

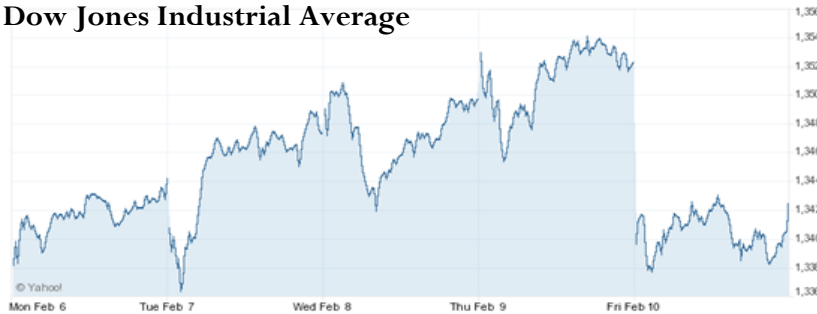
FINANCIAL FRONTLINE NEWSLETTER

WEEK: FEBRUARY 7 - FEBRUARY 13

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Dow Jones Industrial Average



S&P 500 Index



- It was a volatile week for the market as major indexes saw a steady increase from Monday through Thursday and then a sudden drop on Friday ending the streak of 5 straight weekly gains.
- The S&P 500 rose to a high of 1354.13 on Thursday and dropped .69% to 1342.64 on Friday. Similarly, the Dow Jones saw a rise to 12,801.23 on Thursday and a 0.69% drop (89.23) the next day.
- The aggressive selling on Friday was caused by news that eurozone officials would suspend funds for Greece's bailout until more austerity measures were met. Today, Greece's parliament passed a controversial austerity measures package sparking public anger and violence.

FOREIGN EXCHANGE

- The euro slid nearly one percent versus the dollar and yen on Friday as uncertainty over Greece intensified after euro-zone finance ministers held off on approving Greece's second bailout the previous day. Investors are nervous as the Greek parliament has yet to approve the austerity measures. Overnight, Greece's finance minister warned that the country faces a stark choice of enforcing reforms or being forced out of the euro zone.
- The Canadian dollar retreated against a broadly strengthening U.S. dollar Friday, ending the week at a new monthly low, after investors pulled back from riskier assets as uncertainty loomed over attempts to resolve Greece's debt crisis. The U.S. dollar was trading recently at C\$1.0027 late Friday, from C\$1.0026 at 8:00 a.m. EST (1300 GMT), and up from C\$0.9948 late Thursday, according to data provider CQG. The greenback rose against most major currencies on Friday.

FIXED INCOME

- Greece's political leaders agreed on unpopular budget, wage and pension cuts that moved Europe to the verge of approving a new bailout to stave off a messy Greek debt default. But eurozone finance ministers meeting here late Thursday demanded the measures pass the Greek parliament before they would finally sign off on the deal. The demands of ministers spelled another week of uncertainty over the long-stalled bailout and debt-restructuring for Greece.
- The growing discrepancy between the Fed's outlook and recent economic data has some investors daring to second-guess the central bank's explicit policy guidance last January on keeping the rates low. After rallying a few days on the back of the Fed's Jan. 25 announcement, selling pressure on treasuries appears to be on the rise. If the economy keeps showing strength, the

Market Highlights

Dow Jones Industrial Ave.	12,801.23 ↓59.56
S&P 500	1,342.64 ↓1.68
NYMEX	99.59 ↑1.18
10-YR. TREAS.	2%
FED Funds Rate	0.12
Unemployment Rate	8.30%

COMMODITIES

- China commodity imports slumped as inventories accumulated and the economy slowed down. Iron-ore imports began to decrease, falling 7% in January, due to government's decrease on real-estate sector.
- Crude-oil futures fell, due to the estimates for lower demand of global oil, with 0.3 million barrels a day in forecast. Light, sweet crude for March delivery settled \$1.17 lower at \$98.67. An analyst at the Energy Management Institute explained that the decline might be due to the slowing down of the economy in China.
- Gold fell 1.2% for the week. Investors pursue the dollar as a safe-haven in the situation that Greece faces another round of potential default. Gold dropped against the stronger dollar. The most-actively traded contract, for April delivery, settled down at \$1,725.30 a troy

M&A & CAPITAL MARKETS

- Diamond Foods' recent decision on Wednesday to change its executive board and restate their financial results for the past two years may jeopardize its Pringles deal with Procter & Gamble. They placed its chief executive, Michael J. Mendes and its chief financial officer, Steven M. Neil on administrative leave. These changes are likely to constitute a MAC, "a clause placed in takeover agreements that allows a buyer to walk away if a material adverse change happens to the target company during the time a deal is announced and completed." Thus, P&G has the option to terminate the acquisition if the restatement throws off earnings by 5 to 10 percent. Their 2011 price per share was \$2.61, but analyst recently reduced to \$1.14 a share. Thus, the big question now is "Will P&G terminate the acquisition?"
- On Thursday, Oracle agreed to acquire Taleo, a maker of online human resources software, for a price of \$1.9 billion. This purchase is the latest move in Oracle's competition with rival SAP. SAP recently purchased Taleo's rival, SuccessFactors in early December. Oracle is trying to transition from just hardware and installed software to also include cloud computing. People believe that this is the first of many of cloud-centric purchases for Oracle.
- Illumina installed a poison pill last month to defend itself from the hostile takeover from Roche Holding. But, Illumina has now formally rejected the \$5.7 billion bid, stating it is "grossly inadequate." They also rejected Roche's proposed director nominees. But because of a loop in Illumina's bylaws, Roche is trying to gain two additional seats on the executive board through shareholder approval, which will allow Roche to take over majority of the director positions.

WORD SEARCH

CANADA
 CHINA
 DIAMONDFOODS
 ENERGY
 EUROZONE
 GOLD
 GREECE
 ILLUMINA
 ORACLE
 PRINGLES
 ROCHE
 TALEO
 TREASURIES

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

