

WF NewsLetter



Financial Crisis Casualties

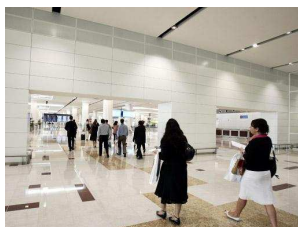
Last month we had a list of financial institutions hit by the crisis. This month we opted for **countries**.

Broke

Iceland (**Исландия**)
 Pakistan (**پاکستان**)
 South Korea (**남한**)
 Ukraine (**Україна**)
 Zimbabwe*

*not crisis related

As of date of publication...



Dubai Airport Terminal 3 finally open for business.

Summary:

- Billion(s)
- Исландия
- Tax Shelters
- October 2008
- Greenspan

When Billion *becomes the unit...*

We wrongly mocked Zimbabwe when learning about their currency that had devalued in millions of percentage points. Now, it appears that the new accounting unit has become the **Billion** (Dollar, Euro, Yen, or Sterling, who cares?). Everyday we get the news that one of the G4 (7, 8 24, 27, who cares?) government has granted hundreds of Billions to rescue its banks or insurance companies. Why has the Billion suddenly become the accounting unit worldwide? Because we are

talking LARGE companies. And GOVERNMENTS. That only deal in Billions. During the last



"hundreds of... ah.. millions... billions?"

financial crisis, the **Internet Bubble**, some stocks moved down from hundreds of dollars to literally pennies. But these companies WERE small companies, whose prices had rocketed but

still never represented any substance. There was no assets, just prices moving up. Now, when AIG or Lehman Brothers go under, we are talking about the first insurance company in the world and the fifth US bank. And when Iceland goes broke, we are talking about a country! So the unit is proportional. And so are the losses. And so are the recovery deals. \$/€ 50 Billion has become the unit for governments recovery plans. What about **taxes** in the coming years? Guess...

For Sale... *Исландия* (pronounce "Iceland")

Iceland is for sale... and Russia is putting a bid. Iceland used to be known for its geysers and emptiness. Long time back, it was also a refueling stop for charter flights between Europe and the USA. After a **180°turn**, it suddenly became a **trader's**

paradise. Now the Russians seem to be dragging their feet. They have their own problems having had to close their Stock Exchange on repeated occasions... to protect the **oligarchs' wealth?** Some of them are said to have lost a (recently acquired)

fortune during the recent weeks. Not that we care! But why Russia? Walnut Finance has it from very informed sources that Iceland had been used by Americans to "enter" the Russian market discreetly. Hence the incredible growth of Iceland!

Tax Shelters...*or Banking Secrecy*

There is a widely spread misconception about Tax Shelters (the French **Paradis Fiscal** is much nicer) and countries that maintain a strict Banking Secrecy. For example, neither Switzerland nor Luxemburg are true Tax Shelters, their respective tax rates, by the way, are amongst the higher in Europe.

The Bermuda or the Cayman Islands are Tax Shelters where one can create an offshore company without capital, without partners, without any accounting. And of course, without any taxes. However, once you have created an offshore company, and your operations are starting to yield some nice,

and fat profits, you need to store all this cash. You fly to Switzerland where you open a Private Account that will not be disclosed to the French or German authorities as tax evasion is not a concern there. You want a better and simpler solution, try the **UAE**, which is both secrete (we hope) and tax-free (so far)!

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QUOTE OF THE MONTH

STOCK MARKETS
INDICES ARE
DISPLAYING CHILDISH
AND BASIC REACTIONS
JACQUES ATTALI,
PLANET FINANCE
FOUNDER

NUMBERS THAT STRIKE

- **\$25,000,000,000,000** is the estimated cumulated loss in the stock markets since the beginning of 2008
- **-94%** the percentage loss of the Reykjavik Stock Exchange in 3 months
- **-55%** the drop in oil prices in three months
- **\$650,000,000**, the cost of Barack Obama's presidential bid
- **\$2,000,000,000** the one-day loss by Citic Pacific bank in Hong Kong in hedging (protecting) currencies

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Indicator	Last	Year-to-date	1-Year	3-Year
Dow Jones	9325.01	-27.45%	-33.06%	-11.45%
NASDAQ	1,720.95	-33.88%	-39.81%	-20.67%
CAC 40	3,487.07	-37.13%	-39.15%	-22.49%
\$/€	1.2737	+13.59%	+12.10%	-8.08%

Obama (Barack) and McCain (John) exchanged jokes and showed the rest of the world what a democracy can yield at The Alfred E. Smith Memorial Foundation Dinner.

Obama: "My opponent is an impressive fellow in many ways. Political opponents can have a little trouble seeing the best in each other. I have seen this man at his best. I admire his great skill, energy and determination"

McCain: "It's not for nothing that he has inspired so many folks in his own party and beyond. Senator Obama talks about making history and he's made quite a bit of it already"

And the Best of it: The Event raised \$4 Million for needy children.



DOWN
Caisse d'Epargne
lost € 751 MM in
one (nice) trade



DOWN
Alan Greenspan
admitted he'd been
wrong for 40 years!



UP
IMF Boss
**Dominique Strauss
Khan** Yes he can!



UP
Gordon Brown for his
crisis management and
revival as British PM

October 2008... *the month of all dangers*

October 2008 will probably be remembered as the worst ever on the markets front. Or at least, so we hope. And most volatile as well. Let's remember that on the 13th of this month the Dow went up by 936 points, or +11%, and again on the 27th. On that day, the CAC 40 in Paris shoot up by +9.23%. The point here is the volatility; it reflects both uncertainty and fear. Not the best mind-set when it comes

to dealing with your money. Investors sell low, buy too late when they see the market jumping and lose it all the next day when it's tumbling. And again the next day. Our best advice: keep it simple! Either your in and you forget about your shares; they will go down, but eventually, they'll come back. And, if you are not in. Stay away! October also saw Gold lose 21% of its value (despite Diwali). Crude

Oil lost 30% of its. The winners? **Volkswagen** after it was taken over by Porsche and most banks had bet against it. German banks are said to have lost \$15 Billions on this deal. Another winner? **Wine**. The price of some prime wines remain undisturbed by this chaos. [Watch for an announcement from Walnut Finance on the wine subject and be prepared to enjoy a steady returns!](#)

The end of... *Alan Greenspan*

"I made a mistake in presuming that the self-interests of organizations, specifically banks and others, were such as that they were best capable of protecting their own shareholders and their equity in the firms." That astonishing statement was made by Alan Greenspan who went on "**the collapse of the**

sub-prime mortgage industry - and the vast, hidden trades in derivative financial instruments -- exposed a "flaw" in my categorical reliance on free markets." End of the world! The man who had been advocating and supporting free markets for decades, the man whose statements made brokers

hold their trades for hours, has suddenly admitted he got it all wrong. And for 40 years! So whom to trust? Actually, we don't know. The best banks (and their analysts) have lost their capital, finance ministers contradict each other on a daily basis, experts are doomed. We strongly advise to listen to **no one!**