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PLEASE DON'T SHOOT THE MESSENGER!

October 11, 2008

**“WILD DAY CAPS WORST WEEK EVER FOR STOCKS”** – front page of the *Wall Street Journal* October 11 – 12, 2008.

“The Dow Jones Industrial Average capped the worst week in its 112-year history....after a 22% drop over eight trading days....The damage has been devastating both to households and to major investment institutions. Investors' paper losses on U.S. stocks now total \$8.4 trillion since the market peak one year ago....The blue-chip average is down 40% from last October's record, its biggest decline since 1974.”

**“MARKET CRASH SHAKES WORLD”** – front page of the *Financial Times*, October 11 – 12, 2008.

“How the world's markets fell this week...Tokyo down 24.3%, Frankfurt down 21.6%, London down 21.1% and New York down 18%. US stocks suffer worst weekly loss in history. The Dow Jones Industrial Average fell as low as 7,882.51 and rose as high as 8,901.28 before closing down 1.5 per cent at 8,451.19. For the week, its 18.2 per cent fall was the worst ever. Policymakers from the Group of Seven nations said they would take ‘urgent and exceptional action’ to stem the financial crisis, though stopped short of adopting a specific and uniform set of policies that would individually bind all its member countries.”

The *Financial Times* continued on page 16 with “Panic selling follows attempts to calm investors. European shares' worst week ever....Fears of worldwide deep recession....Decline in stocks mirrors beginning of Depression.”

General Motors stock sold below 5, its lowest level since before the Crash of 1929, and the company later was forced to say that “bankruptcy protection is not an option.” Ford fell to a 26-year low.

This is the type of selling we have been witnessing: Aubrey K. McClendon, the billionaire chief executive of Chesapeake Energy Corp., has sold "substantially all" of his stock in the company over the past three days in order to meet margin loan calls, the company said Friday (October 10<sup>th</sup>). Between Wednesday and Friday, he sold 31.5 million of those shares -- 94% of his holdings -- for \$569 million.

We cannot begin to say how much we regret writing the above and that we anticipate some type of stabilization. For years now we have implied the possibility of these and other problems in our and the rest of the world's stock and bond markets although, of course, attempting to forecast the degree and timing of such problems is impossible.

Please have a look at the Commentaries section of our Web site: [www.HamiltonAdvisors.com](http://www.HamiltonAdvisors.com). There are numerous commentaries there going back a number of years. We believe you will find them to be relevant, and we will welcome your questions.

Paying close attention to the Objective of Capital Protection by concentrating on the asset mix of portfolios has been essential, although each portfolio has a different nature requiring a special asset allocation. Investing in high quality bonds and the stocks of good companies as well as keeping a significant percentage of assets in the highest quality (U. S. Government securities) money market funds has made an enormous difference in risk management.

We are in a Bear market within a Bear market. However, with so many stocks so irrationally oversold, it is reasonable to expect rallies --- sometimes some very sharp rallies. The U.S. and other G-7 governments are finally working together to assist the financial markets, and we will see good news forthcoming as the financial markets are pumped full of liquidity by the world's leading central banks. Today's markets can present significant investment opportunities.

The solution obviously is to reignite CONFIDENCE. That is not easy and quick. It is, however, possible with great effort and patience. The markets will come back as a rapidly growing world requires more goods and services every day.

In closing we will repeat the last paragraph in our September 10, 2008 letter. The same is true now, one month later and will continue to be as long as present circumstances exist.

“At this time when the stock markets are impacted by enormous and irrational selling caused by forced liquidation of hedge fund positions and of other very highly leveraged investors, the thing to do is to have patience, hold on to shares of excellent companies and wait for the dust to settle. We will not be buying aggressively even with stocks at these levels until we can see some stabilization and clarification of the extraordinary issues with which we and the rest of the world are dealing.”

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PRIVATE WEALTH MANAGEMENT SINCE 1980

ADDENDUM BELOW

October 10, 2008 closing prices

Dow Jones Industrials	8451.19
Nasdaq Composite	1649.51
S&P 500	899.22
\$ per Euro	1.345
\$ per Pound	1.698
Oil Brent \$ (Nov)	74.09
Oil WTI \$ (Nov)	77.70
Gold \$	890.60
US Gov 10 yr	3.88%
US Gov 30 yr	4.13%
US Gov 3 mo Bills	0.60%
Euro Libor 3 mo	5.39%

Since last October, the value of stocks worldwide has fallen 41% or \$25.9 trillion - \$26,000,000,000,000

Here's one to take home with you tonight, although it might make it tough to keep your dinner down. As shown in the chart below, *Bloomberg's* World Market Cap index has fallen from \$62.5 trillion at its peak on October 31st, 2007 to its current level of \$36.6 trillion. On an individual country basis, the US has lost by far the most at nearly \$7 trillion. China ranks second at -\$1.77 trillion, followed by the UK (-\$1.72 trillion), Japan (-\$1.54 trillion), and Hong Kong (-\$1.47 trillion).

Market Cap* Losses From 10/31/07 Peak	
Country	Loss Since World Market Cap Peaked on 10/31/07
US	\$6,948,192,505,420
China	\$1,765,572,720,000
UK	\$1,717,109,258,980
Japan	\$1,541,112,432,050
Hong Kong	\$1,466,095,000,000
France	\$1,313,740,515,880
Germany	\$937,304,857,840
Canada	\$767,878,449,230
Brazil	\$745,596,332,200
<b>World Equity Markets</b>	<b>\$25,924,624,000,000</b>

\*From Bloomberg World Market Cap Data

### Bloomberg World Market Cap: 9/03-Present

