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## FINANCIAL SERVICES REPUBLICAN MORNING CLIPS 4.07.2009

Associated Press: "Wall Street looks to extend prior day's losses ... Wall Street appeared ready to extend its losses into a second day Tuesday as investors remained skittish ahead of Alcoa Inc.'s earnings report. Declines in overseas markets also put pressure on U.S. stock futures."

Wall Street Journal: "Treasury Revisits Rules for Toxic-Asset Sales ... The Treasury Department, facing criticism over its bank-rescue program, said it may allow a broader group of private investors to purchase toxic securities."

Wall Street Journal: "Bailout Man Turns the Screws ... James Lambright, chief investment officer of TARP, is an embodiment of how power in the economy has shifted -- for good or ill -- to Washington."

Wall Street Journal: "Central Banks Enhance Fed's Currency Lending ... In a precautionary move, the Federal Reserve, the Bank of Japan and three European central banks expanded a program that allows them to lend each other's money to financial institutions in need of foreign currency."

Wall Street Journal: "Buyers Arise for AIG Unit as Some Bids Scrape Floor ... About a half-dozen bidders have emerged for American International Group Inc.'s asset-management business, according to people familiar with the matter. But the sale of the \$100 billion portfolio has become complicated by client withdrawals and declines in asset prices."

Wall Street Journal, Op-Ed: "In Defense of Derivatives and How to Regulate Them ... The dictionary defines a derivative in the field of chemistry as "a substance that can be made from another substance." Derivatives in finance work on the same principle. But if you read the headlines these days, you might think derivatives were made from arsenic by Wall

Street institutions bent on causing financial destruction."

Financial Times: "Hedge Fund Manager Charged in Madoff Scheme ... Andrew Cuomo, the New York attorney-general, on Monday filed civil fraud charges against the hedge fund manager Ezra Merkin, alleging he secretly channelled more than \$2.4bn to Bernard Madoff's Ponzi scheme in exchange for lucrative fees."

Washington Post: "House to Probe Adherence to Bailout Pay Rules ... A congressional oversight committee opened an investigation yesterday into whether the Obama administration is circumventing a law that limits lavish pay for executives at firms benefiting from the \$700 billion federal bailout."

New York Times: "Economy Falling Years Behind Full Speed ... As the recession grinds on, more and more of the nation's means of production - its workers, its factories, its retail outlets, its freight lines, its bank lending, even its new inventions - are being mothballed."

Weekly Standard, Harvey Mansfield: "A Question for the Economists ... One group of those involved in the present financial crisis has so far escaped notice--the economists. They are masters in the science of prediction, but as a group, if not to a man, they failed to predict a crisis that has wiped out nearly half the wealth invested in the stock market and elsewhere (measured of course from the peak). The economists did no better than their unscientific rivals, the stock pickers, who are in the business of prediction."

Barron's: "How Not to Price Toxic Bonds ... Why the Treasury's plan to buy toxic debt from banks has little chance of achieving any of its three objectives. You can ask this question to newly minted MBAs to distinguish the merely smart from the truly clever. The "smart" answer, approved in all the best business schools, is "the sum of the future cash flows." Occasionally someone will provide something more interesting. My all-time favorite answer came from a fellow who became a very successful trader. The maximum price of a bond? "Whatever the stupidest investor is willing to pay for it."

Investor's Business Daily, Editorial: "Federal Takeover ... Didn't Treasury Secretary Timothy Geithner say that it was not the administration's intent to control private companies? Then why is it reportedly reluctant to accept TARP repayments from some banks?"

NY Daily News: "Iranian nuke plot vaporized in the city: NY banks unwittingly aided in material transfers, says DA ... The Manhattan district attorney's office has smashed a sinister plot to smuggle nuclear weapons materials to Iran through unwitting New York banks, the Daily News has learned."

ABC: "Tearful Allen Stanford Expects Indictment in Two Weeks ... Flamboyant financier 'Sir' Allen Stanford expects to be indicted by a federal grand jury in the next two weeks, he told ABC News in an interview in which he cried, denied

wrongdoing and threatened to punch his questioner in the mouth."

Politico: "Mortgage cramdown faces critical test ... It's cram time for cramdown proponents. Senate Banking Committee Chairman Chris Dodd (D-Conn.) has given housing advocates two weeks to find a compromise that would win 60 votes for a long-stalled proposal to allow bankruptcy judges to restructure mortgages. Critics of this proposal call it a cramdown because it would force mortgage lenders to reduce principal and interest rates in some bankruptcy cases."

The Hill: "Waters to Treasury: Do more for minority companies ... Rep. Maxine Waters (D-Calif.) said Monday that President Obama's Treasury Department still isn't doing enough to help minority firms that want to help manage bailout programs."