

FINANCIAL FRONTLINE NEWSLETTER

WEEK: JANUARY 23 - JANUARY 29 SPRING 2012 ISSUE 2 FINANCIAL.FRONTLINE.SOCIETY@GMAIL.COM



- The major market indexes last week nearly unchanged. Dow closed with 12660.46 points in the red and S&P 500 fell to 1316.33.
- From the fourth quarter report, US GDP has reached a growth rate of 2.8%, which is the highest in 18 months. It seems the US economy is getting better, but some analysts see this growth as unsustainable.
- Most Asian stocks slipped in the morning session on Monday. Chinese stocks, in particular, suffered from investor disappointment over the currently tight Chinese monetary and fiscal policy. People's expectations of policy easing during the Chinese New Year week were not fulfilled.

FOREIGN EXCHANGE

- Emerging market currencies were stronger against the dollar as the currencies continued to strengthen on strong demand and expectations of a slower economic recovery in the US.
- The Euro rose as investors hoped for a Greek deal. The euro rose to a six-week high on Friday as investors became more optimistic that Greece and its private-sector creditors would reach an agreement. During the week, the market saw a broad dollar sell-off after the Federal Reserve projected near-zero interest rates through late 2014.
- The International Monetary Fund is reviewing whether China's currency should still be considered "substantially undervalued," as the yuan has appreciated more than 8% in the last year and the fund is developing a new method of assessing global currencies.

FIXED INCOME

- European Commission sees Volcker Rule, the US Rule on banks' speculations, as a threat to the debt crisis. While meant to control imprudent prop-trading of major U.S. banks, the rule would discourage the trading of European debts and spell high borrowing costs and a credit crunch for European governments. The Commission attempts to reflect their interest in the rule, while some claim smaller banks will step up in the debt auction.

Market Highlights

Dow Jones Industrial Ave.	12,660.46 ↓60.02
S&P 500	1,316.33 ↑0.95
NYMEX	99.35 ↑0.65
10-YR. TREAS.	1.93%
FED Funds Rate	0.08
Unemployment Rate	8.50%

COMMODITIES

- The commodities market drops in its market size. According to a Wall Street Journal/Dow Jones Newswires analysis, bets on 13 key commodities, ranging from crude oil to copper to cotton, reduced by 19%.
- Natural-gas futures plummet on Thursday, as traders expected a weaker demand due to mild weather for the rest of the winter. Natural gas for February delivery settled down at \$2.60 a million British thermal units on the NY-MEX.
- A drought in the southern Plains drove the U.S. cattle herd to shrink to its smallest size in 60 years. The tight supplies of beef set the wholesale and cattle futures prices high. The price could be further pushed up by strong exports of beef.

M&A AND LEGAL & REGULATORY ISSUES

- As the economy is still faltering, the airline industry has experienced multiple M&A transactions in the past 7 years. American Airlines parent AMR Corp., the No.3 U.S airline, filed for bankruptcy-court protection this past November. At the same time, US Airways is looking to see if AMR wants to merge with them while Delta Airlines is considering whether to acquire either US Airways or AMR. The challenge Delta would probably face is the antitrust scrutiny while US Airways would have fewer problems with the situation.
- Tough market conditions, intense competition and scrutiny from regulators have made exchanges operators more worried about the growth. Direct Edge, the fourth largest U.S. stock market operator is exploring a sale or IPO while other exchanges M&A deals are on their ways for approval.
- David Einhorn, a prominent hedge-fund manager from Greenlight Capital, was fined \$11.2 million over insider-trading allegations. In addition, corporate brokers, who often have access to companies' sensitive and market-moving information, are now facing increased scrutiny from the regulatory committee both in the U.S. and in Europe. Since the financial crisis of 2008, the Financial Services Authority (FSA) in Europe has won 11 criminal convictions and is prosecuting 15 other individual, indicating a sign of stricter enforcement on the regulation of insider trading.

WORD SEARCH

- CATTLE
- DIRECTEDGE
- EMERGING
- EUROPE
- GREECE
- GREENLIGHT
- INSIDER
- QUARTER
- USAIRWAYS
- YUAN

P E W G R V B F N W R R Y D P
 W H U F R Y E S I S E A U I B
 V P J R H E P K W G T J A R E
 K G A R O W E H Z X R H N E Z
 Y Z H O W P E N L J A B D C M
 B Z Z Q S L E U L U U G S T B
 I I W Q T Q J B S I Q S W E P
 P G U T I E K A X Q G X Y D Q
 O Q A R D A I V V V H H G G G
 V C Y W E R E I A Z S X T E R
 X Q O W W D H A Y I J P A Z A
 Z X I A G N I G R E M E H M W
 H A Y U U E V S G R E E C E I
 O S X J L D S T N F J R E G N
 W A V T O X I Z W I G W Z I X