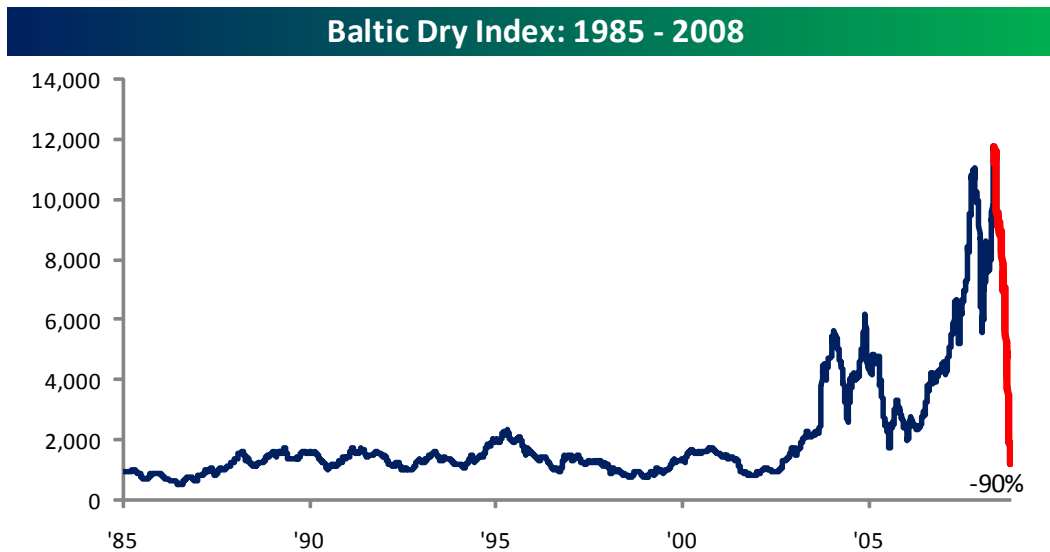


The Biggest Bubble of Them All: Globalization

Just as it's been a Black October for the equity markets, it's been even worse for global commerce. The Baltic Dry Index, which is often cited as a barometer for global shipping rates, is now down fourteen days in a row and has declined on all but one day in October, with a month to date fall of 64.3%. Since its peak reading of 11,793 in May, the index is now down by 90.3%.

As shown below, the Baltic Dry Index had a meteoric run since the start of the decade, as it became one of the key symbols of the 'globalization' trade. Many argued that globalization would work its way into every aspect of the economy, with some health care companies in the US even going so far as to send their patients to emerging countries for surgical procedures. Judging by the recent performance of the Baltic Dry Index as well as global currency markets, however, it now appears that like any 'new thing,' the globalization trade went too far. In fact, when compared to the bursting of prior bubbles, the decline in the Baltic Dry Index from its peak is greater than every single one.



Prior Bubble Unwinds

Bubble	Maximum Decline From Peak (%)
Globalization - Baltic Dry Index (2008)	-90.26
Great Depression - Dow (1929 - 1932)	-89.20
Housing - Homebuilding Stocks (2005 - Present)	-85.36
Japan - Nikkei (1989 - 2003)	-80.50
Technology - Nasdaq (2000 - 2002)	-77.93
Commodities - Gold (1980 - 1999)	-69.66
China - Shanghai Composite (2007 - 2008)	-69.21