

FINANCIAL FRONTLINE NEWSLETTER

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FOREIGN EXCHANGE

- The yen stumbled on Friday as signs of a strengthening world economy prompted optimistic investors to sell the Japanese currency, a popular safe harbor, in favor of riskier assets. The yen pulled back from a three-week high against the dollar it touched earlier in the day and dropped against the euro amid a global rise in stock markets sparked by bullishness about growth in the developed world.
- Emerging-market currencies and debt were flat Friday as investors stayed on the sidelines on the last trading day for the week, month and quarter. After Thursday's selloff, currencies such as the South African rand and even the Hungarian forint were a lot more muted in their movements on Friday.

FIXED INCOME

- Bonds backed by Ireland, Greece and Portugal are rejected by the Bundesbank, becoming the first euro-zone central bank to exercise a new privilege allowed by the ECB to protect its balance sheet from the region's debt crisis. While it reflects concerns that the ECB's crisis-fighting measures may be encouraging banks to shift debt of dubious value to central-bank balance sheets, such action won't protect it from losses if the Eurosystem has to restructure defaulted collateral, as losses on collateral held through the ECB's normal monetary-policy operations are shared among all 17 of the national central banks in the euro zone, as well as the ECB itself.
- The possibility that China will suffer an economic shock within the next three years is remote, according to the general opinion of pundits, but the risks are very real and the country may have to navigate several major hazards to avert it. While China has been attracting a colossal amount of investments with its rapid industrial growth, it is now attempting to engineer slower but more sustainable growth. However, achieving a smooth transition on such a scale may not

Market Highlights

Dow Jones Industrial Ave.	13,212.04 ↑129.42
S&P 500	1,408.47 ↑11.36
NYMEX	105.27
10-YR. TREAS.	2%
FED Funds Rate	0.16
Unemployment Rate	8.30%

COMMODITIES

- Supplies of sugar have dropped 2.8% from the previous season and the government is pressured to raise the ceiling to allow more low-tariff sugar in. The U.S put a quota on sugar imports that can be brought in duty-free or at low tariffs. Currently, the U.S imports about a quarter of the 11 million tons of sugar.
- The White House cleared new sanctions on Iran on Friday and stated the disruption of oil supply would not significantly harm world markets. The move led to rise in gasoline prices across the country.

M&A & CAPITAL MARKETS

- As we reported earlier, Roche Holding, a Swiss pharmaceutical company, is aggressively trying to make a hostile bid for Illumina, a U.S genetic sequencing company. Roche has now raised its offer by 14.6%, increasing a share from \$44.50 to \$51, which overall increases the offer by more than \$6 billion dollars. Roche is very aggressively pursuing Illumina as it has extended the deadline twice, and now they are raising their offer. Currently Roche has less than 1% of Illumina's total shares.
- From Illumina's side, they believe the initial offer was too low and they disagree with the proposed changes to expand the company board from 9 to 11 seats. But, as of March 29, Illumina's shares have actually exceeded Roche's offer for \$51/share. On Thursday, it reached a high of \$52.14. Thus, Illumina is recommending to their shareholders to hold off on selling their stocks to Roche as Illumina's stock has risen so high since their initial offer. The negotiations, if there will be any, will be interesting as the chairman of Roche, Franz B. Humer sent an open letter to Jay T. Flatley, Illumina's CEO regarding that if Illumina declines negotiations, then they will begin to pursue even more ag-

WORD SEARCH

BULLISH	E N K U E C K I I B B Q Y N G
BUNDESBANK	H Y N A J U R C U Y G R E N E
CHINA	C M A K C A R L S I C E D M R
COLLATERAL	O E B K N W L O H M R A B R U
ENERGY	R X S D T I J X Z L P H O R U
EUROZONE	K L E T S Q N A A O R I D S J
FORINT	Z H D H N C V R P W N Z H C U
HOSTILE	K J N K W I E J I A G E O G P
ILLUMINA	P Q U W B T R C H I N A S T V
IRAN	L W B R A K I O R X A C T W K
JAPAN	L J S L Z K T A F B T T I U A
NYMEX	Y H L D M L G D N A R R L V C
RAND	S O I L L U M I N A P X E P G
ROCHE	C C F G S T J M R Z J R V R F
SUGAR	O F T L M N U U O I Q W X B M