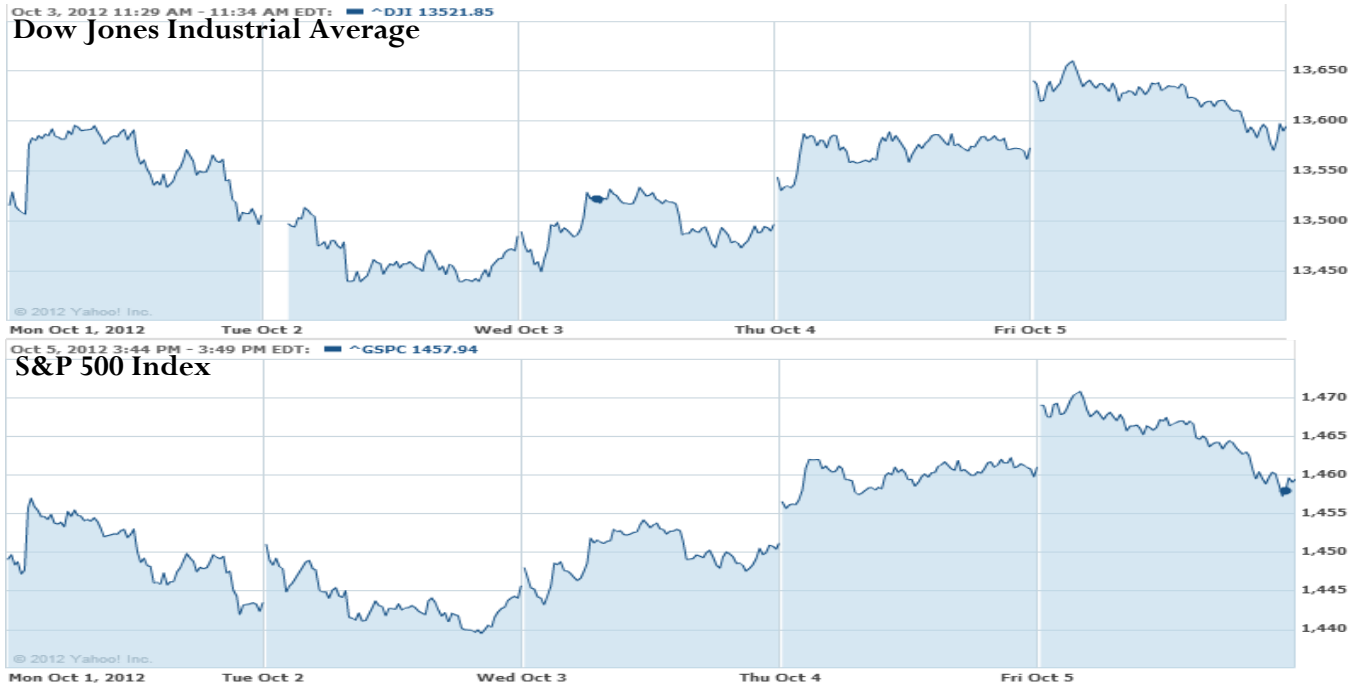


FINANCIAL FRONTLINE NEWSLETTER

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MARKET RECAP

- This week was a good week for the stock market as stocks climbed despite bad macroeconomic factors. Both Monday and Tuesday experienced bullish sentiment overseas and US equities got a boost as the ISM Index reported a 51.1, higher than the expected 49.7 reading.
- On Tuesday, headlines out of Europe that suggested that Spanish aid request was not imminent gave another positive signal for investors. This good news only lasted for a part of the day as major stock indices ended the day with a loss.
- Stocks bounced back from Wednesday onwards especially after Thursday's reports on August factory orders reported a less than expected decrease. Overall, the DJIA increased by 1.3% to end at 13610.15 and the S & P 500 increased by 1.4% ending the week at 1460.93.

FOREIGN EXCHANGE

- After observing a week of declines and hitting a three-week low, the euro increased from \$1.2859 two Fridays ago to \$1.2888 last Monday. The slightly bullish market is a mixed result of positive data on manufacturing from Europe and the U.S., and negative prospective on grading to Spain's economy. On the one hand, activity in Italy and Spain manufacturing showed a smaller contraction than expected. According to the U.S. government data, bets on the euro's decline fell to the lowest lever since 2011. Similarly, activity in the US manufacturing sector expanded for the first time in three months in September, buoying the dollar from ¥77.93 to ¥78.02. On the other hand, bearish market watchers on the euro are awaiting the findings of a Moody's Investor Service review that could downgrade Spain to "junk" status days after this Europe's fourth-largest economy was rocked by anti-austerity protests. Regarding the two other major currencies, the pound was trading at \$1.6131 from \$1.6163, and the Swiss franc at \$1.0659 from \$1.0641.

