UIC FINANCIAL NEWSLETTER

Volume 4, November 11, 2007

DJIA 13042.74 ▼ 4.06% **NASDAQ** 2627.94 ▼ 6.49% **NIKKEI** 15583.42 ▼ 5.59%

OIL $95.93 ▲ $0.39 **10-YR TREASURY** 100 7/32 ▲ 16/32 **EURO** $1.4698

Market Summary

Friday 11/9/07

Stocks fell sharply on Friday, with the Dow ending over 200 points lower. Mortgage-induced losses at Wachovia and Fannie Mae riled traders already nervous the woes could spread to the wider economy. Concerns that oil supplies may keep tightening and increasing political tensions in Pakistan counteracted whispers of a slowdown in the U.S. economy. Gold continued to rise as investors looked for a safe haven from inflation and a weakening dollar.

Thursday 11/8/07

Stocks fell sharply as news of a weekly decline in jobless claims was quickly overshadowed by Federal Reserve chief Ben Bernanke's gloomy testimony before Congress. The Fed chair noted the potential for the economy to slow down noticeably through the first half of 2008, and the U.S. dollar slipped immediately as investors reacted to the forecast. Meanwhile, tech stocks took a beating after Cisco Systems issued lower-than-expected revenue guidance.

Wednesday 11/7/07

The dollar dropped to record lows after a Chinese official urged his country to move some of its foreign holdings out of the dollar. A loss of $39 billion from General Motors and a quick rally in oil following an inventory report, forced the markets to close in the red, despite a number of semi- positive reports on the economy. Gold rallied and closed at a record high of $833.50 an ounce.

Tuesday 11/6/07

Stocks faced a slow start, but all three indexes closed sharply higher led by the Nasdaq and a rally in tech. Shares of Alibaba.com nearly tripled after the internet-company went public in Hong Kong. Sun Microsystems finally earned a profit, while shares of XM and Sirius soared on merger speculation. Gold and oil closed sharply higher.

Monday 11/5/07

Worries of further weakness in the housing market sent markets down, but most of the losses were recouped by the day's end. Citigroup announced its Chairman and chief executive officer Charles Prince would step down, after it reported a write-down of $11 billion in subprime-related losses. Crude fell nearly 2% as tensions between Turkey and Iraq eased, and investors continued to worry on the state of the US economy.

Top Stories

- Oil reaches record, nears $100 milestone
- Stocks get hammered by oil, credit woes
- Citigroup chairman and CEO forced out over subprime write downs
- GM posts $39 billion loss
- Aqua Dots toys recalled for dangerous chemical

Upcoming Events

UIC Board Meetings
4:30pm Every Tuesday

The Board of UIC meets every Tuesday at 4:30pm. Everyone is welcome to just drop in and participate. Join us sometime and give us your opinion regarding the decisions that impact UIC.

Equities Challenge
Nov 1 - Nov 30

Think you're the best trader at CMU?
Prove it.

Register At:
www.VirtualStockExchange.com
ID: CMUEquitiesChallenge
Password: CMU

Investing Quotes of the Week

"The market right now is moving on nothing more than emotions. Guess what? It almost always moves on motions"

-David Bach

"If you don't follow the stock market you are missing some amazing drama"

- Mark Cuban

"Most of the time common stocks are subject to irrational and excessive price fluctuations as the consequence of the ingrained tendency of most to speculate or gamble...to give way to hope, fear, and greed"

-Benjamin Graham

"The market does not beat them. They beat themselves, because though they have brains, they cannot sit tight.

-Jesse Livermore

PROFILE & HEDGE FUND STATS

David Shaw
King Quant

David Shaw is the founder of D.E. Shaw & Co., a behemoth of a hedge fund with over $35 billion under management making it one of the largest in the world. Fortune magazine has referred to it as "the most intriguing and mysterious force on Wall Street." Shaw received his Ph.D. in computer science from Stanford and then became a professor for the Department of Computer Science at Columbia University.

In 1986, he became vice president of automated analytical trading technology at Morgan Stanley. Two years later in 1988 he founded D.E. Shaw & Co. with $28 million. The hedge fund specializes in quantitative trading and uses complex computer modeling to capitalize on financial markets' inefficiencies. The fund is notorious for accepting only 1 in 500 applicants for full-time jobs. The current staff includes more than 20 International Math Olympiad medalists.

