



MARKET UPDATE

What does the halt on the Fed's \$US 700bn bailout mean for clients' funds?

Given market volatility overnight and today, we thought a brief Market Update note would be appropriate.

The US bailout plan was not passed by the US House of Representatives - the vote was lost narrowly 228 to 205. This has caused the US equity market to sell off around 8% and other markets also fell overnight as banks around the world experienced further turmoil.

In addition to the failure of the bailout plan, Citibank took over Wachovia's banking operation and the Belgium government bailed out Fortis bank.

The US Federal Reserve has pumped money into the banking system with banks particularly unwilling to lend to each other. Commodities (with the exception of gold) have fallen with oil trading at around \$US96 barrel.

The NZ dollar has also fallen around 2%.

The equity hedges on the portfolios we use remain in place and are currently below the floor of the options. This means that clients' equity portfolios within diversified portfolios should not be adversely impacted by today's moves. In fact, the portfolios' currency exposure and the decline in the NZ dollar is positive for clients' diversified portfolios.

Kind regards
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Director



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