

Thank God It's Friday!

March 7, 2008



New York Governor Eliot Spitzer is the new Superhero on Wall Street. Not since the man of steel saved widows and orphans has anybody had such a dramatic effect on our sacred bond market as he did this week by hammering-out a deal to re-capitalize AMBAC. We are encouraged by the speed with which the recent muni bond crisis has calmed. Muni bond prices soared this week.

This was perhaps the most noteworthy event of the investment week. Big bucks came to the rescue of AMBAC's credit rating which had to stay at AAA to give investors the assurance that their muni bonds are still good as gold. AMBAC is an insurance company that shores-up the safety of muni bonds in case the underlying municipality ever failed or declared bankruptcy like neighboring Vallejo, CA, is struggling to avoid. Keeping its pristine AAA-rating is essential to the muni market-at-large where investors come for safety and tax-free interest and the sense of wellbeing that comes knowing their nest egg is safe.

We are not sure when the subprime-triggered credit crisis will subside, but we know global reservoirs of liquidity are full even though capital has been fleeing away from our dollar into commodities and Asia. This avoidance won't last forever. Foreign investment in US businesses overall pales in comparison to the staggering value of assets that US companies - and individuals - own abroad. Exxon alone owns billions of dollars of prized resource-rich property in countries from Angola to Zimbabwe. US-based GE owns \$630 Billion of foreign assets, including stakes in national trophies like France's railway. Yes, Americans own an impressive amount of assets worldwide. Globalization is not merely about trading with foreign nations, it is also about investing in them. As students of the world economy, we are not terribly concerned about lowering country barriers to ownership. Global capital mobility is allowing funds from abroad to shore-up undervalued US companies like AMBAC, while allowing Americans to invest in the high-growth overseas economies like BRAZIL, CHINA, RUSSIA and INDIA.

By: Jude Bedell

INDEX	03.07.2008	12.31.2007	%Change
DOW JONES	11,894	13,265	-10.3%
S&P 500	1,293	1,468	-11.9%
NASDAQ	2,293	2,652	-13.5%
Bond YIELD	3.55 %	4.03%	-11.9%*

Bond Prices 

Bond Yield % 