

Market Update

OCTOBER 3, 2008

Russell Market Commentary: The Senate Approves the EESA

In the following commentary, Erik Ristuben, Chief Investment Officer for Multi-Strategy Funds, offers his perspective on the Senate's adoption of the Emergency Economic Stabilization Act of 2008 (EESA).

WHAT HAPPENED AND WHY

Tonight the U.S. Senate passed the Emergency Economic Stabilization Act of 2008 (EESA). While it was similar to the U.S. House of Representatives (defeated) legislation in many respects, the Senate bill included an important increase in the FDIC guarantee for money market accounts—from \$100,000 to \$250,000.

Most observers expected a successful vote for several reasons. First, public sentiment regarding the package has changed significantly within the past two days. Although the package was originally unpopular with many Americans, as the impact of the current crisis hits closer to home, public support for the bill's passage has increased.

Second, bearing in mind that Senate terms are six years in contrast to House members' two year terms, this may have allowed the Senate to feel more comfortable taking the lead on this politically-charged issue (i.e. only one third of the Senate is up for election this year).

Finally, against the backdrop of recent financial and international market reaction the urgency of the problem was apparent. Even previous opponents of the package may now understand that the market was unnerved by the possibility—even remote—that Congress would not act in a timely way to address the crisis.

NEXT STEPS

It remains unclear how the House will act when it reconvenes. We expect, however, that Senate passage, in combination with legislative additions made to the bill, will make it more palatable to both Republicans and Democrats. In our view, this should create enough momentum to get to the bill passed. As we've noted previously, we believe that if the EESA passes, it will be enough to relieve the most immediate aspects of the current "crisis of confidence" and to put in motion the dynamics for a gradual return to more normal business conditions, most importantly in the credit market. If more "normal" credit market function is achieved, investors will be more willing to assess the economy based on its inherent fundamentals.

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