



**Thank God It's Friday!**

**October 10, 2008**

October just started and it already feels like a year has passed.

September's market sell-off has intensified as our credit crisis is now being felt across the globe. Each day, stock rallies are thwarted in the last ½ hour of trading as large Hedge Funds dump stocks because October is their annual liquidation month; the one time investors can withdraw their capital. Ditto Mutual Funds... but for a different reason. Most Mutual Funds close their books on October 31<sup>st</sup> therefore tend to engage in "window dressing" before the month ends.

There is a sense of urgency now more than ever. There will be weekend meetings of the International Monetary Fund and World Bank. Today, a group of economic officials from the seven major economic powers called the G-7 (US, UK, France, Canada, Italy, Japan and Germany) will be meeting in Washington over the weekend. They will be discussing a number of proposals to address this financial crisis. If any of the proposals come to fruition, we'd like to see immediate action from these countries.

**On Wednesday**, the Fed reduced interest rates by ½ a point to 1.5%. But we were not alone. In a concerted effort, central banks around the world joined us in lowering their interest rates. Our partners in this effort included the European Central Bank (ECB), UK, China, Canada, Sweden and Switzerland. Japan supported these actions, but could not participate because their rates are already at a low of 0.5%. South Korea, Taiwan, and Hong Kong also followed with rate cuts the day after. Countries not yet affected by this crisis know that they will not be immune. This is acknowledgement that this is not just a U.S. problem, but a global problem and that everyone needs to come together to fix this financial credit crisis.

Ironically, the fact that we have witnessed broad-based selling across all sectors and on a global basis is a sign that the panic is being flushed out of the market. The market is clearly not paying attention to the fundamentals of high quality companies, but we are. However, for the time being, we continue to play **DEFENSE**.

Undoubtedly, the day will come when the government actions around the world will restore liquidity and the world as we know it will return to some version of normalcy and stabilization. When this turnaround happens, we'll bring on the **OFFENSE**. It is important that stability and investor confidence is restored. It's a global problem and it will take a global effort to emerge out of this crisis. We hope you will feel free to contact us with any questions you have about this complex financial crisis.

By: Eric Chang, CFA

Two Walnut Creek Center ■ 200 Pringle Avenue, Suite 450 ■ Walnut Creek, CA 94596  
925.932.0344 ■ 800.783.0344 ■ FAX: 925.932.8216

