

WF NewsLetter



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NAPOLEON VS. BONAPARTE

The Clearstream Affair



The current President versus the former Prime Minister. One wants to clear his name, the other claims he did nothing. One is often compared to **Napoleon** (not only for his height), the other wrote a book about Napoleon. Both want to be President, one has achieved it, the other will not be satisfied until he is the one to oust him. France is offering its citizens a spectacular show of **power struggle**. Quite indecent in fact, and rather



stupid. One wonder what Napoleon, the real one, would have thought about this bullfight. More clever, he self-appointed himself, never willing to let the people decide on such an important matter as his election. As for the legacy, de Villepin made a grand speech at the UN and Sarkozy has a nice wife, but not much to compare with the Napoleonic Code, the metric system or buildings in Paris. Let's hope our two leaders will try and do better.



BNP Paribas will repay its government loan via a € 4.3 Billion capital increase.

Bank of America CEO, Ken Lewis to quit. The market likes it.

India' **Bharti Airtel** and South Africa **MTN** have called off their massive \$24 Billion merger.

Lehman Brothers: One Year After

A big name has dropped off the screens. Do we miss it? No. Has anything else changed? No. Bad news for Lehman Brothers, life goes on after its demise as if nothing had happened. Let's not forget that this collapse triggered one of the worst financial crisis in history. But

where did Lehman act? Hedge Funds and Prime Brokers financing was the speciality.



All in all this demise has been bad for US institutions such as Morgan Stanley and good for European ones such as Deutsche Bank and Crédit Suisse. There has also been a rise in risk awareness on behalf of investors, so may be this collapse will bring a better governance.

China: 60 Years of "Revolution"



On October 1, 1949 the People's Republic of China was established under the leadership of Mao Zedong. From the Hundred Flowers Campaign (1950), through the Great Leap Forward (1958), and then the Cultural Revolution (1966) it is estimated that the regime achieved the astounding result of **50,000,000 victims**. Which,

even for a country the size of China, still stand as a world record. **The Great Helmsman** was a pure dictator who made error after error and led China to some of the largest disasters: ecological, human, or political, in recent history. Beijing is going to celebrate this achievements, it may seem a bit odd to celebrate a failure, but let's keep in

mind that if the world knows about this failure, the Chinese people don't. For the past 20 years, and especially the last 10, the Chinese have enjoyed a rather nice improvement in their living conditions; they'd rather not risk this progress for the sake of history. But eventually it will come and the servile Chinese may turn into nasty citizens.



Technicalities: **Cornering the Market**

This is the process of purchasing enough of a commodity or stock in order to allow the price to be **manipulated**. There has been numerous attempts and very few successes, but successes nonetheless. It all started with **onions** in Chicago in the '50s, the attempt failed but resulted in the passage of the **Onion Futures Act**. Futures were

born. In the '70s the famous Hunt brothers (Hunt Oil) made an attempt at cornering the **silver** market, holding at the peak more than 50% of deliverable silver whose price rose from \$11 to \$50 and collapsed back to \$10 a month later, **Silver Thursday**, many in Dubai still remember it. In 2006 BP **propane** traders were

accused of illegally cornering the US propane market, they agreed to a \$300 millions fine. Last but not least, **Porsche** cornered **Volkswagen** shares and made a €12 Billion profit. This was not pure speculation as Porsche was really aiming at controlling Volkswagen. They used naked shorts to squeeze Volkswagen.



Did you try the tube?

Bull vs. Bears: **Will October Say?**

October, is usually noted for its **spectacular crashes**, and could well be the spookiest month of the year. Many wonder whether the six-month bull run is coming to an end. Many investors are braced for a pullback, however history may show them wrong. The market rebound after 1987 crash did not see a 10% correction until 1990, and the drop had only been 55%! The usual October drop is about 3% to 5%. Except for 2008 and 1987 and they were preceded by a negative

September. Not the case this year. Also when October crashes, there usually is a notice in May and June. Not the case this year. This is for the Bears. Now for the Bulls:



indicators, monetary data, liquidity measures and valuations, all point north. Technically, both Dow and S&P have broken above the 200-day moving average, usually a characteristic of healthy market. Money stock is expanding by 8% per year. The market is at a 20% discount to GDP (in 2000 it traded at 1.8 times GDP). So easy times ahead. Bumpy rather. We advise a **sharp reduction in leverage levels** but no sell-off. And watch closely 3rd quarter earnings.

ADCB sues **Moody's and Morgan Stanley**

Abu Dhabi Commercial Bank is suing Moody's and Morgan Stanley, the rating agencies for having issued "false and misleading statements" about Notes backed by subprime mortgages and other debts. This certainly is a first and it had to come from the UAE. We cannot do less than **congratulate ADCB** for doing what everybody else in the financial community is claiming. But not doing.



