

Two weeks that changed the world

Fannie Mae and Freddie Mac taken over by US Government

September 14

Lehman Brothers files for protection under Chapter 11 of the U.S. Bankruptcy Code after losing 94 percent of its market value this year

September 17

The Fed in conjunction with other central banks quadruples the amount of dollars its counterparts can auction around the world to \$247bn

September 19

Goldman Sachs, Morgan Stanley bring down curtain on era

September 7

Merrill Lynch agrees to be sold to Bank of America in an all stock deal for \$29 a share

September 15

- Reserve Fund breaks the buck
- Lloyds TSB Group agrees to acquire HBOS
- U.S. Government seizes control of AIG
- Putnam Investments LLC closes its Institutional Prime Money Market Fund
- Goldman falls 26% and Morgan Stanley plunges 44% on NYSE

September 18

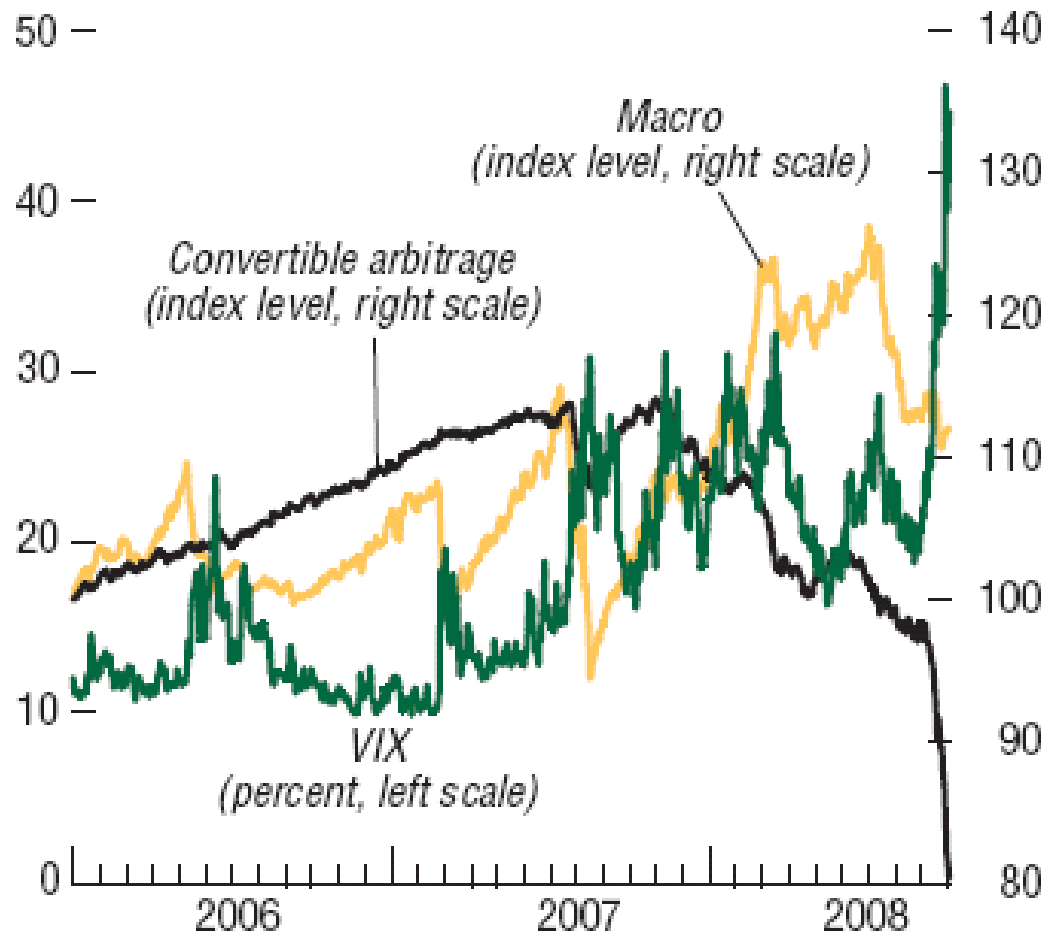
U.S. Treasury to insure Money-Market Fund holdings

