

Hello Again and welcome to the October edition of the APD Newsletter.

There's an awful lot to talk about this month...on a number of varying subjects so it will be a bit of an unusual newsletter this month in that it will be a bit of a "mish mash". I hope you will still enjoy my monthly missive though!

First up, I'm sure you will know that in the past I have been a "champion" of Stewart McKay at Adwords Excellence. I was hugely sorry to see the site disappear in September.

I haven't been able to contact Stewart via Skype, email or 'phone for 12 weeks now. I sincerely hope that Stewart is O.K and it is just that he has decided to "take off" in a new direction. There is no doubt he had become a trusted and respected mentor for me.

I know Stewart is a reader, and he hasn't "unsubscribed, so if you're out there Buddy, I'd like to record a very public thank-you and I wish you all the best.

If anyone does know what Stewart is "up to", I would really like to know.

Moving on.

I decided I'd had enough of the British weather so, as it was Alison's birthday, I decided to buy her (and me of course) a week away in the sun. We went up and spent an amazing week in a very remote corner of Mallorca. You can do these things on a whim if you make your living online and are not beholden to "the boss" :>)

We had a week of beautiful weather, stunning scenery and outstanding food and wine! It really was just "what the doctor ordered" in view of the summer we have had here in the U.K!

However, just one week away caused huge stress in the business!

If you purchased Dominating Clickbank 2 through my link you will already know about the technical woes I suffered!

If you didn't...why not? Seriously though, if you have been wondering about DCB2, I've now had a chance to have an in depth look at the product and you can read my full review at...

www.apd-marketing.co.uk/dcb2review.html

Anyway, back to the story! First up my mobile failed to work in Mallorca, so that got me off on the wrong foot. Then my laptop decided to follow suit...so I had to find an Internet café and in such a remote spot it was not easy I can tell you. Then, as if to add insult to injury webmail decided to fail as well!

All that made managing the Dominating Clickbank 2 launch very awkward indeed!

They say things happen in “threes”, however, when I got home, and tried to log on, guess what? No Internet! It turned out BT had an “Internet outage” in St Albans that lasted nearly 48 hours. As if that wasn’t enough, when I finally got back online, I found ALL of my websites down!

I was beginning to think someone had something against me...and that someone must have been a powerful person (or Being)!

So, what’s the point of all this?

It’s simply this. Things will go wrong, planes fall out of the sky, trains crash and so do computers. It’s a fact of life. O.K, what I experienced was certainly a little out of the ordinary. And, I’ll admit I didn’t just take it all calmly, I did have a little rant here and there!

However, when things go wrong like this, as they are want to do occasionally, it’s all too easy to just “roll over and die” – give up. It’s all too easy to blame someone else and rant down the ‘phone at BT or whoever.

However, think about it, what purpose does that serve?

If you were to devote that energy to solving the issue rather than trying to “fight against it” then you are likely to get a far speedier resolution.

And...sometimes there is nothing you can do other than “take it on the chin” and just get on with life.

It’s not what happens...it’s how you react to it that makes the difference. In situations such as these, I always ask myself the same question, which is...

“Is this situation life threatening”? I don’t think I’ve ever answered “yes”! In some situations where huge stress is concerned, the answer may be “only if I let it be” :>)

However, the bottom line is, just get on and do the things you can have an effect on and leave alone the things you can’t and don’t stress if you cannot change the thing!

I have to admit, it took me years to get this right, and I still don’t have it completely licked. Which sort of leads me into the next situation that I can’t do much about...

The financial markets! Oh Boy!

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O.K, I’m admitting here and now, I really didn’t see the extent of this crisis coming.

In the great scheme of things this is still a ripple, but as I said recently, it is now a far bigger ripple that I originally thought it was going to be. In fact, it may turn out to be a little bit more than a ripple, but we won't know that for a few months yet.

I remember talking to the IT head of an exotics desk about three years ago and he told me his particular bank were making hundreds of millions on derivatives. Even he, who had been in banking for 10 or 12 years, was astounded at the level of profits.

He said to me then, "if we are making all this money, someone MUST be holding the opposite position...I'd hate to be around when this lot unravels".

That is exactly what's happening now!

