



DAILY SURVIVAL GUIDE

BBG Tip of the Day: ALLX RPX.<go>

Don't forget the "." After RPX, the RADAR logic prices paid real estate index. Another helpful real estate index.

Quote of the Day:

"I don't think Congress is going to stand behind [Paulson] if taxpayers are on the hook again...The Street is trying to pinch him and call his bluff on whether there will or will not be government intervention."

– Brian Garner, Analyst at Bruyette & Woods, on saving Lehman, September 2008

MRA Daily: Beta for your Buck - cheap ways to hedge in this tricky market via shark fins on high beta sectors

Flow Recap: [\(LINK\)](#)

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On Bloomberg:



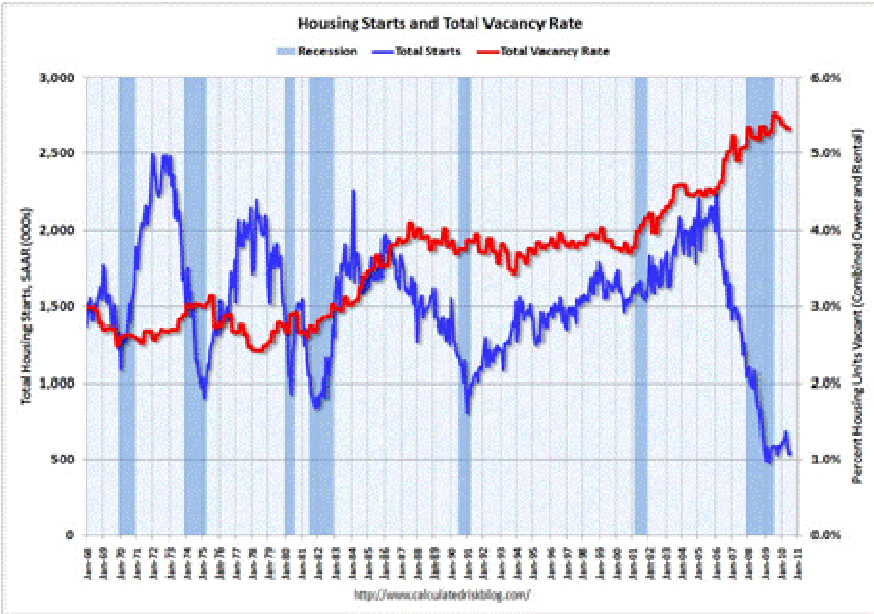
Daily Risk Metrics

Yesterday's market move was a good example of the "risk-off" trade, with bonds and USD rallying while stocks and EURJPY sold off. It is interesting to note that TLT (long-dated bond ETF) 10-day realized vol has picked up dramatically and is currently realizing 29 vol, which is 6 points higher than SPX realized vol. The only period when TLT realized vol has been this high was during the crisis from late 2008 to early 2009 and in mid-2009 amidst the QE announcements. It is also worth noting that EURJPY realized vol has crept back up to 17.7 as macro risk concerns have increased.

Market Moves and Implied Volatility Moves (Relative Performance Calculated Using 20 day Beta)


	Price	1d % chg	Out / Underperforming Relative to SPX
SPX	1091.84	-1.15%	
Crude	74.09	-0.68%	Outperforming SPX
Gold	1255.7	0.46%	Outperforming SPX
Euro	1.2682	-1.51%	Underperforming SPX
US 10yr Fut	124 27/32	0.67%	Expected

Implied Volatility	1m I-Vol	1d chg (pts)	Out / Underperforming Relative to VIX
VIX (S&P 500)	23.80	2.49	
OVX (Crude)	33.28	1.17	Expected
GVZ (Gold)	17.77	0.26	Expected
EVZ (Euro)	12.66	0.97	Outperforming VIX
US 10yr Fut 1m ATM	7.25	0.60	Expected