September 22

Liquidity Management

- **Conservative investment guidelines**
- **Individual exposure limits (supplemented by ratings consideration)**
- **Investment banks confined to securities dealing (no balance sheet exposure)**

Performance of Hedge Fund Strategies and Risk Appetite



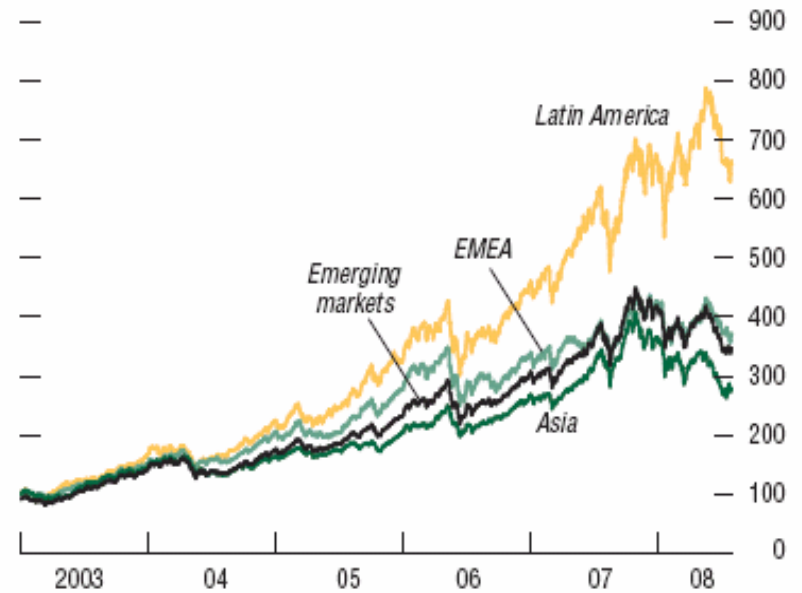
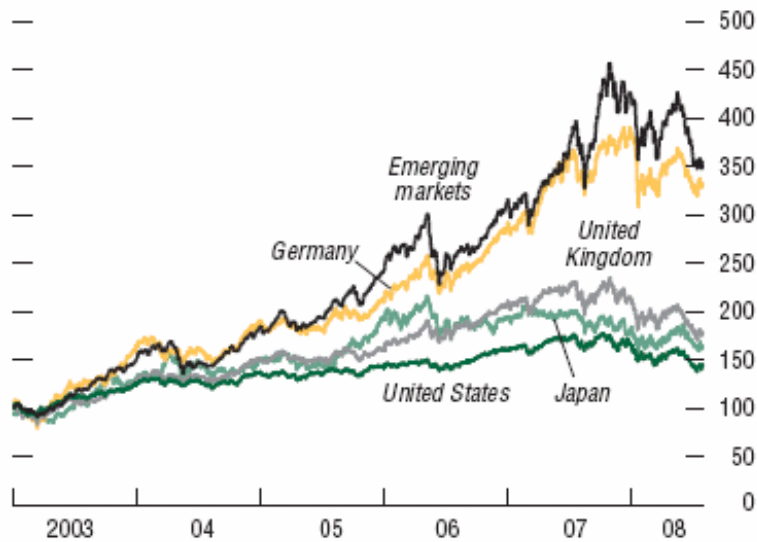
Sources: Bloomberg L.P.; and IMF staff estimates.

Note: VIX = S&P 500 volatility index.

Hedge Funds

- **Market dislocations from the financial crisis**
- **Regulatory surprises**
- **Commonality in thinking by fundamentally oriented investors and hedge funds**

Figure 4.1. Selected Equity Market Indices
(January 1, 2003 = 100; in U.S. dollars)



Sources: Bloomberg L.P.; and Datastream.
Note: EMEA = Emerging Europe, Middle East, and Africa.

Alternative Investments

- **Asset allocation – the denominator effect**
- **Distressed investment opportunities abound**
- **Good vintage year for private equities, real estate**