

# BusinessWeek

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## The Worst Predictions About 2008

Just about everybody got wrong-footed by 2008, but some people's mistakes were truly spectacular

By [Peter Coy](#)

*Editor's note: This new version of the "10 worst predictions about 2008" changes three of the 10 based on feedback from online readers and BusinessWeek editors. CNBC's Jim Cramer and President Bush are still on the list, but with different predictions. Author Shelby Steele is off the list, replaced by a pair of BusinessWeek writers.*

Here are some of the worst predictions that were made about 2008. Savor them—a crop like this doesn't come along every year.

1. "A very powerful and durable rally is in the works. But it may need another couple of days to lift off. Hold the fort and keep the faith!" —[Richard Band](#), editor, Profitable Investing Letter, Mar. 27, 2008

At the time of the prediction, the Dow Jones industrial average was at 12,300. By late December it was at 8,500.

2. AIG ([AIG](#)) "could have huge gains in the second quarter." —[Bijan Moazami](#), analyst, Friedman, Billings, Ramsey, May 9, 2008

AIG wound up losing \$5 billion in that quarter and \$25 billion in the next. It was taken over in September by the U.S. government, which will spend or lend \$150 billion to keep it afloat.

3. "I think this is a case where Freddie Mac ([FRE](#)) and Fannie Mae ([FNM](#)) are fundamentally sound. They're not in danger of going under...I think they are in good shape going forward." —[Barney Frank](#) (D-Mass.), House Financial Services Committee chairman, July 14, 2008

Two months later, the government forced the mortgage giants into conservatorships and pledged to invest up to \$100 billion in each.

4. "I'm not an economist but I do believe that we're growing." —[President George W. Bush](#), in a July 15, 2008 press conference

Nope. Gross domestic product shrank at a 0.5% annual rate in the July-September quarter. On Dec. 1, the National Bureau of Economic Research declared that a recession had begun in December 2007.

5. "I think Bob Steel's the one guy I trust to turn this bank around, which is why I've told you on weakness to buy Wachovia." —[Jim Cramer](#), CNBC commentator, Mar. 11, 2008

Two weeks later, Wachovia came within hours of failure as depositors fled. Steel eventually agreed to a takeover by Wells Fargo. Wachovia shares lost half their value from Sept. 15 to Dec. 29.

6. "Existing-Home Sales to Trend Up in 2008" —Headline of a [National Association of Realtors](#) press release, Dec. 9, 2007

On Dec. 23, 2008, the group said November sales were running at an annual rate of 4.5 million—down 11% from a year

earlier—in the worst housing slump since the Depression.

7. "I think you'll see [oil prices at] \$150 a barrel by the end of the year" —[T. Boone Pickens](#), *June 20, 2008*

Oil was then around \$135 a barrel. By late December it was below \$40.

8. "I expect there will be some failures. ... I don't anticipate any serious problems of that sort among the large internationally active banks that make up a very substantial part of our banking system." —[Ben Bernanke](#), *Federal Reserve chairman, Feb. 28, 2008*

In September, Washington Mutual became the largest financial institution in U.S. history to fail. Citigroup ([C](#)) needed an even bigger rescue in November.

9. "In today's regulatory environment, it's virtually impossible to violate rules." —[Bernard Madoff](#), *money manager, Oct. 20, 2007*

About a year later, Madoff—who once headed the Nasdaq Stock Market—told investigators he had cost his investors \$50 billion in an alleged Ponzi scheme.

10. "There's growing evidence that parts of the debt markets...are coming back to life." —[Peter Coy and Mara Der Hovanesian](#), *BusinessWeek, Oct. 1, 2007*.

Oops.

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