

**Thank God It's Friday!**

**October 30, 2009**



Halloween is **HUGE** on Wall Street.

This morning, a New York bond trader called-in as usual but asked a weird question: What are you wearing? Excuse me!?!? Needless to say he was referring to my Halloween costume but his inquiry illustrates the holiday frenzy that grips Wall Street each year as October comes to an end.

There are creepier forces working behind the scenes today: Money Managers. The heads of the market's big hedge funds and mutual funds are in a desperate race with the clock. They are scrambling to show good performance for the month and the year. October is when most mutual funds close their books for the year. Their "window dressing" behavior goes a long way to explain the enormous volatility of today's stocks than you might realize. You wonder why the "good stocks" that have boomed in 2009 are being sold and the laggards are being bought. Sounds haunted but consider the date. October 30th is a drop-dead date as we say in the trading pits to describe a firm deadline.

In the hedge-fund world, early November is when clients must decide whether or not they'll stick with a particular firm, because they can't jump ship at the last minute in December. So fund managers bid up their holdings in late October to boost their numbers, giving these clients a reason to stay. Otherwise the managers would be hit with a wave of redemptions.

As for mutual funds, since most of them end their fiscal years in October, they try to avoid saddling investors with last-minute tax consequences. Therefore, they take capital gains in December, leaving investors two months to adjust their tax strategies. Managers lock-in those gains now in October to beef-up their annual performance.

Zombies are the living dead. FDIC Chairman Sheila Bair has the job of finding them and burying them for good. Since the beginning of 2007, she has shut down 135 banks. It's a tough job. This Halloween, Ms Bair will be dressed-up as an angel. Hands down she'll win the prize for best costume because nobody knows how many zombie banks are out there. We'll be out there trolling around to keep you plugged into the scary facts.

By: Jude Bedell