

WF NewsLetter



Metro Dubai



We ask our readers to explain how people will move from metro stations to their destinations. As it seems, most of the stations are located quite away from the places they are supposed to serve. With heat and shopping bags, and the usual non-entertaining walks in Dubai, we wonder why the stations are not located within or below the destinations. Built quickly, and over the ground, there was no choice. But will it be successful?

**Summary:**

- **BNP-Paribas**
- **Citigroup? Yes!**
- **The Glitnir Combo**
- **Chinese Stock Market**
- **Aviation News**

BNP-Paribas, *Standing Out?*

With the French government adding (addicted to?) taxes, especially the latest one on capital gains, we are not, at Walnut Finance, strong supporters of French institutions when it comes to finance and investing.

However, there is one French institution that seems to stand out in the current global financial crisis: BNP-Paribas.

Read this: BNP-Paribas is the world largest bank **that had not had to raise money since last year**. Along with Goldman Sachs, it has not had an

unprofitable quarter since the crisis began. It did write down \$3.6 billion in sub-prime related losses, but wait, this to be compared with: Merrill Lynch (\$52 billion), Citigroup (\$40 billion), UBS (\$38 billion), and so on.

Why? How? Well BNP-Paribas does banking the "old way" it **gets deposits** through a huge retail banking presence and these deposits fund its investments using much less leverage than its competitors.

The results? Cash. And the next question? What will BNP-

Paribas do with this cash? And the obvious: acquire a competitor. Especially now that a lot of banks and brokers are cheap and their owners would welcome such a move. But here again BNP-Paribas does not seem to yield to fashion –as one of its Senior Managers says.

In any case the message should appeal to employees, shareholders and clients. The bank is safe and healthy. **Good news in banking?** There are so few that we could not resist!

C, and now *AA*

Last month we recommended the purchase of **Citigroup**, listed on the NYSE. The stock had closed the month of July at \$17.43. The last trade for August was \$18.99. Or **+9.00%**. In comparison, the Dow Jones moved only up by +1.52% over the same period. This move shows that weak

–some say Bear– markets are not to be totally discounted. There is always good value somewhere and thorough research can (but not always) yield positive results. When a stock is hammered, even with good reasons like in the case of Citigroup, there is always the possibility that the

markets may overreact. Opportunity. And let's be honest a bit of luck!

This month we are betting on Basic Materials with **Alcoa** (symbol "AA"). We do not expect a rocket-style performance but are rather looking at steady growth based on valuation.

Investment **AND** Fixed Deposit *The Combo*

 An innovative asset manager offers an original and attractive scheme designed for investors who wish to participate in the markets while guaranteeing part of their investment. The trick? Combining a **High Interest**

Fixed Deposit with an investment in the Fund of your choice for a defined maturity (6-month minimum). The investor chooses (1) the percentage of his investment that will be guaranteed (2) the maturity of his scheme (3) the Fund he will invest in.

Simple? Yes. And we are surprised nobody thought about it before. **Walnut Finance** represents **Glitnir** in the Middle East and encourages interested parties to contact us for more information on that simple and efficient offer.

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QUOTE OF THE MONTH

THE ONLY FUNCTION OF ECONOMIC FORECAST IS TO MAKE ASTROLOGY LOOK RESPECTABLE.

J KENNETH GALBRAITH, ECONOMIST

NUMBERS THAT STRIKE

• **11,200,000%** we decided, this month to stick to that one and only number. This looks like a record, and we believe it is. No market performance, no increase in the Chinese television numbers of viewers. No, this number represents the **yearly inflation in Zimbabwe!** This is not a political newsletter and we will not take position on that field. However on the economic side we grant Mr. Mugabe the **Disaster Medal.**

Indicator	Last	Year-to-date	1-Year	3-Year
Dow Jones	11,543.55	-11.59%	-11.97%	+10.49%
NASDAQ	2,367.52	-9.04%	-7.71%	+10.58%
CAC 40	4,482.60	-19.24%	-18.79%	+1.76%
\$/€	1.4673	-0.05%	-7.69%	-17.38%

China (People's Republic of) won the Olympics (51 Gold Medals)

United States of America also won the Olympics (110 Medals)

Medvedev (Dmitry) surprises us. We thought he was just a puppet put in place by Putin for an interim, but it seems the guy is our typical Russian (Soviet) leader. Authoritarian, ultra-nationalist, and hypocrite. Good old Russia!

Gustav (Hurricane) the new Katrina seems even bigger, stronger and that's only three years later.

Ramadan this is it! Day 1



DOWN
Mugabe,
Inflation Man



DOWN
Spanair forbid its
passengers to
exit.. and crashed



UP
Palin
Republican VP
Don't know her



UP
Biden
Democrat VP
Don't know him

Beijing *Over at last*

China organized the best ever Olympics Games. OK. During that time, business was not "as usual". The Chinese stock market index lost -15% since the beginning of the Games (and -56% since the beginning of 2008!)

So what happens to China? They still have a huge domestic market, they manufacture and copy for the rest of the world. Everybody

seems to agree on the fact that China's "middle class" is coming out in large numbers and buying TV sets and cars. So where is the problem? A possible answer, is that the Chinese market moves to its own beat. For much of this decade, Chinese stocks languished even as domestic and global economies flourished! Then, in 2006, the Shanghai Index

(the one that counts) jumped +130% and doubled up the next year. Chinese investors held to their shares because they believed that their government would intervene to "hold" the market during the show. It didn't happen. However, Chinese price earning ratios are down to 18. Will the government finally trigger acts to boost the markets? We think so.

Airlines, *Fasten your seat belts, turbulences ahead...*

Spanair lost an aircraft in a still confused **catastroph**e in Spain. A Ryanair flight had to make an emergency landing in Italy last week; another Ryanair flight suffered a sudden decompression and had to force land in France the week before. The following day an Itek Air flight lost pressure in Kyrgyzstan

and killed its 68 passengers. Not related, Airbus announced another **delay** for the delivery of the second Emirates A380. And Boeing is threatening to pull away from the bid for refueling aircraft for the US Air Force because of lack of time (?). Finally, the Italian government pulled the plugs of **Alitalia** that was

pronounced dead last week. With cheaper oil, there seems to be extra pressure on the industry and that transcripts in more incidents, accidents, or bankruptcies. Now the price of oil has retreated to \$115 so, flying should be safe and smooth again. Let's see. Watch **airlines stocks**, they may be interesting.