Shaw has made an estimated $1 billion from the hedge fund business, and his success enabled him to join many esteemed organizations. In 1994, he was appointed to the President's Council of Advisors on Science and Technology, and in 2000, he was put on the board of directors of the American Association for the Advancement of Science. In 2001, Shaw ceased his full-time involvement with his hedge fund. He now devotes his time to research in computational biochemistry and is an adjunct professor at Columbia Medical School. He discussed his most recent research at Carnegie Mellon on November 8, 2007.

Money, Money, Money

Investment Banker
Average hours per week: 70
Average Starting Salary: $134,000
Average Salary after 5 years: $300,000
Average Salary after 10-15 years: $1,000,000

Trader
Average hours per week: 50
Average Starting Salary: $90,000
Average Salary after 5 years: $500,000
Average Salary after 10-15 years: $1,000,000

Hedge Fund Honchos

1. **John Arnold** (33), Centaurus Energy: $1.5-2 billion
2. **James Simons** (68), Renaissance Technologies Corp.: $1.5-2 billion
3. **Eddie Lampert** (44), ESL Investments: $1-1.5 billion
4. **T. Boone Pickens** (78), BP Capital: $1-1.5 billion
5. **Stevie Cohen** (50), SAC Capital Advisors: $1 billion
6. **Stephen Feinberg** (47), Cerberus Capital: $800-900 millon
7. **Paul Tudor Jones** (53), Tudor Investment Corp.: $700-800 million
8. **Bruce Kovner** (62), Caxton Associates: $700-800 million
9. **Israel Englander** (58), Millennium Management: $600-700 million
10. **David Shaw** (55), D.E. Shaw & Co.: $600-700 million

(2006 Salary Data: Princeton Review and Trader Monthly)

Questions or comments? E-mail us at: kwanchoo@cmu.edu or tcbouldin@andrew.cmu.edu
Visit us at: http://www.andrew.cmu.edu/user/uic

EVERYTHING YOU NEED TO KNOW ABOUT EXCHANGE-TRADED FUNDS

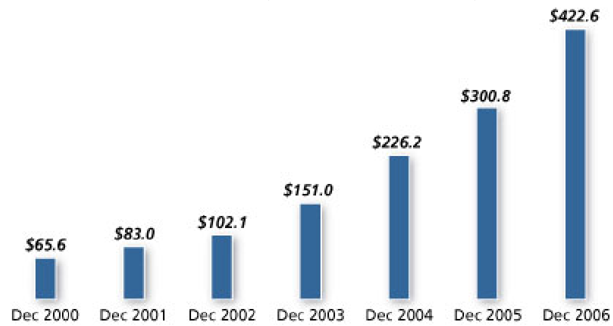
What is an ETF?

Exchange-traded funds are a relatively recent financial innovation that have experience a surge in growth over the past few years. ETFs are essentially baskets of stocks traded through a broker on a major exchange. Most ETFs attempt to achieve the same investment returns as that of a particular market index.

What Kinds of ETFs Are Available for Purchase?

There are ETFs that track almost every U.S. stock market index, as well as ETFs that track individual U.S. stock market sectors, international indices, and bond indices.

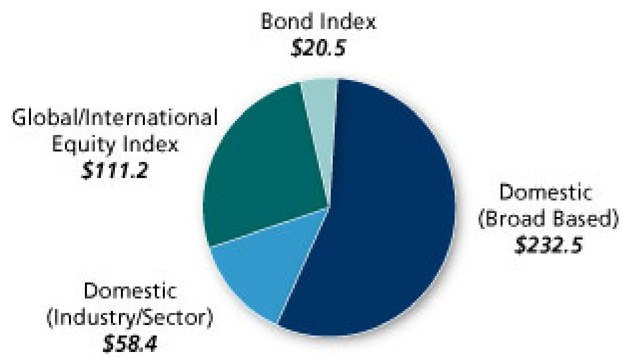
Total Assets in ETF's (Billions of Dollars)



Advantages of Exchange Traded Funds

- ETFs trade like stocks and unlike traditional mutual funds, can be bough and sold throughout the trading day without any penalty
- Traders have the ability to short or buy ETFs on margin
- Low annual expenses rival the cheapest mutual funds
- Due to SEC regulations, ETF tend to beat out mutual funds when it comes to tax efficiency

Types of assets in ETFs (Billions of Dollars)



Disadvantages of ETFs

- ETFs must generally be bought through a broker, which involves commission charges
- Unlike mutual funds, ETFs don't necessarily trade at the net asset values of their underlying holdings, meaning an ETF could potentially trade above or below the value of the underlying portfolios
- As with stocks, there is a bid-ask spread, meaning you might buy the ETF for 15 1/8 but can only sell it for 15

How do ETFs work?