<p>BANKS</p>	<p>Meredith Whitney Bearish on the Street</p> <p>Securities firms around the world will cut as many as 80,000 jobs in the next 18 months as revenue growth begins to slow, said Meredith Whitney, the former Oppenheimer & Co. analyst who now runs her own firm. The reductions, about 10 percent of current levels, will come after 2010 compensation payments, Whitney, 40, said in a report dated Aug. 31 and obtained by Bloomberg News today. The industry’s payouts will be “down dramatically,” said Whitney, who started New York-based Meredith Whitney Group after correctly predicting Citigroup Inc.’s dividend cut in 2007. “The key product drivers of Wall Street’s revenues and profits over the past decade have been in a structural decline over the past three years,” Whitney said in the report. “2010 marks the first year in many in which Wall Street-centric firms will go through structural changes.”</p> <p>Link: http://noir.bloomberg.com/apps/news?pid=newsarchive&sid=abteMLSfG.AE</p>
<p>HOUSING</p>	<p>Housing Starts and Vacancy Rate</p> <p>The following graph shows total housing starts and the percent vacant housing units (owner and rental) in the U.S. Note: this is a combined vacancy rate based on the Census Bureau vacancy rates for owner occupied and rental housing through Q2 2010.</p>  <p>The vacancy rate continued to climb even after housing starts fell off a cliff. Initially this was because of a significant number of completions. Then some hidden inventory (like some 2nd homes) probably became available for sale or for rent, and also some households have doubled up because of tough economic times. It appears the total vacancy rate might have peaked and started to decline. This suggests more households are now being formed than net housing units added to the housing stock. But there is still a long way to go.</p> <p>Link: http://www.calculatedriskblog.com/2010/09/housing-starts-and-vacant-units.html</p>

<p>FED</p>	<p>Kansas and Dallas Feds Call For Rate Increase</p> <p>Two regional Federal Reserve banks continued to call for an increase in the interest rate charged to banks on emergency loans last month, despite signs that the U.S. economy's recovery was losing steam. Prior to the Fed's latest policy-setting meeting Aug. 10, directors of the Federal Reserve Bank of Kansas City and from the Dallas Fed voted to increase the discount rate by a quarter percentage point to 1%. However, they found little support from the majority of U.S. central bank officials, who recommended keeping monetary policy loose amid a fragile recovery.</p> <p>Link: http://blogs.wsj.com/economics/2010/09/07/kansas-city-dallas-feds-called-for-rate-increase/</p>
<p>BANKS</p>	<p>Lessons from Lehman on Short Term Funding</p> <p>Was the jig up for Lehman Brothers months before it actually failed? That question doesn't just have historical significance. It can also help shed light on whether the financial overhaul, embodied by the Dodd-Frank Act, has properly addressed a big weakness in the system; banks' potential overuse of short-term debt. In looking last week at Lehman's demise, the Financial Crisis Inquiry Commission produced testimony and documents that suggest the firm's short-term funding was a serious problem well before its Sept. 15, 2008 crash. The new Lehman material is a brutal reminder of the flightiness of short-term debt. And it begs the question: Why didn't Dodd-Frank do more to limit banks' use of things like repo markets, in which banks take out short-term collateralized loans?</p> <p>Link: http://online.wsj.com/article/SB10001424052748703713504575475532391301148.html?mod=rss_Heard_on_the_Street</p>
<p>SOVEREIGN</p>	<p>PIMCO on Greek Default Risk</p> <p>Greece still faces a "substantial" default risk as insolvency prevents the nation from repaying its debt when its bailout program expires in three years, Pacific Investment Management Co. fund manager Andrew Bosomworth said.</p> <p>"Greece is insolvent," Bosomworth, Munich-based head of portfolio management at Pimco, which oversees the world's largest bond fund, said in a telephone interview today. "I see it as being quite a substantial risk that Greece eventually defaults or restructures."</p> <p>In a best-case scenario, Greece's government debt will swell to 150 percent of gross domestic product, Bosomworth said. The European Union-led rescue package assumes the Athens-based government will tap investors for 82 billion euros (\$106 billion) during the life of the bailout program, "and that's I think going to be very difficult," he said.</p> <p>Link: http://noir.bloomberg.com/apps/news?pid=newsarchive&sid=ay03gtREWpo8</p>
<p>TECH</p>	<p>H.P. Sues Hurd Over His New Job at Oracle</p> <p>Hewlett-Packard on Tuesday sued Mark V. Hurd, its former chairman and chief executive, one day after he joined rival Oracle as co-president.</p> <p>In its lawsuit, filed in a California state court, H.P. argued that it was seeking to enforce confidentiality clauses Mr. Hurd had signed.</p> <p>Link: http://dealbook.blogs.nytimes.com/2010/09/07/h-p-sues-hurd-over-his-new-job-at-oracle/</p>