France Telecom: **24 Down**

According to the WHO (World Health Organization), France ranks #3 in the world in terms of countries with the highest rate of corporate moral harassment. Therefore the incredible series of suicides at France Telecom where the French Government is still the largest shareholder is less of a surprise. Furthermore, the France Telecom upper management has implemented a policy of systematic change of affectation every 3 years on

average. To improve productivity? No. To improve the well being of employees? No. The ultimate purpose of this policy is simply to make employees so dejected with this policy **that they would themselves resign** from the company. France Telecom even send people they want to dismiss employment offers for totally **unsuited jobs** such as grocer, newspaperman, etc... Under the pressure of competition (Bouygues Telecom and SFR), France Telecom seems to be unable to adapt to its new competitive

world. The Socialist Party (**which did privatize France Telecom**) has requested for the resignation of its CEO, we can only agree with this request. Actually we rather think that the CEO should have fired himself. The latest is that with the buzz around these suicides, there are more and more "clients" willing to **resign their subscriptions** to France Telecom services **for ethical reasons**. This may be the real trigger for an improvement in methods.

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QUOTE OF THE MONTH

“Every Communist must grasp the truth that political power grows out of the barrel of a gun”

**MAO TSE-TUNG
CHINESE DICTATOR**

**Annualized Return Since Inception:
+ 91.97%**

Walnut Finance \$100,000 US Portfolio

On January 1, 2009, Walnut Finance invested for its own five times \$ 20,000 in five different US-listed securities. The table on the right gives the result of that investment as of September 30, 2009. Dividends are net and not re-invested. Profit is +68.98%.

**Current Value:
\$ 168,978.12**

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| Index | Last | Year-to-date | 1-Year | 5-Year |
|------------|-----------|--------------|---------|---------|
| Dow Jones | 9,712.28 | +7.73% | -10.33% | -2.23% |
| NASDAQ | 2,122.42 | +30.37% | +2.56% | +0.97% |
| CAC 40 | 3,795.41 | +18.68% | -5.87% | +1.75% |
| FTSE 100 | 5,133.90 | +12.10% | +5.41% | +9.26% |
| Nikkei 225 | 10,133.23 | +11.59% | -10.01% | -10.72% |
| \$/€ | 1.4639 | -5.67% | -5.90% | -12.76% |



José Manuel Barroso
Reappointed EU Chief for the second time.
Well done Mr. Yes man!



Flavio Briatore
Renault F1 boss. And a big cheater. Out.



Guy Laliberté
Cirque du Soleil founder and only billionaire to increase his wealth in 2009.



Mahmoud Ahmadinejad
Competing with Kaddafi at the UN meeting for worst leader. Won.

This month's Winners

Our selection

| Company | Symbol | September '09 Perf | Year-to-date Perf | Price |
|-----------------|--------|--------------------|-------------------|----------|
| Palm | PALM | +30.88% | +459.62% | \$ 17.46 |
| Danone | BN.PA | +18.57% | +43.26% | € 41.18 |
| Petrofac | PFC.L | +12.27% | +168.16% | p 987.50 |
| Yahoo! | YHOO | +25.60% | +35.64% | \$ 17.81 |
| Crédit Agricole | ACA.PA | +10.53% | +64.71% | € 14.28 |

Walnut Finance \$100,000 Portfolio

| Company | Symbol | Shares | Bought | Last | Value | P/L |
|--|--------|--------|----------|----------|----------------------|---------------------|
| AIG | AIG | 574 | \$ 34.80 | \$ 44.11 | \$ 25,319.14 | \$ 5,343.94 |
| Arcelor Mittal | MT | 679 | \$ 29.43 | \$ 37.14 | \$ 25,218.06 | \$ 5,235.09 |
| Yahoo! | YHOO | 1,600 | \$ 14.75 | \$ 17.81 | \$28,496.00 | \$ 4,896.00 |
| Nvidia | NVDA | 2,254 | \$ 8.87 | \$ 15.03 | \$ 33,877.62 | \$ 13,884.64 |
| Powerwave Tech. | PWAV | 21,739 | \$ 0.46 | \$ 1.60 | \$ 34,782.40 | \$ 24,782.46 |
| Dell | DELL | 1,300 | \$ 13.60 | \$ 15.26 | \$ 19,838.00 | 2,158.00 |
| Cash + Net Dividends Earned | | | | | \$ 1,446.90 | |
| Portfolio Net Value as of August 31, 2009 | | | | | \$ 168,978.12 | \$ 56,300.13 |

(\$ 100,000 invested on January 1, 2009, equally split over five securities)

We sold Bank of America (BAC) and invested the proceeds into 1,600 shares of Yahoo! (YHOO). The rest of the portfolio

has continued to enjoy the steady recovery of the market, except for Dell (DELL) and Arcelor Mittal (MT) which stagnated.