

Great Expectations For The Week Of June 6th 2008

A recap of the news that beat, met and fell short of expectations

My Hummer Can Crush Your Prius

General Motors (GM) said that it would close four plants and sell its formerly, highly profitable HUMMER division. "High gasoline prices are changing consumer behavior rapidly," CEO Richard Wagoner said.

Who besides Honda, Toyota, Nissan, Mazda, Mitsubishi, Subaru, Suzuki and Tata Motors saw something crazy like this coming? But not to worry. After selling HUMMER, GM will be still have the powerful lineup of the Chevy Malibu, Buick Lucerne, Pontiac Grand Prix and GMC Yukon to drive revenues.



Fully Discounted

Under the definition of "Behind the Curve" we found the following definition: S&P and Moody's Cut Lehman, Citigroup, Morgan Stanley, and Wachovia's credit ratings. S&P stated "The downgrade primarily reflects concern that the pace and extent of earnings improvement could be considerably more muted than previously assumed." I guess the 50% drop in bank stocks since last year clued them in.

And to alleviate fears that they really don't have a clue, S&P and Moody's THREATENED to cut the ratings on MBIA and AMBAC after those stocks dropped 95% from last year's highs.



Lululemon (LULU), retailer of athletic-wear made of seaweed, lowered earnings guidance - proving that even Aquaman is feeling the pinch of the economic slowdown.

Met Expectations

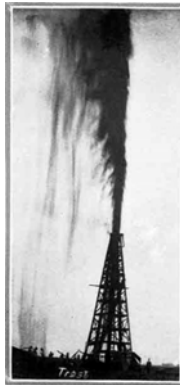
Merrill Lynch economist David Rosenberg wrote "It is utter nonsense, in our view, to be talking incessantly about stagflation....Instead of running out and going on strike for higher pay, people are adjusting by driving less, riding their bikes, car-pooling, or using mass transit." Rosenberg obviously missed the massive strike by truckers in England over the rising cost of fuel and inability of truckers to earn a living wage. In future news, Rosenberg sites the incredible cost savings UPS will get from delivering packages via rickshaws as a sign that inflation remains firmly under control.



After the stock plunged 12% on Tuesday, embattled investment bank Lehman Brothers (LEH) fought off rumors that it needed to raise additional capital by buying back its own shares. Of course, the next day the WSJ reported LEH was indeed going out to raise additional capital.

Turns out that management doesn't mind squandering precious capital on dividend increases and buybacks when it could be facing a liquidity squeeze because it's trying to teach short sellers a lesson. "I will hurt the shorts and that is my goal" CEO Richard Fuld told investors at Lehman's annual meeting in April. Short sellers responded this week by doubling down on their bets.

What the...?



Who in their right mind, you ask, would give an investment bank additional capital when management is just going to blow it "hurting the shorts"? Why the Middle Eastern sovereign wealth funds of course. "Currently Saudi Arabia is making over a \$1 billion a day in oil revenues. So \$30 billion a month, of which about half is being used to support core government spending, and the other half is going to" sovereign wealth funds, according to Brad Bourland, Chief Economist at Riyadh-based Jadwa investment company. Saudia Arabia has \$350 billion to invest, Abu Dhabi Investment Authority has \$1.3 trillion and Kuwait Investment Authority has \$250 billion. With that kind of fire power, it won't be long before we buy our next IPO from Sheik Ziad & Sons Investment Bank.

