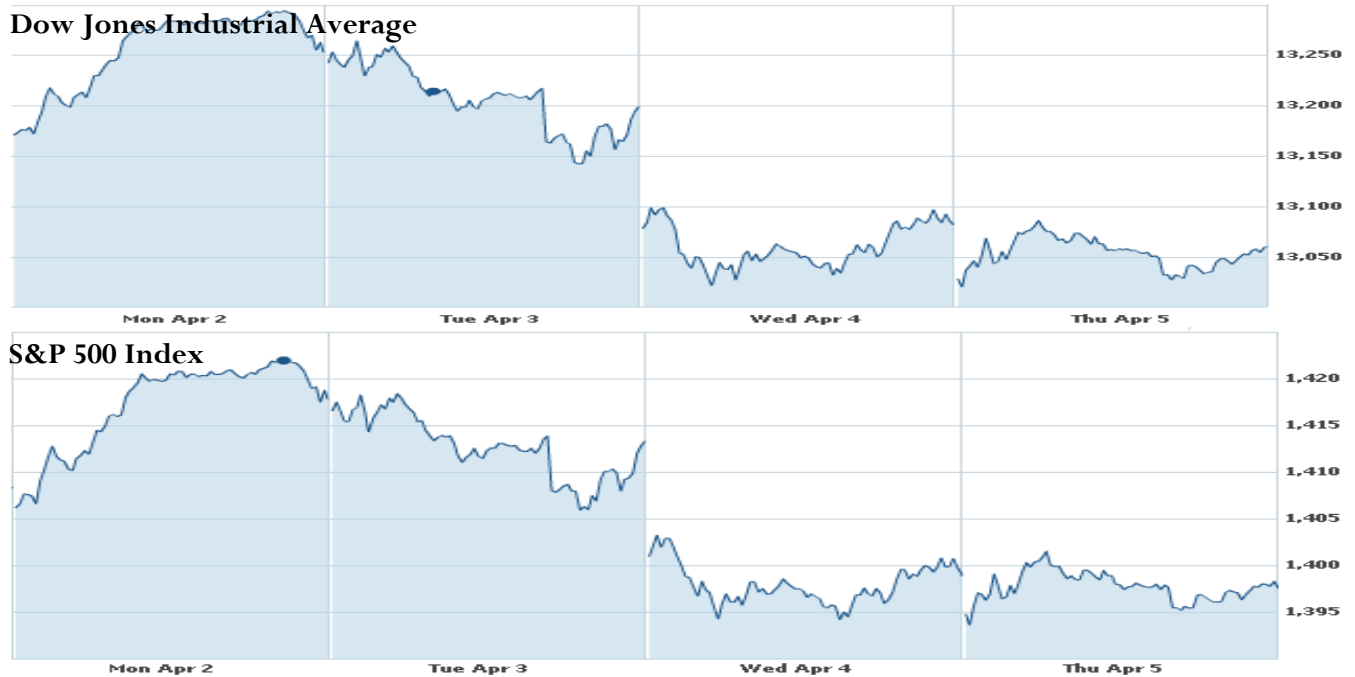


# FINANCIAL FRONTLINE NEWSLETTER

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## FOREIGN EXCHANGE

- Disappointing U.S. payrolls numbers dragged the dollar to its weakest level in nearly a month against the yen Friday, as doubts were rekindled about the strength of the recovery. In markets thinned by holidays in Europe and the U.S., investors reacted negatively to news that the U.S. economy created 120,000 nonfarm jobs last month, approximately half of February's number and well short of most analysts' estimates.
- The outlook for further actions from the Federal Reserve and other major central banks will likely drive currency markets this week, following Friday's weaker-than-expected U.S. jobs report. Better U.S. economic data this year had led investors to reduce expectations for more stimulus from the Fed. However, the 120,000 jobs added in March were below economists' fore-

