



Transcripts

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The Taxman Cometh For UBS's American Clients

SUSIE GHARIB: The Internal Revenue Service today lifted the veil of secrecy on a major Swiss bank. The names of 4,500 Americans with accounts at UBS were handed over to the taxman. Those clients are suspected of hiding their assets and evading U.S. taxes. At one time, those accounts held more than \$18 billion. A tentative deal was reached between UBS and the IRS last week. But the details weren't made public until now. IRS Commissioner Doug Shulman says the agreement sends a strong message to all Americans, including tax cheats.

DOUG SHULMAN, IRS COMMISSIONER (BY TELEPHONE): We will use all of the enforcement tools at our disposal to pursue you. For honest hard working everyday Americans -- school teachers, firemen, policemen who pay their taxes, the message is also clear. Wealthy people can't skirt the rules and hide assets. We are going to insure that everyone pays their fair share of taxes.

GHARIB: Speaking of fair shares, late this afternoon, the Swiss government announced it's selling its stake in UBS. The Swiss hope to recoup more than \$5.5 billion on that sale.

The New Credit Card Rules

SUSIE GHARIB: And changes are coming tomorrow for American consumers. Thanks to the credit card act of 2009, a new set of rules goes into effect, including, the ability to reject rate increases. But as Jeff Yastine reports, it's already having some unintended consequences.

JEFF YASTINE, NIGHTLY BUSINESS REPORT CORRESPONDENT: Across the country right now, there are thousands of people just like Kirk Arthur. He keeps several credit cards and when he attempted to make a small purchase with one of them last weekend, he found it was canceled without any advance notice.

KIRK ARTHUR, CREDIT CARD CANCELED: There's that feeling of embarrassment. You just feel, oh, what did I do wrong? And then I got angry because I knew I hadn't done anything wrong and there was the disconnect. I've been a good customer. I pay my balances off on time.

YASTINE: Arthur's cancellation comes as part of an industry-wide movement to get out ahead of the credit card act of 2009. Curtis Arnold, founder of cardratings.com, says the number of accounts being cancelled or switched to variable rates has surged in recent weeks.

CURTIS ARNOLD, FOUNDER, CARDRATINGS.COM (BY TELEPHONE): This is crazy, unprecedented things that are happening right now. This is probably a worse case scenario example. Not happening to millions and millions of account holders, but it is starting to happen and we're starting to hear about it anecdotally.

YASTINE: Starting tomorrow, consumers will now get their statements 21 days before payment's due, instead of the current 14 days. And card issuers will have to give at least 45 days advance notice to rate hikes, instead of 15 days now. A second phase of changes comes in February with even more protections for card users. Bankrate.com's Leslie McFadden says the law is forcing adjustments on issuers and consumers alike.

LESLIE MCFADDEN, CREDIT CARD COLUMNIST, BANKRATE.COM: We're already seeing rate coming up, credit limits coming down, minimum score requirements going up. So there are some negative consequences, but I'm glad to see that consumers have more protections on their credit cards.

YASTINE: Consumers who tend to carry large balances or have inactive accounts, are most likely to see card cancellations. Experts say paying down balances will lower the probability of seeing a no-notice cancellation. But as Kirk Arthur's experience shows, no one's immune as card users and card issuers adjust to the new, more regulated landscape of consumer credit. Jeff Yastine, NIGHTLY BUSINESS REPORT, Miami.

Whole Foods CEO , John Mackey Jumps Into The Health Care Debate Fire

SUSIE GHARIB: The CEO of Whole foods is speaking out against health care reform. John Mackey says the Obama reform plan would become a massive entitlement program. He expressed his views last week in a highly critical op-ed piece in the "Wall Street Journal." As Stephanie Dhue reports, those views have landed him in a heap of trouble with some loyal customers.

STEPHANIE DHUE, NIGHTLY BUSINESS REPORT CORRESPONDENT: Whole Foods is better known for its organic and natural products than for its politics. The brand appeals to shoppers who want sustainable seafood and environmentally friendly foods. But CEO John Mackey's editorial against so-called Obamacare has tarnished the chain for people like Mark Rosenthal. He started a boycott Whole Foods group for people who disagree with the CEO's health care views.

MARK ROSENTHAL, BOYCOTT WHOLE FOODS (BY TELEPHONE): Whole Foods built their brand on offering progressives, especially extra value for their product. The principles that Mackey was espousing made me think, this is not the company that I thought I was supporting.

DHUE: The group, started last Friday, already has 16,000 members on facebook and is also spreading the word on twitter. At first Whole Foods responded that the op-ed was Mackey's personal view. But in a statement today, the company says it appreciates those customers who shared their feedback. Whole Foods has concerns about any type of changes that would hinder our ability to continue offering team members health insurance. Branding expert Robert Passikoff says the emotional reaction to the CEO's op-ed will cost the company.

ROBERT PASSIKOFF, BRAND KEYS CONSULTING: These days in this economy, a loyal customer can be worth quite a bit of money. If you even just extrapolate out against the people who felt angry enough to list their names on the facebook boycott page and multiply that out times their weekly buys, it adds up to a lot of money.

DHUE: Financial analysts doubt the issue will derail the company's long-term prospects. Many shoppers like Erin Gray, won't change their shopping habits.

ERIN GRAY, WHOLE FOODS SHOPPER: I feel like it's just almost un-American to boycott something simply because you disagree with what they have to say, as long as what somebody is saying is not offensive then I don't see the point in a boycott.

DHUE: Whole Foods is already grappling with selling a premium product in a recession economy. Analysts say while this controversy may not have a huge impact, it won't help. Stephanie Dhue, NIGHTLY BUSINESS REPORT, Washington.