I have told you before how this mess came to pass, so I won't go into that again, but...the question I was asking my old City chums today, was "how deep does the rabbit hole go"?

Nobody could give me a definitive answer!

However, shares on the FTSE have had their worst day ever and the index is at a five year low. Billions have been wiped off the value of British companies, and it's the same the world over.

There has been a series of bank failures and rescues all around Europe in the last week. The idea that this is solely a U.S problem has been completely blown out of the water!

There has been confusion among the governments of the world as to what needs to be done, although it does appear a semblance of coherence has come out of Europe tonight with the leaders joint statement that they will do "whatever is necessary to maintain the stability of the banking system".

So, just how deep does this nasty rabbit warren go?

My guess is pretty deep. One of my contacts described what's happening now like "a game of kerplunk"! What a brilliant analogy!

When I asked what chance all of the marbles falling through? I was told 50/50.

Now, I personally don't believe all the marbles will fall through, but some already have and others inevitably will.

So, practically...

First up, the major U.K banks all took refinancing positions late last year and everything points to the majors in the U.K being safe.

As far as any further major bad news in the U.K, my belief is that it is unlikely. After HBOS and Bradford and Bingley being taken over and nationalised, the view is that is the end of the seriously bad news in the U.K.

As far as the U.S is concerned, it's my view was that most of the really bad stuff has happened, but that there are still quite a few smaller American banks that are "exposed". Expect further rationalisation and maybe a couple of smaller failures.

We can expect major redundancies in investment banking. Indeed, UBS announced job cuts of 2,000 this week and with a huge swathe of Lehmans wiped out that accounts for another 2-3,000 jobs. Expect more of this in investment banks worldwide.

Of course, I don't expect anyone to shed any tears as it is certainly true the banks are the architects of their own downfall by lending ever deeper into the sub prime and then cutting up the CDO's (collateralised debt obligations – mortgage back securities to you and I) into more and more complex derivatives, futures, swaps, options etc.

The relentless pursuit of ever-higher profits at any cost is completely to blame!

However, the Bank of England has £40 billion standing by. This will be used to inject into the banking system to try and "free up liquidity" (so that loans and credit become available again at reasonable rates).

But with a country (Iceland) to all intents and purposes bankrupt, that £40 billion may not be enough. Iceland's banks have borrowed £180 billion betting on interest rates and financing Icelandic business expansion against a GDP of just £80 billion. In other words they have borrowed over twice the value of the entire country and gambled it!

I heard it said that if Iceland had to actually pay this "bill", tax would have to go so high that the average family in Iceland would not even be able to afford a fish finger per week after tax!

In case you weren't sure about this...this is not good news! Icelandic banks are certainly intertwined in U.K business on the high street (Hamleys, Oasis), even in the Premier League with West Ham United (no wonder they didn't buy any players in the transfer window).

One thing I couldn't get information on today was the exposure British banks have to Iceland, but there are strong links between Iceland and the U.K. It is possible that this issue could still come back to haunt U.K Banks.

Government is now sure to get much more involved in regulating what is being seen as this wholesale gambling by the investment banks. However, there is a view that the U.S government has a lot to answer for by way of the Sarbannes Oxley legislation.

If you are not aware of what this is, it is a set of accounting legislation that U.S banks have to adhere to. As most investment banks are global organisations, it was pretty much adopted throughout the world of banking.

It has had a particularly nasty effect in investment banks.

In short, this legislation states that any financial institution can only put assets on their balance sheet at **market value** and herein lies the rub!

This is why Merrill Lynch had to be brought out before it collapsed.

Their mortgage-backed bonds were trading at 22 cents on the dollar so that is what had to be entered on their balance sheet.

In actual fact, it has been proven that, despite the wretched news in the U.S property market, the actual default rate on home loans will finally shake out at 20-25%.

So, in effect, these bonds were really worth 75 cents on the dollar. It doesn't take a rocket scientist to realise that is one hell of a "hit" to take.

This same situation pertains in most of the investment banks, and is a major contributor to the ongoing "crisis".

If world (U.S) governments just relaxed the Sarbanes Oxley rules to allow banks to put something like the true value of their assets on the balance sheet, this entire "crisis", I won't say could have been avoided, but would have been far less severe!