## FIXED INCOME

- The upper house of Japan's parliament rejected the government's candidate for the central bank's interest-rate-setting policy board, looking instead for someone more supportive of further monetary easing. Such a decision implies that a political desire for more central-bank action persists even after recent BOJ measures weakened the yen and boosted Tokyo stock markets. Lawmakers are increasingly looking to the BOJ to act, as the heavily indebted government has little room to support the nascent economic recovery with more spending.
- The mortgage-bond investors are waking up to awareness of the looming risks of rising interest rates, to which they have been blind to because of their obsession with mortgage refinancing. While for the past few years the rise of interest rate has not been plausible with the U.S. recession, the euro-zone debt crises, and the Fed's quantitative easing, another round of quantitative easing has been deemed dangerous. Rising rates would discourage homeowners from refinancing their mortgages, extending the life of the bonds containing those mortgages. This would lock investors into the lower rate longer than anticipated, preventing them from putting money into

## Market Highlights

Dow Jones Industrial Ave.	13,060.14 ↓151.90
S&P 500	1,408.47 ↓10.39
NYMEX	101.98
10-YR. TREAS.	2%
FED Funds Rate	0.11
Unemployment Rate	8.20%

## COMMODITIES

- Natural-gas futures hit 10-year lows after weekly data showed that gas inventories rose by 42 billion cubic feet last week. Due to warmer weather, heating demand has slowed down and prices are expected to fall further.
- India's Financial Technologies Group launched a new project - a new Asian exchange focusing on select commodities and currency derivatives. It helps choose the most suitable products for traders in Asia as well as global players.
- Pecan broker Daniel Zedan discovered the overstatement of pecan exports, which makes the price go higher than they should be. The mis-report indicates the perils of relying on government data in commodities trading. Pecan prices hit \$3.70 a pound at the start of fall and have

## M&A & CAPITAL MARKETS

- The battle for Illumina, the gene-sequencing technology company, by Roche Holding, a Swiss medical giant, is still unraveling. Roche last week raised its offer from \$5.7 billion to \$6 billion to acquire Illumina, which is \$51 per share. On Monday, Roche unanimously rejected the offer. Roche has adopted the poison pill defense, where it is attempting to make its stock less attractive to Roche to prevent Roche from taking over Illumina. On Monday Illumina's shares closed at \$51.37.
- On Tuesday, Roche stated that they were "disappointed" in the rejection. But investors expect Roche increasing their bid. On Friday, Institutional Shareholder Services, an influential shareholder advisory firm, released that Illumina's investors should stick with Illumina and not be swayed by Roche Holding. I.S.S also recommended that Illumina shareholders should re-elect all of the company's proposed directors instead of voting for director candidates.
- On Tuesday, Royal Bank of Canada bought the remaining 50% of RBC Dexia Investor Services for \$1.1 billion. RBC Dexia provides back-office support for financial services companies and with this deal, it would be able to expand its global presence. This deal also benefits

## WORD SEARCH

BACKOFFICE	L	B	L	X	M	Z	A	W	B	Y	D	C	J	B	E
COMMODITY	V	S	A	P	E	M	O	R	T	U	Z	B	A	I	V
DERIVATIVES	I	L	A	H	W	Q	A	I	D	P	Y	R	P	E	F
DEXIA	A	L	B	G	V	J	D	I	E	Z	E	R	A	D	C
EMPLOYMENT	J	P	L	P	L	O	P	N	R	F	E	C	N	J	Q
EUROZONE	T	I	A	U	M	A	H	I	I	L	U	T	A	K	F
ILLUMINA	N	I	J	M	M	M	R	N	V	U	R	S	L	N	R
INTEREST	E	M	O	C	X	I	A	U	A	J	O	E	Q	F	E
INVENTORY	M	C	B	C	K	N	N	A	T	U	Z	R	S	A	H
JAPAN	Y	S	P	S	C	M	I	A	I	A	O	E	N	H	L
NATURALGAS	O	B	O	I	E	X	I	N	V	E	N	T	O	R	Y
PECAN	L	E	N	B	E	H	A	P	E	E	E	N	E	Y	M
REFINANCING	P	G	W	D	L	L	H	N	S	J	Y	I	Z	C	W
ROCHE	M	R	O	C	H	E	C	I	F	F	O	K	C	A	B
STIMULUS	E	S	U	L	U	M	I	T	S	G	D	S	X	O	F