SEPTEMBER 16, 2008

Excerpt

Holders of Lehman-linked structured products leave a briefing by DBS Bank

The perfect financial storm

EVEN though it wasn't an official working day, Sunday September 14, 2008 will go down as one of the most dramatic in Wall Street's history. After marathon emergency meetings that weekend, US Federal Reserve and the US Treasury announced that they would not bail out Lehman Brothers, at the time the world's fourth largest investment bank. Lehman was thus to become the latest to file for bankruptcy after Bear Stearns and other smaller institutions.

That same day, insurance giant AIG – believed to be in danger as well – was reported to have approached the Fed for some US$40 billion in short-term financing to shore up its capital. Another large bank, Washington Mutual, was also said to be in deep trouble. Merrill Lynch – the world's largest brokerage, however, was to be saved through a takeover by Bank of America.

By taking the position that banks and broker-dealers would have to find their own "white knights", the US authorities have taken a gamble; they stand to be vindicated if the Lehman bankruptcy does not lead to massive systemic damage. After all, Lehman's positions have to be liquidated in a difficult market.

NOVEMBER 8-9 2008

DBS chops 900 jobs

JANUARY 26-27 2008

2 new lines and $20b to double rail network

BT Graphics: Andrea Lee