Market Summary

Monday 12/03/07
Stocks tumbled on Monday, as prevailing concerns about the economy continued to weigh in on investor sentiment and offset a relatively positive report on manufacturing conditions. Overarching concerns about the economy's health, as well as uncertainty surrounding a government plan to stem mortgage defaults led the decline. The video game makers Activision and Vivendi rose after announcing an $18.9 billion dollar merger.

Tuesday 12/04/07
Stocks endured their second consecutive session of losses today amid continuing negativity out of the financial sector, as well as unpromising forecasts from Nokia and Merck. Dow chemical announced it will eliminate 1000 jobs, while Baidu.com became the first Chinese company on the Nasdaq 100 index.

Wednesday 12/05/07
The major averages rebounded sharply on Wednesday, following the two-day sell-off, as investors embraced a new batch of economic data, including a report that showed non-farm productivity rose more than expected. Fannie Mae said it will cut its dividend by 30% next year due to worsening credit conditions, while bond insurer MBIA saw its shares tumble after Moody’s raised the possibility that it might cut the firms triple-A credit rating.

Thursday 12/06/07
The markets rallied again on Thursday as President Bush announced a plan to help certain sub-prime borrowers at risk of losing their homes, and after unemployment numbers came out lower than expected. November same store sales results were mixed due to a sharp decrease in consumer confidence. Target reported lower than expected sales and offered a downbeat outlook for December. OPEC announced it will keep current production levels, sending oil slightly lower.

Friday 12/07/07
The stock market traded flat on Friday, as investors evaluated the health of the nation's job market, following an upbeat report from the Labor Department. Target and Palm fell on downgrades, while YUM brands upped its 2008 outlook. Concerns about the economy's health persisted but, the market held its ground thanks to rate cut speculation. Oil and gold continued their fall.

Top Stories

- Target announces a sharply lower outlook
- Foreclosures reach record highs
- OPEC decides to keep production output steady
- Bond insurer MBIA may lose its triple-A credit rating
- Fannie Mae to cut its dividend by 30% next year

Upcoming Events

UIC Board Meetings
4:30pm Every Tuesday
UC Alumni Lounge

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

Congratulations to freshman economics major Kent Yeung who dominated the competition during the month long, Carnegie Equities Challenge. Yueng had an astounding 624% return utilizing a short-bias strategy aimed at small-cap technology firms.

Investing Quotes of the Week

“I swore never to take gambles I couldn’t back up, or that I couldn’t afford to lose. And, I’ve stuck with that ever since.”

- Tim Blixseth

"Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years."

- Warren Buffett

"You don't make money by investing in a good company... You make money by investing in a company that is better than the market thinks."

- Robert Vishny

"Markets invariably move to undervalued and overvalued extremes because human nature falls victim to greed and/or fear."

- William Gross
Top 5 Richest American Financiers

1. **Kirk Kerkorian - $18.0 billion**
   Has made billions has head of his private holding company, Tracinda Corporation. He was instrumental in shaping the city of Las Vegas and is sometimes referred to as the “father of the megaresort.” Surprisingly, Kerkorian never even finished 8th grade, made his first $100 million in 1968 after selling an airline he founded. He would go on to make billions after pouring his fortune into Las Vegas.

2. **Carl Icahn - $14.5 billion**
   Icahn, 71, grew up in Queens, NY and would go on to graduate from Princeton University in 1957. In 1968, he founded Icahn & Co a trading firm, however he changed course in 1978, when he began taking controlling stakes in companies. He would become known as the world’s most dangerous shareholder activist for forcing companies to make changes that would benefit shareholders, including himself. He scored big in the 1980’s utilizing the junk bonds made popular by Michael Milken.

3. **George Soros - $8.8 billion**
   Known as the man who “broke the Bank of England”, got the name by selling short $10 billion worth of pounds and when the Bank of England was forced to devalue the pound, Soros reaped a one day profit of $1 billion. Soros, 77, was born in Hungary and is best known for founding Soros Fund Management and its flagship Quantum Fund, which returned 3,365% during the ten years it operated (average of 42.5% per year).

4. **Stephen Schwarzman - $7.8 billion**
   Schwarzman is the co-founder of the Blackstone Group, a massive private equity and investment management firm that manages $90 billion. He got his M.B.A. from Harvard and was a managing director at Lehman by the age of 31. He founded the company in 1985, which has since invested in 112 companies, valued at over $200 billion. Schwarzman made headlines in 2007 when he took his company public, allowing everyday investors an opportunity to invest in private equity.

5. **Henry Kravis - $5.5 billion**
   Co-founder of one of the top private equity firms, Kohlberg Kravis Roberts & Co., or KKR. He became a partner at Bear Stearns at the age of 30. Two years later, he left with two co-workers to create KKR. The firm would develop the concept that would become known as the leveraged buyout (LBO), which is using debt to purchase a company. Kravis is most popular for the 1988 buyout of RJR Nabisco for $31.4, the largest deal by far of its kind up until that time. The movie and book Barbarians at the Gate follows the publicity surrounding the event.
GAME PUZZLE #3

**Problem:**
There are 27 lily pads on a pond. The pond is 6,000 square feet in area. The lily pads are one square foot in area. Each lily pad doubles its size every day. How long until the pond is covered in lily pads?

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**Solution of last week’s puzzle:**
You simply calculate the expected payoff, which is the following:

\[
(1/6)(\$1) + (1/6)(\$2) + (1/6)(\$3) + (1/6)(\$4) + (1/6)(\$5) + (1/6)(\$6) = \$3.50
\]

Hence, the fair price of the game should be set at $3.50

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**Congratulations to the winners:**
1. Mahtiyar Bonakdarpou
2. Mehnt Bhatia
3. Anand Bhatia
4. Young Jun Lee
5. Brittany Larkin
6. Vidur Singhal
7. Melissa Lien
8. Maxim Pertsov
9. Wayne Chang

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**Rules:**
Contestants must email their answers to kwanchoo@cmu.edu by Friday. Names of those that correctly solve the puzzle will be posted in next week’s issue in the order in which they submitted. The first person to solve three puzzles will be rewarded with a $25 gift card to Starbucks.