The Market Maker For Hard To Trade Securities

PAUL KANGAS: It's been said that at some price, any trade will clear. But that doesn't always mean it's easy to match sellers with would-be buyers. Now there's a new marketplace which hopes to be the match maker for those tough trades. Scott Gurvey takes a look.

SCOTT GURVEY, NIGHTLY BUSINESS REPORT CORRESPONDENT: Got a white elephant you'd like to get rid of? This is the place to bring it. SecondMarket looks like your standard Wall Street trading floor. But it brings together buyers and sellers willing to trade otherwise illiquid assets. Barry Silbert founded SecondMarket in 2004.

BARRY SILBERT, CEO, SECONDMARKET: We started off with something called restricted stock and warrants in public companies. And then we added eight new markets over the past four years ranging from something called auction rate securities to private company stock and even recently the California IOUs.

GURVEY: This is not eBay. Buyers must meet regulatory standards for sophisticated investors, those permitted to buy unlisted securities. SecondMarket works cooperatively with the SEC, FINRA, SIPC and other regulators and it arranges the escrow and legal paperwork on all sales. SecondMarket collects a transaction fee on successful trades, making \$20 million in 2008 on \$1 billion worth of transactions.

SILBERT: There's trillions of dollars of illiquid assets out there. We're involved in things like the toxic assets which are mortgage-backed securities and CDOs. And just because they're illiquid doesn't mean that they're distressed or not a good investment. So things like private company stock, which is going to be an active market for us in good times and bad times will obviously improve as the economy improves, whereas the toxic assets we certainly hope to help clean out the system and move on.

GURVEY: Tim Connolly of Corporate Strategies turned to SecondMarket when he needed to raise cash for the family trust and pension funds he manages. The assets were auction rate securities but, because of the credit market freeze, there were no auctions. SecondMarket found a buyer in two weeks.

TIM CONNOLLY, CEO, CORPORATE STRATEGIES (BY TELEPHONE): In this case, it was a buyer who managed a large number of IRAs and so the people in the IRAs got a tremendous deal because the IRAs can be patient and that's pension plan

money that could wait until this thing's paid off. And so all these IRAs got it at a discount. They got a small fee and we got our liquidity back. It worked just perfectly.

GURVEY: There are no financial restrictions on sellers, but of course some assets are still more illiquid than others.

SILBERT: We get inquiries of people trying to sell things ranging from an ice skating rink to assets, mines in Siberia. Fortunately, we have buyers for lots of assets. Unfortunately, some of the more unique ones we don't have buyers for, at least not yet.

GURVEY: Which is a shame because I've got a bridge I'd like to sell. Scott Gurvey, NIGHTLY BUSINESS REPORT, New York.

"Street Critique"-Doug Roberts, Chief Investment Strategist at Channel

PAUL KANGAS: Tonight's "Street Critique" guest says right now the markets are particularly susceptible to bad news even with the economic optimism we've been seeing. He's Doug Roberts, chief investment strategist at Channel Capital Research and author of "Follow the Fed to Investment Success." Doug welcome to the program.

DOUG ROBERTS, STRATEGIST, CHANNEL CAPITAL RESEARCH: Thank you, Paul.

KANGAS: On Wall Street we saw big selling on Monday followed by modest comebacks yesterday and today. What is your take on the current market?

ROBERTS: Right now we've come a long way, Paul, from a period in March we were at an extreme degree of pessimism. People thought the world was falling apart. Now we've been fueled by basically better than expected earnings and also better than expected economic news. Although the absolute news hasn't been particularly good, it has been better than expected. We're now seeing a few chinks in the armor that are appearing as news throws doubt on the question. Although there may be a bottom, the question is how much of a bounce we'll be getting and that's really what you're seeing over the last couple of days.

KANGAS: So you're not a full-fledged bull by any means, are you?

ROBERTS: No. I think I can be bullish short-term. But I think long-term these problems are going to take some time to work out.

KANGAS: I understand you're expecting the markets to suffer from performance anxiety this fall. What do you mean by that?

ROBERTS: Performance anxiety means that the market tends to go up, you're going to have a lot of long only money managers who are going to be forced to participate in this just to keep their jobs. There's a saying on Wall Street that if you're down when everybody else is down you're not going to get hurt, may not get a bonus. However if you're down or lagging when everybody else is outperforming, that's a real danger to your job so, you may have a lot of money managers who are forced to buy into this market if it continues to go up. Even if the numbers -- even if they really don't believe that this is a lasting rally.

KANGAS: Interesting and I think you're right on target there. Tell me about what you call your three bucket approach to investing. What is that?

ROBERTS: Well, in this type of environment where there's a high degree of uncertainty, I believe that investors have to divide their money into three buckets. The first bucket is money that you need immediately and that should be very, very safe and concerned more with preservation of capital and return of capital than return on capital. Then you have your long-term money which can be a bit more aggressive and long-term with. And then the third bucket is really money that you have in the middle and you really have to view that as more trading money, money that you're going to take profits much more quickly as they arise.

KANGAS: Now with that in mind, what is the favorite sector that you have right now in the stock market?

ROBERTS: Right now I believe this is a government trade, really areas that are going to be benefiting from really the government involvement in the economy which is increasingly on life support with government help and that's really technology, since technology benefits from really the fact that you can replace jobs with software, with technology solutions and that's a much cheaper alternative. I think that's going to continue.

Also you've seen in health care really that's again a government focus and right now the pharmaceutical industry has determined that they can make money in this environment by lowering their marketing costs.

KANGAS: So technology and health care, pharmaceuticals.

ROBERTS: Exactly.

KANGAS: Very good, Doug, our time is up but I want to thank you for being with us.

ROBERTS: Thank you, Paul, for having me on.

KANGAS: My guest Doug Roberts, chief investment strategist at Channel Capital Research.

"Money File"-Saving the Economy With Saving