

Spitzer in 2004 turned his attention to the conflict-ridden field of insurance brokering. He found bid rigging and contingent commissions—preferred service agreements—that were used to force insurance firms to pay rebates to brokers as quid pro quos for winning business. In response, the stocks of the biggest players implicated, Marsh & McLennan and AIG, tanked the following week, losing a combined $38 billion in market capitalization. Some iconic CEOs are no longer employed, and their minions face jail time. Spitzer has also found that insurance policies are not always for risk protection: they can be playthings for corporate financial engineers striving to meet their guidance for quarterly earnings.

As the CEOs and directors of Marsh & McLennan and AIG learnt, the threat of Spitzer wasn't jail time; it was a tanking stock. The very announcement of a Spitzer investigation had become an excuse to sell and an invitation for shareholder lawsuits and proxy campaigns. Therefore while many outside Wall Street applauded Spitzer for tackling murky insider trading, his campaigns for the good of the consumer magnified the hostility on Wall Street towards him. Therefore last week there was no doubting the financial world's glee at his fall.

BEAR STEARNS FALLS *By Nitin Seemakurty*

Bear Stearns, one of the largest underwriters of US mortgage bonds, second only to Lehman Brothers Holdings Inc., tumbled a record 47% at 4:01PM this last Friday and triggered what may have been a historic move by the Federal Reserve.

The troubles of this 85-year-old Wall Street firm have been accumulating for some time. Last year, the collapse of two Bear Stearns hedge funds unleashed a wave of corrosive rumors that demanded a considerable explanation before subsiding. Bear Stearns executives, at the time, conveyed to clients that they will learn from the breakdown of their subprime-mortgage-stuffed hedge funds and reassured these clients that the firm will no longer depend on short-term lending. And with those words, the panic gradually eased off. During this past week, however, the worries of clients and fellow companies resurfaced, this time for a different reason. What was initially just a concern with the firm's decline in profits quickly escalated to a deep fear of the company's very ability to remain standing.

Again, the Street served as an incubator of market rumors, this time, of a liquidity crisis. Bear Stearns Chief Executive Officer Alan Schwartz, however, responded with a firm statement. He simply denied the validity of the spreading apprehension by stating earlier this week that the company's "liquidity cushion" was sufficient to absorb the shock of the credit-market contraction. By Friday, these words changed.

``We have tried to confront and dispel these rumors and parse fact from fiction," Schwartz said in the company's statement on Friday, ``Nevertheless, amidst this market chatter, our liquidity position in the last 24 hours had significantly deteriorated."

What followed that statement was a $27 plummet in the company's share price, and a devastating domino effect. The company's market value shrunk to $4.1 billion, leaving it less one-fifth the size of its rival Lehman Brothers. With its 66% drop in share value this year, Bear Stearns has erased nearly $10.5 billion of shareholder value in the last three months alone. Consequently, the firm's long-term counterparty credit rating fell to a BBB and its short-term rating went from A1 to A3. Citigroup Inc., JPMorgan and Bank of America Corp., the three largest U.S. banks, along with Lehman Brothers Holdings Inc., also led declines this week as each of the ten industry groups in the S&P 500 fell.

The Federal Reserve reacted to this crisis by delivering a 28-day emergency funding package to the crippling Bear Stearns. In what was the largest government bailout of a U.S. securities firm, the cash-starved Bear Stearns was just barely rescued from the brink of collapse. The primary purpose of the package was to keep the house of cards stable.

"The name of the game is preventing disaster," said Mark Gertler, a professor of economics at New York University. "By letting one house burn down, you might have the whole neighborhood burn down. You want to avoid that."

There are dozens of banks and brokers worldwide that are tied to Bear Stearns through swaps, lines of credit, and other finances. The fact that a fallen Bear Stearns would have devastating effects is undisputed on the Street; the Federal Reserve's action was almost necessary. And its action was nothing short of historic. This move by the Fed, however, did nothing to revive a withering investor confidence, one battered by the many ugly turns of the market this year. Bear Stearns, in an attempt to repair at least its own visage, moved up its announcement of fiscal first- quarter earnings to Monday from next Thursday. And now the question remains: will this announcement bode well for the company's melting public image or will it simply exacerbate the situation?

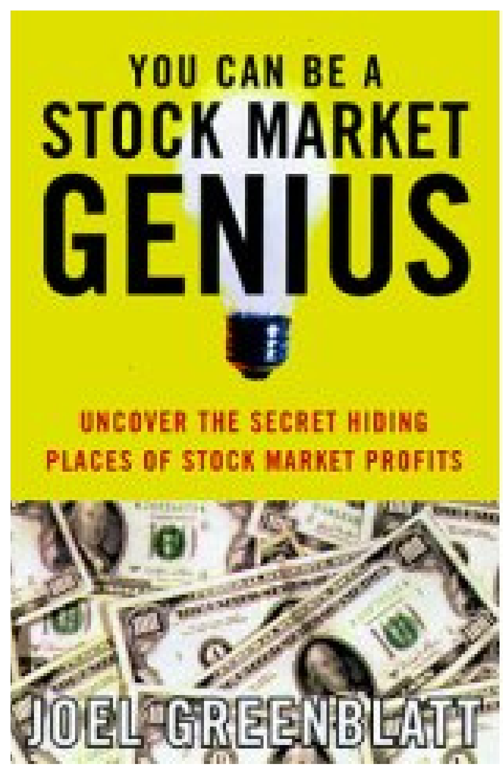
YOU CAN BE A STOCK MARKET GENIUS - *A Review By Alexander Muhr*

Joel Greenblatt is the founder of Gotham Capital, an investment partnership. Between 1985 and 1995 his annual return to investors (after costs, but before the general partners' incentive allocation) was an astounding 50%. If you had invested just $1,000 you would have ended up with $51,970 in just 10 years!

Even though the book was written in 1996, more than 12 years ago, the topics covered are still very important for investors who want to achieve above-average returns. In the book he basically outlines the methods he uses to find those returns, which are called special situations:

- Spin-offs
- Mergers
- Bankruptcies
- Restructurings
- Rights Offerings
- Risk Arbitrage
- Merger Securities
- Recapitalizations

Greenblatt methodically walks the reader through all of these special situations and explains specific trades where he made money and, of course the ones where he lost money too.



This book should be very useful for those who have not read it yet because now that "cheap money" has virtually left financial markets there will be less leverage buyouts, and more of these special situations. There will be more companies trying to realize value for their shareholders through mergers, spin-offs and rights offerings – at the same time there will be a lot of companies going bankrupt when the economy turns sour.

Overall this is a great book for beginners and experienced investors alike because of its simplicity in writing (easy to read) and the depth of analysis on the trades Greenblatt discusses. The book belongs in every investor's library.

BOND UNIVERSITY

COLUMBIA UNIVERSITY

INDIANA UNIVERSITY

UNIVERSITY OF BRITISH COLUMBIA

UNIVERSITY OF NORTH CAROLINA

BROWN UNIVER-SITY

DUKE UNIVERSITY

MCGILL UNIVERSITY

UNIVERSITY OF CALI-FORNIA AT BERKELEY

UNIVERSITY OF PENNSYLVANIA

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