So, a simple rule change by government could have saved the tax payers of the world billions of dollars.

Yes, ultimately it is you and I who will foot the bill.

It has been suggested that government should bail out the small and medium sized businesses that are suffering rather than the "fat cat" bankers, and I have some sympathy with that view.

However, we need the banking system and everything it provides to "oil the wheels" of the now global economy. It is, though, my view that the bankers have been allowed to get away with far too much in the pursuit of ever increasing, never-ending profits.

That will change and far tighter regulation will be put in place, but government (the world over) really needs to take a look at itself as well. I can't believe they have missed the point so "obviously". It does make you wonder if there's not an alternative agenda – seriously?

So, what does this all mean for you? In the short term I have noticed that job vacancies are starting to dry up and figures from the high street and services industry look pretty awful at the moment.

Redundancies are starting to hit the headlines!

This is a very recent trend though, job vacancies, the high street, restaurants and the like have held up remarkably well until the last couple of weeks.

The Western World will dip into recession for sure. And there will be job cuts and things will not be too bright for the next 12-18 months. Only you know how exposed you are, but I would suggest you should have at least 9 months living expenses stashed away by way of savings if you are still working as a wage slave!

If not, you are exposed to at least some degree at the moment. Sorry, but there ain't such a thing as a safe job at the moment.

The level of recession in any given country will depend on the level of household debt in that country – the U.K and U.S are not best placed in this league!

It was also interesting to note that one contact I met suggested that the government may be actively engineering a period of inflation to help wipe out some of the “value” of the extensive debt and build some equity in house prices again.

It's true inflation would help reduce the debt burden and the true value of mortgages and make household finance more manageable, but the effect on savings and industry would be far worse than those “beneficial side effects”.

My belief is this is in the realms of “conspiracy theory”. If there is even a grain of truth in this...it is a hugely dangerous strategy.

The other thing you will notice is that 0% finance will quickly dry up. We have already seen casualties in the furniture business and this may well extend into car dealerships. But these companies raise their capital (and then sell the debt) on the markets and that funding just won't be there any more.

Come what may, I believe 12-18 months down the line things will have stabilized, the (large) ripple will have passed and the economy will settle down and start to grow again. Slowly at first, but it will “bounce” back.

But, do make sure you are prepared for what could be a bumpy ride for the next 9-12 months. As I said up front, how bumpy, well, people couldn't really tell me today as they simply don't know. If I do get any further information over the coming weeks, I will get it out to you straight away.

But...it is important to remember, when all is said and done...it's not what happens, it's how you react to it!

I know I am beginning to sound like a scratched record here (for those who can remember records), but...now really is the time to make sure you protect yourself and your family by getting your online business up, running and profitable.

The information I provide through the APD main site can help you do that, so use it to get yourself started, move yourself forward and make sure your destiny is very firmly in your *OWN* hands!

The high street is starting to suffer, but sales online continue to grow...it's the only place to be! Niche markets in areas such as health, hobbies and self-improvement continue to pull record profits.

Make sure you get your slice of the ever-expanding pie – you have no excuse and...you know it makes sense!

Just before I go, I have been on a mission to get the main site seriously upgraded with loads of new information since I got back from holiday. There is new “fr*ee stuff” for you to download, new APD products and quite a few new product reviews.

If you haven’t dropped by recently, do re-visit and have a look.

As always, if you have any questions drop me a line at derek@apd-marketing.co.uk

And finally, finally. Please excuse any typos or spelling mistakes in this edition. I’ve sat down and written this long piece on the markets straight after getting in. I usually ask Alison to proof, but I wanted to get this important information out to you A.S.A.P.

O.K, that’s it for this month, a bit of a gloomy newsletter I know. However, you do need to be aware of how this situation will / possibly could effect you. And, you need to think about how you are going to deal with any curve balls that come your way.

I promise to get back to more positive stuff next month with a newsletter full of solid online profit pulling information!

Until then, as always...

...to ***YOUR*** success.

Cheers now.

Derek

P.S – If you know of anyone who you think would benefit from this newsletter, please feel free to pass it on.

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