

## **Judgment Day**

The world could look completely different after this Thursday (November 15<sup>th</sup>). Why? Because that's the day FASB (Financial Accounting Standards Board) procedure #157 takes effect. Simply put, it's the day the financials (banks, brokers, and insurance companies) have to actually price their mortgage supported paper at market value. So far, the financials have written down less than \$50 billion. This loss has been one of the main reasons for the stock market's drop of over 1,000 points in the last few weeks. The accounting change is the main reason that Treasury Secretary Hank Paulson is working so hard to come up with a solution, the SIV Superfund. This fund, from the sketchy details given so far, will in essence allow the financials to change one piece of lousy paper for another, giving the appearance of salvation. Problem? The fund will only be \$75 billion, and a large number of banks have to agree to contribute, which could be interesting. Second, what happens when the other estimated \$450 billion has to be written down, possibly to zero? Good luck. Do the math...a possible 1,000 point decline on the Dow Jones Industrial Average for every \$50 billion write-down. Batten the hatches.

However, with that said, even a "dead-cat bounces," and we could catch a reprise over the next few weeks. Remember, there is a Santa Claus, and anything is possible. The 15th is looming large. It will be interesting.

Till next time,

Bill

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