

# UIC FINANCIAL NEWSLETTER

Volume 2, October 27, 2007

DJIA 13806.70 ▲ 2.11%

NASDAQ 2804.19 ▲ 2.90%

NIKKEI 16505.63 ▼ 1.84%

OIL \$91.86 ▲ \$3.26

10-YR TREASURY 102 22/32 ▼ 6/32

EURO \$1.4354



## Market Summary

### Friday 10/19/07

The DOW, S&P, and NASDAQ all shot up over 1%, fueled by hopes for a rate cut during next week's Fed meeting. The Amex Broker-Dealer Index gained 3.41%, helped along by Merrill Lynch's 8.52% surge on rumors CEO Stan O'neal would be fired. Countrywide moved even higher after it's executives held a two-and-half hour conference call and indicated the company would earn a profit next quarter.

### Thursday 10/18/07

High volume and volatility characterized the day's trading, as stocks moved back and forth. Yields on t-bills fell to their lowest point in two years. Fed futures showed an 86 percent chance of a quarter point rate cut to 4.5%, and a 14% chance of a deeper cut.

### Wednesday 10/17/07

The major stock indexes made sharp reversals from gains in the first two days of trading this week and then rallied back to flat in the last two hours of trading. Home resale's declined, as did the median home price. Merrill's reported a lose of 2.3 billion due to subpprime and the credit crunch.. The stock dropped dramatically after the call. Cablevision shareholders rejected a \$10.6 billion offer from the Dolan family to take the company private. Microsoft admitted that it is investing \$240 million for a minority stake in Facebook, which values the site at \$15 billion.

### Tuesday 10/16/07

The DOW, NASDAQ and S&P all rallied higher. RIMM shot up after breaking news of a deal to move its products into China. Apple gained after last night earnings announcement. Amazon climbed all day, gaining 10% by the market close on earnings speculation.

### Monday 10/15/07

The NASDAQ initially opened in the red but staged a comeback after the first half-hour of trading. The DOW and S&P lagged most of the day, only breaking into positive territory after noon. Speculation for a coming rate cut kept the markets from falling after Friday's heavy decline. Bond yields tracked the movement of the equities indexes. Treasuries mostly ended lower, with a small gain for the 30-year bond.

## Top Stories

- **Oil Prices hit a new record at \$92 a barrel**
- **Apple and Microsoft beat earnings expectations and push tech up**
- **Home sales fall further, but Countrywide results may indicate a bottom**
- **Merrill Lynch Posts \$8 billion in subprime writedowns**

## 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](http://www.VirtualStockExchange.com)

ID: CMUEquitiesChallenge

Password: CMU

## Investing Quotes of the Week

"I never hesitate to tell a man that I am bullish or bearish. But I do not tell people to buy or sell any particular stock. In a bear market all stocks go down and in a bull market they go up"

-Jesse Livermore

"In this business if you're good, you're right six times out of ten. You're never going to be right nine times out of ten"

-Peter Lynch

# PROFILE



Kenneth Griffin  
**The King of the Castle**

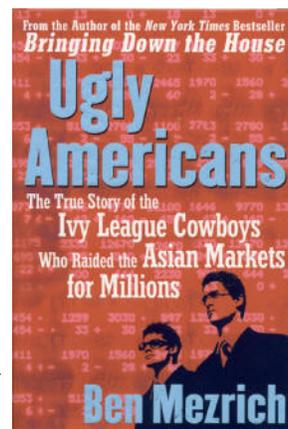
Kenneth Griffin, 39, is the CEO of Citadel Investment Group a massive \$16 billion hedge fund that he founded in 1990 at age 22. He grew up in Boca Raton, FL where in high school he was part-time debugger for IBM. He attended Harvard and it is rumored that he rigged a satellite dish outside of his dorm room so that he could receive real-time stock quotes. With money from his family, he traded stocks and bonds using a convertible-arbitrage strategy. This strategy is where a trader purchases convertible securities of a company (bonds that convert to stocks) and at the same time shorts the stock of that same company.

After graduating from Harvard in 3 years with an economics degree, he attracted the attention of Frank Meyer, the founder of hedge fund Glenwood Capital Investments based out of Chicago. Meyer was so impressed by Griffin's personality and trading record from college that he gave him \$1 million to trade for him. A year later, Griffin decided to set up his own hedge fund in Chicago and named it Citadel because of the implication of strength in times of volatility. The fund initially used the convertible-arbitrage strategy, but has since expanded into every niche in the market. Since it was founded Citadel has returned an average of 22% and has grown into the colossal hedge fund it is today.

Forbes magazine estimates that he is currently worth \$3 billion. In 2006, Financial Times referred to Griffin as "the most feared man on Wall Street." Interestingly enough, his wife Anne Dias-Griffin, is the founder of hedge fund Aragon Global Management, which is one of the largest hedge funds managed by a woman with over \$100 million in assets.

## Ugly Americans by Ben Mezrich

*Ugly Americans* is the true story of John Malcolm, a Princeton graduate who traveled halfway around the world in search of the American dream and pulled off the biggest trade in the history of the financial markets. He was the right-hand man to the brilliant hedge-fund cowboy,



## **The Eight Rules of Carney**

1. Never get into something you can't get out of by the closing bell. Every trade you make, you're looking for the exit point. Always keep your eye on the exit point
2. Don't ever take anything at face value because face value is the biggest lie of the market. Nothing is ever priced at its true worth. The key is to figure out the real, intrinsic value and get it for much, much less.
3. One minute, you have your feet on the ground and you're moving forward. The next minute, the ground is gone and you're falling. The key is to never land. Keep it in the air as long as you fucking can.
4. You walk into a room with a grenade and your best-case scenario is walking back out still holding that grenade. Your worst-case scenario is that the grenade explodes, blowing you into bloody pieces. The moral of the story: don't make bets with no upside.
5. Don't overthink. If it looks like a duck and quacks like a duck – it's a f\*\*cking duck.
6. Fear is the greatest motivator. Motivation is what it takes to find profit.
7. The first place to look for a solution is within the problem itself.
8. The ends justify the means, but there's only one end that really matters. Ending up on a beach with a bottle of champagne.