<p>POLICY</p>	<p>Obama’s Depreciation Proposal</p> <p>With excess capacity still at such high levels, does it really make sense to subsidize capacity/infrastructure investment? Just like cash4clunkers and homebuyer tax credit, this is throwing leaves on the fire. After the initial effect wears off, we will arguably be in a worse starting position. Here are reactions to the policy from several economists.</p> <p>Link:http://economix.blogs.nytimes.com/2010/09/07/reactions-to-obamas-business-tax-write-off-proposals/#more-80943</p>
<p>JOBS</p>	<p>Bleak Truth About Unemployment</p> <p>“The loss of 8 million jobs reflects problems that are largely structural, not cyclical, which means they won’t be brought back by fiddling with a magic dial in Washington that controls how much the government spends.”</p> <p>Link:http://www.washingtonpost.com/wp-dyn/content/article/2010/09/07/AR2010090706644.html?hpid=topnews</p>
<p>TARP</p>	<p>Treasury Selling Warrants on HIG, LNC</p> <p>Auction will occur “over next 2 weeks”. When the auction is completed, the two insurers will be free from the TARP. The Treasury has 52.1 million warrants in Hartford and 13 million warrants in Lincoln.</p>
<p>M&A</p>	<p>BRCD Takeout Play</p> <p>With the hire of Mark Hurd (an expert in hardware) at ORCL there is speculation today that the company may be interested in buying a hardware name with BRCD being one possibility. At this point it looks like pure speculation as the stock has been rallying since last week when they hired investment bankers, however, no deal has been announced and this company has been a takeout candidate for years. That has not stopped from the market from getting a long a deal with 210k+ calls trading yesterday vs only 18k puts.</p> <p>With the takeout speculation, the stock and front month volatility have ripped up (see below for change in temstructure the past 2 weeks, white line as of yesterday’s close). I think one way to take advantage of this move is sell the BRCD sep 6 calls to buy the Jan 6 calls, pay 41c, ref 5.92). Roughly a 25 vol spread between the options with risk of 40c if stock gets bought before September expiry in 8 days. One other point to note is that ORCL is unlikely to purchase the company while BRCD is dealing with the pending lawsuit from HPQ following the hiring of Mark Hurd, although that would not stop another potential suitor from closing on the deal.</p>

	
<p>ECONOMY</p>	<p>Emergency Economic Reform</p> <p>Op-ed from Mitch Daniels, governor of Indiana (a state running at with a surplus and a AAA credit rating), discussing several ideas to help stimulate the job market while balancing the budget. Mentions a payroll tax holiday, recalling unused TARP funds, and federal hiring and pay freeze among other ideas. Thought it was a good read:</p> <p>Link: http://online.wsj.com/article/SB10001424052748703632304575451211979331930.html?mod=ITP_opinion_0</p>
<p>CHINA</p>	<p>China has space if you're looking</p> <p>Amazing statistic if true: Recent statistics show that there are about 64 million apartments and houses that have remained empty during the past six months, according to Chinese media reports. On the assumption that each flat serves as a home to a typical Chinese family of three (parents and one child), the vacant properties could accommodate 200 million people, which account for more than 15% of the country's 1.3 billion population.</p> <p>Link: http://www.financeasia.com/News/231364.a-question-of-time.aspx</p>