The G7 officials are discussing on issuing a joint message to ease concerns of currency war looming over the globe. Although the majority of the board agrees on stabilizing the currency market, their desired individual agendas are no less pacifying: many of the industrialized nations have already initiated monetary policies to boost the economy and depreciate their own currencies, notably Japan. Moreover, Japan, although hesitant in making any statement on G7 joint statement, seems even less willing to back away from their new monetary policies. Amid clashing forecasts prior to the outcome of the meetings, the yen stayed strong against dollar in the market.

Australian dollar nudged higher on Monday with much of Asia closed for the Lunar New Year celebrations and a public holiday in Japan, trading as high as US$1.0326. Although the government housing data was more disappointing than the economists’ forecasts, with home loan approvals falling 1.5% in December, the currency did not seem to react on this news, yet. The experts remain skeptical that the housing market will recover as the government claims, and there looms some danger ahead of Australian dollar of losing further 0.25% of the yield. However, the level of carry-and-trade buying is not up to the expected level, with most of the attention directed to upcoming G-20 meeting.

Analysts are wondering about whether or not the sequester (scheduled automatic spending cuts on March 1st) will happen and what it's effect on the market will be. Some say that the market could pull back as much as 10% and others say that that is unlikely since P-E ratios show that stocks are not wildly overvalued.

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### Fixed Income

- The Chinese fixed-income space looks set to enjoy another solid year in 2013 as credit quality improves. But the market still faces a mix of challenges and a repeat of 2012’s stellar performance seems unlikely. Sovereign credit fundamentals in China, as well as Japan and Korea, “will remain resilient to global headwinds, as policy frameworks will support economic growth in 2013”, said a recent report from Moody’s. On the corporate side, downward rating pressure should ease. “The credit quality of Chinese corporate issuers should stabilize supported by a more benign environment for market liquidity, modest growth in property sales, and public investments in infrastructure projects.”
- Although the U.S. stock markets succeeded in successive double digit gains in 2011-12, this was remarkably accomplished with a reduction in trading volume. It was particularly emphasized by the outflow from mutual funds, which had experienced a two-year reversal after 2010 indicated a stock market comeback in the wake of the financial air pocket (2008-09). As the global stock markets generally, and the U.S. in particular, were facing an outflow, the fixed income investments were experiencing record participation expansion. While the Fed was driving its fund rates to near zero, the big winners were a wide gamut of bonds, spanning municipal tax-frees, corporate high yield bonds, and even the bloated U.S. Treasury debt, which saw a worldwide growth investment influx due to the global drive for safety, for which American Treasury bond issues are well known.

### Commodities

- As new Chief Executive Sam Walsh takes control of Rio Tinto, he inherits a big dig in the Mongolian desert that’s about to produce tons of copper and gold. The $13 billion Oyu Tolgoi project, nearly two decades in development, is a huge untapped source of copper. At full production, Oyu Tolgoi could help Rio shed its reputation among investors of being a one-trick pony that makes most of its profits from iron ore, a material heavily dependent on the ups and downs of the global steel market.
- Pension funds and other institutions are retreating from popular investments linked to commodities after finding they did little to protect their portfolios against inflation risk and the unpredictable returns of stocks. Investors have yanked nearly $10 billion from tradable index-es tied to energy, food, metals and other commodities after two years of record outflows.
- A panel set up by India's central bank Wednesday suggested introducing gold-backed financial products and periodic review of import duties on the yellow metal, one of the biggest contributors to the nation’s large current-account deficit. The recommendations come two weeks after the government raised the import tax on gold to 6% from 4%, the second such increase in 10 months in an effort to cut demand for the metal.

### M&A & Capital Markets

- 3SBio Inc, a Chinese biotechnology firm has entered into an agreement to be taken private by Decade Sunshine Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, and Decade Sunshine Merger sub, for about $340 million. This merger shows a general trend of Chinese companies going private in order to escape U.S regulatory scrutiny. Decade Sunshine Merger sub intends to finance the merger through a combination of debt, equity and cash. China CITIC Bank International Limited has agreed to offer debt financing for the transaction.
- On Thursday, Charter Communications Inc and Cablevision System Corporation have entered into a definitive agreement. Under the agreement, Charter Communications Operating will acquire Cablevision's Bresnan Broadband (Optimum West) Holdings for $1.625 billion. The acquisition price reflects a purchase price multiple of 8.9x Optimum West's 2012 3rd Quarter annualized adjusted EBITDA1 and a purchase price multiple of less than 8.0x Charter's estimate of Optimum West's adjusted EBITDA. Charter will finance the acquisition with $1.5 billion of committed bank financing and liquidity from cash on hands.
- Taro Pharmaceutical Industries Ltd and Sun Pharmaceutical Ltd have agreed to terminate their merger agreement which was announced in August 2012. Both companies announced that terminating the merger agreement was in the best interest of their shareholders as well as the two companies.

### Brain Teaser

| **I have a single fair die and will pay you whatever you roll (e.g. you roll a 1: you receive $1, you roll a 2: you receive $2). What is the most you should ever pay to play this game? If I give you the option to roll again, how much is this option worth?** |

### Updates