



# NCM Client Notification

SEPTEMBER 15, 2008

A publication of Northern Capital Management, Inc.

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Monday, September 15, 2008

To our valued clients

The best thing that can be said about the trading day today is that it's over. For those who may not have seen the news, the major averages were off nearly 5% today and closed as follows:

Date	9/15/2008	9/12/2008	% Change	Year End	% Change
Description	Monday Close	Friday close	Day	2007	YTD
3 Month Libor Yield	2.82%	2.82%	0.00%	4.69%	-39.87%
10 Yr. Note Yield	3.47%	3.74%	-7.22%	4.04%	-14.11%
10 Yr. Inflation Prot. Yield	1.70%	1.79%	-5.03%	1.73%	-1.73%
Implied inflation	1.77%	1.95%	-9.23%	2.31%	-23.38%
Dow	10,917.51	11,421.99	-4.42%	13,264.82	-17.70%
Nasdaq	2,179.91	2,261.27	-3.60%	2,652.28	-17.81%
S & P 500	1,192.70	1,251.70	-4.71%	1,468.36	-18.77%
Oil	\$94.02	\$101.18	-7.08%	\$95.98	-2.04%
Gold	\$791.40	\$764.50	3.52%	\$836.15	-5.35%
Natural Gas	\$7.30	\$7.37	-0.95%	\$7.48	-2.45%
US Dollar will buy X Euro's	0.7011	0.7031	-0.29%	0.6860	2.20%

The news has investors very concerned as the future of AIG Insurance and Washington Mutual remain uncertain. We would expect these high profile issues to be on the way to being resolved over the next few days.

Today marked a test to see how investors would react to news that the government would not step in (overtly) to come to the rescue of Lehman Brothers.

The Federal Open Market Committee meets tomorrow for an already scheduled meeting, and it is a possibility that they may lower short term rates. One thing remains certain worldwide is that there is a significant effort being made on the behalf of the world's Central Banks to keep "liquidity" high. Here's what that term means in the banking world.

## Banking

In banking, liquidity is the ability to meet obligations when they come due without incurring unacceptable losses. Managing liquidity is a daily process requiring [bankers](#) to monitor and project cash flows to ensure adequate liquidity

is maintained. Maintaining a balance between short-term assets and short-term liabilities is critical. [Deposit accounts](#) represent the primary funding ([liabilities](#)) in traditional commercial banks, and the [loan](#) portfolio represents the primary asset. The investment portfolio represents a smaller portion of assets, and serves as the primary source of liquidity. Investment securities can be liquidated to satisfy deposit withdrawals and increased loan demand. Banks have several additional options for generating liquidity, such as selling loans, borrowing from other banks, borrowing from a [Central bank](#), such as the [US Federal Reserve bank](#), and raising additional capital. In a worst case scenario, depositors may demand their funds when the bank is unable to generate adequate cash without incurring substantial financial losses. In severe cases, this may result in a [bank run](#). Most banks are subject to legally-mandated reserve requirements intended to help banks avoid a [liquidity crisis](#).

Keep in mind that other events occurred today that were not highlighted by the media including oil prices dropping by another \$5.00 per barrel. As Jim wrote this morning, this too shall pass, and things will get better

Investment Committee members are available to answer questions that you may have, so please do not hesitate to contact us.

Sincerely,

Northern Capital Management, Inc. Investment Committee