Market Highlights

Dow Jones Industrial Ave.	13,610.15 ↑95.04
S&P 500	1,460.93 ↑16.44
NYMEX	89.88 ↓1.83
10-YR. TREAS.	1.625
FED Funds Rate	0.17
Unemployment Rate	7.80

FIXED INCOME

- Fixed income and money markets have shown increased volatility over the past few weeks. This can be attributed to the regulatory changes impacting liquidity and other domestic macroeconomic developments. The tightening in monetary conditions at the Monetary Policy Committee led to a short-lived correction in money market rates. But the release of a circular by the central bank of Nigeria prevented access to Standing Lending Facility and Wholesale Dutch Auction System funds. This translated into a substantial temporary liquidity squeeze in the interbank market.
- Developing markets account for 36% of the world's gross domestic product. Investors' perception has grown with the market as equity investors have grown comfortable with stocks in these countries over the years. More than \$18 billion has been poured into mutual funds and exchange-traded funds investing in emerging-market bonds, already surpassing last year's record of \$16.5 billion. Much of the recent enthusiasm for local denominated bonds has been driven by the overvaluation of dollar-denominated debt.
- Local-market debt accounted for 70% of all emerging-market debt-trading in the second quarter of this year. Emerging markets have come a long way, but they still have a long way to go.

COMMODITIES

- Top oil-exporting nations Thursday sent conflicting signals to the oil market. While Saudi Arabia is seeking to push prices lower, neighboring Iraq favors an oil price around the current level of \$100 to \$120 a barrel. Oil prices have been volatile in recent months, driven in part by macroeconomic signals and political tensions in the oil-rich Middle East. However, consumers of oil are voicing worries that higher oil prices pose a large threat to the global economy and risk tipping the world back into recession.
- Indian investors are increasingly investing in silver which has risen sharply in value over the past few months, contrary to their strong preference for gold. Spot silver in NYMEX has risen by 27% since the end of June, while the price of spot gold has increased by a relatively moderate 12%. Gains in both precious metals are largely the result of concern that stimulus efforts by central banks will cause inflation. The volume of silver futures contracts traded at India's largest commodity exchange jumped 30% in September since July. While it is anticipated that both gold and silver would rise in the coming months, silver usually attracts more buying because it is cheaper.
- Natural gas prices have surged in recent weeks, but competition from coal and expectations for warm weather are about to put the brakes on the rally. Natural gas futures have rallied more than 25% from the low of \$2.682 per million British thermal units reached in early September. In July, demand for natural gas from power plants hit a record 1.1 million cubic feet, up more than 15% from the prior year. However, traders have been expecting cooler weather in the Midwest and Northeast in the coming weeks, which would boost demand for heating fueled by natural gas.

M&A & CAPITAL MARKETS

- Newfield Exploration Co., an oil and gas producer announced the completion of the sale of its Gulf of Mexico exploration and production properties to W&T Offshore Inc. this Friday. The current payment was said to be \$208 million, up to further changes since initially the estimation was at \$228. After the sale, Newfield expects to produce about 298 billion cubic feet equivalent of natural gas. The previous range was 296 billion to 304 billion cubic feet. Newfield shares rose to \$30.54 to close while W&T Offshore close at \$18.87, felling 34 cents.
- Three days before the deadline for detailing the merge deal, UK warned to end the proposed \$45 billion merger between EADS and BAE Systems if they fail to meet key "red line" priorities on Oct 7th. Both French and German governments are involved in the deal, giving concern to the British government regarding the country's jobs and securities.
- As another means to increase growth and strengthen in its product portfolio, Synopsys Inc. completed the acquisition of EVE, a provider of emulation platforms for SoC verification. This is the second acquisition for the company this year, with the first one being software maker ExpertIO Inc this January. It is expected that Synopsys will make more acquisitions in the future.
- On Friday, National Bank of Greece, Greek's biggest assets lender, announced a public offer to merge with its largest domestic competitor, Eurobank, due to the damage caused by the financial crisis and a major write-down in Greek's debt this year. The proposal called for Eurobank's shareholders to receive 58 new shares for each 100 they have. NBG shares rose up 4.5 percent and Eurobank's shares rose by 5.5 percent before the announcement.
- The merge of T-Mobile USA and MetroPCS Communications is set, and it is estimated to create an operator with more than 40 million subscribers. The name will remain T-Mobile, with Deutsche Telekom AG, the owner of the previous T-Mobile USA, holds 74 percent of the new business. Besides getting the remaining shares of the new T-Mobile, MetroPCS's shareholders will also receive a payment of about \$1.5 billion. The effect on the stock market is reflected on Tuesday, since MetroPCS' shares rose up for about 20 percent to \$14.16 in New York.

BRAIN TEASER

An interviewer throws a dice 3 times and each time I have the option of taking as many dollars as the dots on the face of the dice or playing again (till a max of 3 throws). Find the optimal strategy as well as the expected payoff of the game.

UPDATES