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**From:** Ashley Financial Services [ashleyfinancialservices@verizon.net]  
**Sent:** Friday, October 24, 2008 11:01 AM  
**To:** Ashley Financial Services PA CPA  
**Subject:** Friday Oct 24 Economics - 2 Points  
**Attachments:** 10.24.08 Circuit Breakers AP.pdf; 10.24.08 Kiplinger Letter.pdf

Good morning:

1. If you were up early enough to witness the futures trading and overseas market activity prior to this morning's open, you witnessed the "Circuit Breakers" safety net placed into pre-market trading. In other words, selling activity was automatically "halted" (although buying "up" trading was permitted) until the opening of U.S. markets at 9:30 a.m. "Circuit Breakers" are one example of the protections in place within our U.S. markets to stabilize a "panic-driven" trading session. (Referring to both panic "Sell-offs" and irrationally exuberant "Buying frenzies" as we experienced one day during the Internet Bubble not all that long ago.)

If you are interested in more explanation of how Circuit Breakers work, I have attached a very brief summary in an article released today by the Associated Press.

2. As you are aware of the current financial credit strains we will be working through for the coming months – It's important to note that many foreign countries, and most especially emerging markets, will have a much tougher time adjusting to these global economic challenges. Even developed countries do not all possess the same sophisticated safety nets, the ability for quick response time, and the attraction to wealthy foreign investors – as we have – and will be enjoying in the U.S.

It sometimes feels like a "hard sell" to reassure clients and restore your confidence (and to fully grasp my enthusiasm) that this is possibly the greatest opportunity for investors with excess cash sitting on the sidelines. As global economies readjust to recent challenges, the U.S. capital market system will re-emerge from this stronger & healthier, more efficient, and hopefully more transparent after "testing" new economic responses to its recently exposed "weak links" – under the watchful eye of a much more educated consumer (the taxpayers & copious small individual investors).

The 2<sup>nd</sup> attachment is a summary from today's Kiplinger Letter that drives home my 2<sup>nd</sup> point.

Enjoy your weekend.

Best Regards,  
JILL ASHLEY

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AP

## Ahead of the Bell: Trading "Circuit Breakers"

Friday October 24, 7:59 am ET

### **Circuit breakers, designed to protect market, may halt stocks in the event of a plunge**

NEW YORK (AP) -- With futures trading indicating a sharp drop in the stock market once the opening bell rings Friday, the market could flirt with the New York Stock Exchange's "circuit breakers," meaning stocks fall so far the market shuts down.

On Friday, ahead of the market's open, Dow Jones industrial average futures triggered a pre-market circuit breaker. Futures fell the maximum allowed limit of 550, or 6.27 percent, to 8,224. That triggered circuit breakers that automatically freeze selling until the market's 9:30 a.m. EDT open. However, traders can still buy stocks and send the market higher.

After stock market crashes in the late 1980s, the Big Board implemented circuit breakers to force traders to take a break from frenzied selling. The triggers were updated in 1998. In 1997, the market was shut down under the previous circuit-breaker triggers.

If the Dow Jones industrial average falls 1,100 points -- equivalent to about 10 percent at the beginning of the quarter -- before 2 p.m., the market will shut down for an hour. If the threshold is breached between 2 p.m. and 2:30 p.m., the halt will last 30 minutes. Trading will continue to take place if stocks plummet 1,100 points after 2:30 p.m.

If the index falls 2,200 points -- which at the beginning of this quarter was about 20 percent -- before 1 p.m., the market will close for two hours. If the decline takes place between 1 p.m. and 2 p.m., there will be a one-hour pause. The market will close for the day if stocks sink 2,200 points after 2 p.m.

In the event of a 3,350-point decline, the market would close for the day, regardless of the time.

The thresholds are computed at the beginning of each quarter to establish a specific point value for the quarter. The 1,100-point drop represents a 10 percent decline; the 2,200 level, a 20 percent drop, and the 3,350 level is a 30 percent drop.

## U.S. Is Still a Beacon for Foreign Capital

*No need to worry about international investors -- they'll keep turning to the U.S., even with a recession.*

By Andrew C. Schneider

**October 24, 2008**

**Foreign investors can't keep away from the U.S.** Even at the center of the global financial crisis, with a recession, America remains the most attractive destination for capital. One of the biggest factors in America's favor right now is that the rest of the world looks, if anything, less safe.

"If justice were to rule in the world, we ought to be punished," says Theodore H. Moran, director of the Landegger Program in International Business Diplomacy at Georgetown University, "but I don't think that's what's going to happen."

**The U.S. may be in a recession, but conditions are no better in the euro zone, the United Kingdom, Japan or Canada.** Several euro zone economies -- France, the Netherlands and Belgium -- face the added vulnerability of having banks whose market capitalization exceeds their gross domestic products. Iceland, which faced a similar situation, now needs the International Monetary Fund to help avoid bankruptcy. Switzerland, long famed for the stability of its own banking system, likewise had to turn to Qatar's sovereign wealth fund to help bail out its two largest banks.

**The situation isn't much more reassuring among the large emerging markets.** China remains the world's fastest-growing big economy, even taking into account its somewhat weaker performance in the third quarter. But the country maintains capital controls in order to limit the appreciation of its currency, the yuan. With those controls in place, there's only so much investment it can absorb. India similarly maintains capital controls to keep the rupee from becoming too volatile. By contrast, Brazil's and Russia's markets are open, but stocks there have taken a battering. Both countries rode up the wave of high commodity prices, and both stand to get hurt as those prices continue dropping.

**America still has some positive attractions.** The U.S. response has been larger and faster than that of most major economies plus it is one of the few regions that has the resources to deal with the crisis. And despite its current straits, the U.S. remains one of the most competitive economies in the world, in critical areas ranging from labor market efficiency to innovation to infrastructure. Foreign investors' trust in the U.S. is reflected in the dollar's sharp rise against

the euro, pound, Swiss franc, Canadian dollar, Mexican peso and Brazilian real. Any other country in the U.S.' position could expect to see its currency tank as capital fled for safer climes.

**Foreign direct investment in the U.S. will slow but not dry up.** With many U.S. companies starved for cash in the wake of the financial crisis, the cost of buying into the U.S. market has become much more reasonable. "There are a lot of U.S. company assets that would not have been for sale six months ago or a year ago that are for sale now," says Charles McMillion, president and chief economist of MBG Information Services, a business information and forecasting firm.

Foreign buyers will remain on the lookout for bargains, either acquiring whole companies or picking off valuable brands or patents. Financial firms will remain major targets, as witnessed by last week's takeover of troubled Wyssoming, Pa.-based Sovereign Bancorp by Spanish banking giant Santander. The auto industry and other big manufacturers will also remain big draws.

**But a fresh wave of investment protectionism could cause problems.** During the congressional debates over the financial industry's rescue package, the question of whether non-U.S. assets in U.S. financial institutions would be covered was a recurring theme. At the end of the day, Congress did decide to provide such cover. But the fact that such rhetoric came up at all is discouraging to potential foreign investors at a time when U.S. firms need all the capital they can get. "These were companies employing over 200,000 people here," says Nancy McLernon, senior vice president of the Organization for International Investment, a business association that represents the U.S. subsidiaries of foreign-based corporations. "It's up to policymakers to make sure such investments remain attractive."