The Euro dropped from $1.2913 last week to $1.2844 on Friday. An independent audit on Friday revealed that Spanish banks require €53.75 billion ($69.23 billion) in new capital, less than what was projected in June. However, positive results from the stress test was notable to sustain the Euro rally as Spain has yet to request a bailout. The rescue plans pledged by the ECB were the main reason behind the appreciation of the Euro last week. Without a formal bailout request, the ECB cannot take further actions on a new round of bond-buying aimed at lowering the borrowing costs of troubled countries.

The US dollar benefited as investors rebalanced their portfolio on the last day of the third quarter. The USD/JPY appreciated on Friday from ¥77.60 to ¥77.94. Also, the safe-haven buying helped the US dollar sustain its value despite the contraction in Chicago's manufacturing activity.

This week saw negative performances for the stock market as major indices fluctuated from news of the EU Bailout progress. On Monday, stocks began on a down note after Germany's IFO Business Climate Index missed expectations but boosted back early on Tuesday following positive consumer confidence data only to fall back at the end of the day.

Spain’s fiscal and political struggles were put back in the spotlight this week as several austerity measure protests were held in Spain following government budget cuts. This news was reflected in Wednesday's session lows for major indices such as the S&P 500 as well as major stocks in the European market.

Following negative economic data throughout the rest of the week the S&P 500 ended the week on a 1.3% decrease while the DOW ended at 13437.13 for a 1.0% decrease.
**Fixed Income**

- Fixed income syndicate and Nomura Holdings Inc.'s head of debt origination, Mark Leahy, has left the firm. This layout was mainly due to the bank's cost-cutting program totaling around 1 billion dollars. Leahy starting working at Nomura in April 2011 after transferring from a start-up brokerage in Australia. Some of his previous occupations involved a debt syndication team and fixed income syndicate regional head for Asia at UBS AG. His position is set to be replaced by Clayton Carol, head of leveraged finance for Asia at the bank. Nomura announced more job cuts last Thursday which includes Sandeep Singh and Dirk Simmons, both of whom occupied managerial positions.
- The momentous ECB meeting and new Federal Reserve policy made very little splash in the past two weeks. QE3 has restored the uptrend to Treasuries and bond, but progress is slow. Eight consecutive sessions of Treasury prices saw increase, however the gains amounted to very little. This pattern is set to continue for a few weeks as traders maintain a basic long position in that market. In addition, the Treasuries will be heavily influenced by the coming election. Congress's decision regarding the package of tax increases and spending reductions known as the "fiscal cliff" will also be a major factor. Economists expect that going over this cliff will place the US back into recession. Although US equities have been firm we cannot rule out a major change in the coming months as a possible scenario.

**Commodities**

- Although the Fed’s quantitative-easing program has been widely unpopular across most emerging markets, the latest one, QE3, seems far less contentious than earlier ones, according to current global economic fundamentals. While previous rounds of bond-buying program threatened the emerging markets battling with inflations, the Fed has responded that a healthy U.S. recovery in turn helps the global economy. Moreover, these countries already had measures to deal with inflation if they wanted, by allowing their currencies to appreciate for example. However, with QE3, the reaction has been more muted. Asian and Latin American central banks, despite hemming and hawing, are in policy concert with the Fed's actions.
- Gold prices further increased in overnight gains in Asia Friday due to safe-haven buying and rising inflation worries, which altogether provide support for the precious metal. Spot gold ended at $1,781.20 a troy ounce at 0531 GMT, up by $3.90 from its previous close. Regardless of how Spanish banking review comes out, it seems that the direction for gold appears to be up either way. After the central banks of the world, including the Fed, announced the plans for monetary stimulus, the metal has gained 5.3% since the start of the month. Further, dollar weakness also boosted demand, as dollar-denominated commodities appear more affordable to holders of other currencies when the greenback softens.
- Crude-oil futures in Asia further gained on Friday, backed by a stronger euro as positive developments in Spain and some encouraging economic data helped support investor sentiment. On the NYMEX, light, sweet crude futures for November traded at $92.41 a barrel at 0721 GMT, up by $0.56 in the Globex electronic session. November Brent crude on London's ICE Futures exchange rose $0.56 to $112.57 a barrel. NYMEX crude snapped a three-day losing streak to settle $1.87 higher Thursday at $91.85 a barrel as strength in U.S. gasoline futures spilled over into crude oil following reports of an explosion at a Canadian refinery. In Europe, Spain unveiled a budget and reform package for 2013 that includes conditions for a bailout, relieving some concerns about its economy.

**M&A & Capital Markets**

- Tempur-Pedic, a manufacturer and distributor of mattresses and pillows, planned a $299 million buyout of its direct rival Sealy Corp. This deal is expected to be all-cash, and the slim 2.8% premium to Sealy’s Wednesday closing price was low but had not encountered problems from its shareholder as KKR, which owns 46% has agreed on the deal. Noticeably, KKR bought Sealy from its rival Bain Capital in 2004 and had lost over 86% of the value.
- In Japan, Sony plans to purchase 11.5% stakes in Olympus by raising approximately $631.6MM through issuance of its own shares. This transaction would help Olympus raise its capital ratio as it was trapped in the 13 year accounting fraud last year. On the other hand, Sony is expecting to enter the medical-equipment business by leveraging Olympus’s ability in making endoscopes through this investment, which ultimately leads to a joint venture between the two companies.
- Hong Kong IPOs have raised $5.6 billion so far, reaching the lowest level since 2003 and falling to fifth top venue for IPOs. On the positive side, several companies have lined up for the IPOs in the 4th quarter and many are also waiting for bankers’ proposals. Dairy company Liaoning Huishan Holdings Co. is one of them as it aiming to raise between $800 million and $1 billion through a Hong Kong IPO. Over the past years, Liaoning Huishan has made significant efforts to make up for a tainted milk scandal in 2008. Since founded in 1951, the company has been getting continuous support from Hong Kong investors.
- Nokia Corp announced the deal with Oracle with an intention to increase the functionality of its mapping software. Noticeably, Nokia has also announced mapping deals with Groupon, Amazon, and even Yahoo recently, and it is a clear sign that Nokia is trying hard to compete directly with Google’s Google Maps.

**BRAIN TEASER**

You are given 12 balls and a scale. Of the 12 balls, 11 are identical and 1 weighs EITHER slightly more or less. How do you find the ball that is different using the scale only three times AND tell if it is heavier or lighter than the others?