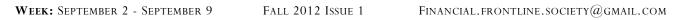
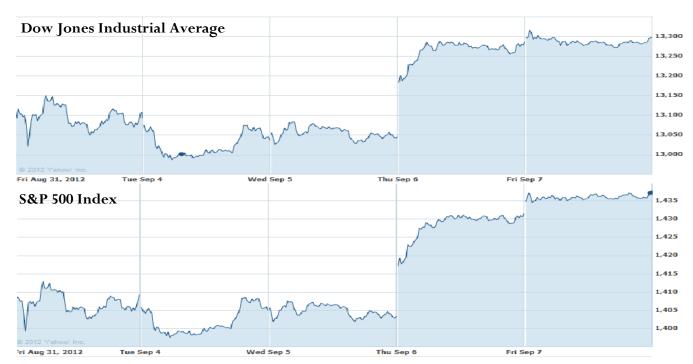


FINANCIAL FRONTLINE NEWSLETTER





Market Recap

- This week saw great growth in the markets following a boost on Thursday following an uneventful first three days. Major market indexes reached multiyear highs. These increases come after the European Central Bank announced on Thursday that it would employ unlimited short-term sovereign debt purchases in an effort to keep bond yields in heavily indebted countries at a manageable level. This good news caused European stocks to increase by as much as 4% in some countries.
- Another factor to the boost on Thursday was positive US data on surprisingly strong service sector activity and increase in payrolls. However, the boost stabilized on Friday after the disappointing news from the Commerce Department that only 96,000 jobs were created in July.

FOREIGN EXCHANGE

- The EUR/USD traded at a 3-month high of 1.2814. A huge increase from its recent low of 1.2041. The recent surge in the currency can be attributed to three main factors. Firstly, ECB President Mario Draghi announcement about government bonds. Also, the removal of senior debt status of bonds bought by the ECB has given a greater assurance to the market. Secondly, the recent weak economic numbers in the US has strengthened the Fed's case for another round of quantitative easing. This will weaken the dollar and result in the strengthening of the EUR/USD. Lastly, many players in the currency markets were taking a short position on the EUR/USD. The recent move will result in a short squeeze, in which short sellers have to purchase the EUR/USD to cover their shorts.
- The aforementioned weak US data has led to a one-year low in the USD/CAD. This has also led to the general strengthening of other currencies against the US. This phenomenon is termed as "the NAFTA trade," the inclination of poor US fundamentals to weigh on the currencies of its trading partners. The prospects of quantitative easing and the ECB's announcement has led to a risk on environment as investors turn to emerging currencies for higher yielding assets. This had led to speculation that the central banks of these countries might intervene if the currencies get too strong. This intervention happened in Switzerland and Japan earlier.

<u>Market Highlights</u>	
Dow Jones	13,306.64
Industrial Ave.	↑ 215.80
S&P 500	1,437.92
	↑ 31.34
NYMEX	96.260
10-YR. TREAS.	1.625 %
FED Funds Rate	0.17
Unemploy- ment Rate	8.10 %

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,

COMMODITIES

- Money managers speculate a highest price of commodities before policy makers of U.S., China and Europe will help boost the economy growth. Money managers increased their net-long position across 18 U.S. futures and options by 2.3 percent to 1.33 million contracts in the week ended Sept. 4, the highest since May 3, 2011.
- CME Group Inc. the owner of the world's biggest futures exchange, is betting that a surge in demand for recycled steel and price swings will drive trading in its scrap futures that start today. Scrap metal is one of the last few major commodities without a futures contract and it is a market full of opportunities.

M&A & CAPITAL MARKETS

- On Friday the Carlyle Group, a private equity firm, released that it had bought Cogentrix Energy's North American power plants from Goldman Sachs. Not a lot of the terms were released to the public, but they did say that Carlyle would gain a significant amount of coal and solar power plants throughout the country. They are looking to start becoming a competitor in the energy business. Carlyle has also made investments in Plainfield Renewable Energy and Core Mineral Operating Company. They are really looking to have a strong presence in the energy industry as they have bought 12 companies this year, paying over \$15 billion.
- As of Thursday, it has been finalized that Facebook now officially owns Instragram. The deal was announced in April, but was just closed on Aug 31. People are excited to see what kinds of things Facebook will do with Instragram, but executives stress that Facebook will not be change significantly "The Instagram app and its features will stay the same one you know and love, and we'll keep working together to build a better Instagram for everyone." Instagram also recently shared its 5 billionth photo.
- In the world of office supplies, 3M, maker of labels and sticky notes recently acquired the office and consumer products division of Avery Dennison for \$550 million. But the Justice Department is threatening to file a civil antitrust lawsuit against the companies as with the acquisition of Avery, 3M would no longer "compete effectively in the sticky notes market." With the completion of this deal, it is estimated that 3M will have over 80% of the market for sticky notes. Even with this threat looming down on them, both companies have decided to continue on with the deal as they "believe the transaction would benefit customers and consumers."

BRAIN TEASER

• There are 100 closed windows and 100 people. The first person opens every window. The second person closes every 2nd window. The third person visits every 3rd window; if the window is closed, he opens it; if it is open, he closes it. So on and so forth. After the 100th person, how many windows are open?

UPDATES

- 9/11 and 9/12 (TOC)
- 9/13 (BOC)
- 9/14 11:00 pm

Project Leader

Send resume and write paragraph about what you can bring to FFS and if you have any project in mind

9/15

Project Leader Interviews

• 9/17 11:00 pm

Analyst Applications Due

Send resume and write paragraph about what you want to achieve as an analyst