

WF NewsLetter



Atlantis

The event of the month in Dubai, worldwide, was the Atlantis Grand Opening and, according to our sources, it went as grand as expected. \$20 millions bucks were wasted on the evening, (V)VIP were seen everywhere. Music, fireworks, the show was proportional to the length of the red carpet and the prices of celebrities' dresses. We were all the more surprised, stunned, should we say, when the following day's edition of the Gulf News announced a **20% occupancy** (is this really Dubai?) and rates as low as **\$45 for one night** in the 9th wonder of the world. Dubai will never cease to surprise us!



Summary:

- **The Day After**
- **US Automobiles**
- **Dubai Real Estate**
- **Wal-Mart Ethics**
- **Dubai Broke?**

The Day After... *The Election*

November 5th 2008 will remain known as the day of the first election of a non-white as President of the USA. That same day, markets went on tumbling, General Motors (**GM**) and Ford (**F**) announced that they were begging for government's money to reverse decades of mismanagement, AIG (**AIG**) asked for a few billions more and it was the beginning of the slow –but steady- decline of Citigroup (**C**) towards what can only be called a suicide. The number one financial institution in the world has

now decided to **commit seppuku** as our Japanese friends say by selling its own



parts to anyone ready to buy them. ADIA, the Abu Dhabi sovereign fund and Saudi Prince Alwaleed have already increased their shares in the beast, close to 5% each.

So nothing has really changed. White guy, black guy, woman, nothing is really looking like it may reverse the gloomy sentiment prevailing in traders rooms. Maybe a guy from **Mars** would do the trick, we may have to wait four more years to be sure. OK we may not see Martians but the Chinese are told to have an eye on AIG while the Auto makers are also looking East for funding (buyers). Abu Dhabi may take a stake in Emirates (yes, Dubai also feels the pain). Let us give Mr. Obama a chance and see...

The US Auto Industry... *in Shamble*

Chevrolet, Hummer, Opel, Buick, Pontiac, Cadillac, GMC (**General Motors**), Ford, Lincoln, Mercury (**Ford**) and **Chrysler** may become names of the past. They were indeed managed like companies of the past. We cannot remember a time when Ford,

for example, was not described as managed by incompetents. The US auto industry has been happy building large cars, with huge appetite for petrol, no special skills on roads (hello Hummers) and on top of that, the industry, yielding to UAW

(the automobile union), has been funding unreasonable pension funds and paid high salaries, unable to see the ravine it was headed for. There we are now! One more step and they go down. Will the government pay for this mess? Next month will say.

Dubai *Real* Estate

Now it's finally becoming **real**. Emaar, Nakheel, Damac, etc... all are laying off people and postponing new projects. Secondary prices are said to become bargains (while prices for off-plans remain on the high side (but who buys?). Now are we witnessing the end of it or a well-needed re-adjustment to reality? We

believe the latter. This is maybe the beginning of a real market where people buy and sell based on facts rather than dreams. Of course, this may prove costly for some late buyers, but, as with everything else, even Dubai real estate has a price! We are witnessing a big drop in individual buying since people

who usually need a mortgage cannot get one any more, however, companies are still coming to Dubai, and office space is still at a high premium. What about the future? There are still terrific buildings coming out, the Pad, the Swinging Towers, the Rotating Tower. These will always attract buyers!

Walnut Finance

The Twin Towers, Office 701a
Baniyas Street
PO Box 51774
Dubai
United Arab Emirates

Phone +971.4.229.7450
Fax +971.4.229.7480
Mail info@walnutfinance.com

Visit us

www.walnutfinance.com

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QUOTE OF THE MONTH

"It gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from **Mars** would be scratching their head"

WARREN BUFFETT
RICHEST MAN ON EARTH
Talking about Gold



NUMBERS THAT STRIKE

- **-\$280,000,000,000** is the drop in the market value of Citigroup in 18 months
- **+17%** the best week for the Dow Jones since 1932! Yes! True!
- **\$20,000,000,000** this is how much Microsoft is offering Yahoo! for its "search", yes, the small bit in the top left corner...
- **\$200,000** is what Mehdi Amjad (Founder and CEO Omniyat) will pay Virgin Galactic to become one of the first space tourist

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Indicator	Last	Year-to-date	1-Year	3-Year
Dow Jones	8,829.04	-29.37%	-33.36%	-18.83%
NASDAQ	1,535.57	-38.69%	-41.39%	-32.45%
CAC 40	3,262.68	-41.17%	-41.18%	-30.81%
\$/€	1.2700	+13.49%	+13.31%	-7.48%

AIG (Private Bank) has been sold to an Abu Dhabi investment company. The sale goes on.

Roppongi (Tokyo, Japan) "hostesses" are said to have felt the financial crisis ahead of everyone else when they abandoned the once-wealthy area for lack of brokers, traders and bankers in the numerous bars. (from TF our wandering correspondent)

Amlak (Dubai) has become the first mortgage company in the world not offering mortgages any longer and claims the "joker of the month" title for it.

Trump Entertainment (Casinos) will not be able to pay a \$53MM interest payment due from its debt. Casinos also feel the crisis. Donald Trump cited smoking ban as reason...



The 44th President of the United States of America **Barack Obama** made history being the first non-white man to be elected. We now look forward to politics he will implement, and how/if they will differ from the usual US mess.

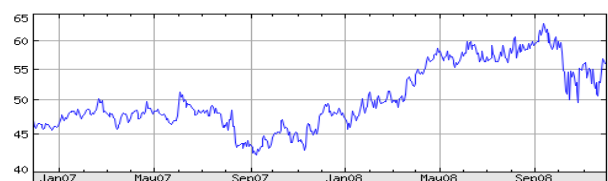


John McCain, in our opinion, deserves a special mention as a decent man.

Ethics in Investing? ...Wal-Mart

Wal-Mart is the world's largest employer with over **2 millions staff** worldwide. Wal-Mart is also known as one of the companies getting the highest number of employee-related court cases. Wal-Mart doesn't pay well, forbids unions, women earns as low as \$10.50 an hour (in the US) and some are said to live under the poverty line. But looking at its stock's value, Wal-Mart is a good company.

And for the past 2 years its stock has gone from \$46 to \$56. Not an outstanding performance in itself. but compared to the



rest of the markets a remarkable one. And Wal-Mart is not selling guns, it sells food and whatever your home needs. The point here, is the way the company conducts its business vs. results. **Ethics vs. Profits.**, an interesting debate. Wal-Mart founder, **Sam Walton**, was the 3rd richest man in the world.

Is Dubai.... Broke?

It's now become a daily occurrence. Calls from Europe or Asia asking the same question: "is Dubai broke?" The truth is that a lot of countries would love to be in Dubai shoes today. Real estate downturn? So what? The reason for all this talk? Well the debt/GDP ratio has gone wrong to 105%. Note

that the US ratio is about 117%, Italy has reached 104%, **but UAE's is only 24%**. So the Federal State covers all the **extravaganzas** of Dubai. Now, most projects in the UAE are 18 months behind schedule, so one can only hope that this crisis last that much to let construction companies and developers

catch up! Hotels are still full, traffic at a standstill and construction at full speed (and noise) everywhere. So Broke? No, we don't think so. Some speculators are, though and this is what the crisis exposes: speculation is risky! We advise cash-rich investors to watch the market now and look at opportunities.