FOREIGN EXCHANGE

- The Turkish lira is increasingly gaining—having gained 5.6% against the dollar in 2012, compared to late 2011 when it hit an all-time low—chasing away some number of investors. Investors have long endeared the currency for the country’s high yields and better growth relative to its neighboring nations. Recently, positive signals about Turkey, upgrading the nation’s credit rating and putting up a great growth level, have pushed the lira even higher. As a result, less investors deem the investments in Turkey as not profitable enough. The central bank had also asserted its intention on intervention to halt the rising currency. Moreover, persisting risks regarding the nation’s wide current account deficit around 8% of its GDP and higher political risks with increasing trade relationships with the Middle Eastern countries will continue to turn many investors away from Turkey.

- Along with the sliding high-yield ETFs, mostly based on emerging market bonds, the Australian dollar is expected to dragged down as well. First of what faltered was emerging market bond ETFs, the downward paths of which have been so far followed by high-yield bond ETFs. The correlation between the emerging market ETFs and high-yield bond ETFs has risen even higher to 0.83, not to mention that between high-yield bond ETFs and the Aussie, which rose to 0.81. If mirrored trading on these assets is to continue, the Aussie is bound to falter along. The tide of Australian economic data is even against the Aussie: full-time employments dropped by 9,800 mostly replaced by part-timers.
**Fixed Income**

- Revenue from commodities trading at global investment banks fell by a quarter last year from 2011, making the asset class the worst performer in the fixed-income business of banks, an industry survey showed on Thursday. Low market volatility and shrinking client activity were reasons for the drop, and the effect was particularly evident in energy and precious metals businesses, according to the survey by the London-based Coalition, a financial services analytics company. "Performance was also subdued by ongoing concerns about increased regulation and capital sensitivity, pushing banks to re-evaluate their commodities strategies," an executive summary of the Coalition Index said. "Energy, investor products and precious metals options businesses were notably affected," according to the survey, which covered a total of 10 top banks on Wall Street and in Europe. The banks covered in the report were Goldman Sachs, JPMorgan, Bank of America, Citigroup, Barclays, Credit Suisse, Deutsche Bank, Morgan Stanley, RBS and UBS.

- For exchange operators, this is good news. Strong fixed-income franchises are significant revenue generators. For Liffe in particular, Libor and Euribor futures are seen as flagship contracts. At present, most European rates trading is split between Liffe and Deutsche Börse’s Eurex. Liffe hosts most trading in contracts tied to short-term interbank lending benchmarks, principally Libor and Euribor, while Eurex specialises in longer-dated contracts tied to government bonds. Fixed-income futures offer buyers exposure to movements in these rates. They are used by firms looking to hedge against changes in the cost of borrowing and speculative traders looking to guess where a yield curve will move next. For both sets of investors, it was a volatile month at both the long and short ends of the curve.

**Commodities**

- Gold prices fell to a six-month low after regulatory filings showed that several prominent fund managers cut their bullion holdings. Gold for February delivery, the front-month contract, fell $25.90, or 1.6%, to settle at $1,608.80 a troy ounce on the Comex division of the New York Mercantile Exchange.

- Mining giant Anglo American PLC on Friday posted its first annual net loss since listing more than a decade ago due to a sharp fall in commodity prices and heavy impairment charges in Brazil, but it was upbeat about the year ahead.

- BarrickGold Corp. took a US$4.2 billion charge for the fourth quarter, struggling with much of the global mining industry against flagging commodities prices and rising costs.

**M&A & Capital Markets**

- This week, Warren Buffett’s Berkshire Hathaway and 3G Capital have confirmed a deal to acquire H.J Heinz Co. Warren Buffett said, "Heinz has strong, sustainable growth potential based on high quality standards, continuous innovation, excellent management and great tasting products." Warren Buffett is very pleased to be a part of the partnership. The transaction will be financed through cash from Berkshire Hathaway and 3G Capital, existing debts and debt financing by J.P Morgan. If the merger does not go through successfully under certain conditions, Heinz will receive a $1.4 billion termination fee.

- According to Ryanair, EU regulators are trying to block its attempt to take over Aer Lingus, its Irish rival. Ryanair Airline claimed that it has met every competition concern and requirement raised in the EU’s statement of objections.

- Cinemark Holdings, Inc announced that they have entered into a stock purchase agreement. Cinemark will sell all of the issued and outstanding shares of capital stock of Cinemark in Mexico and its subsidiaries to Grupo Cinemex and Cadena Mexicana de Exhibicion. Completion of the agreement is subject to antitrust approval.

**Brain Teaser**

There are 100 people in line to board a train. Each person is holding a ticket corresponding to both his place in line and his seat (i.e. Person 1 is supposed to sit in Seat 1, Person 2 is supposed to sit in Seat 2, etc.). All of the people in line are normal, except for Person 1, who is "crazy". When Person 1 boards the train, he will ignore his seat number and sit in a random seat. Following Person 1, each person will sit in his own seat, unless his seat is occupied. In this case, the Person who's seat is occupied becomes the new "crazy person" and will sit in a random seat. For example, if Person 1 sat in Seat 2, Person 2 will become the "crazy person" and sit in a random seat. What is the probability that Person 100 will end up in Seat 100?

**Updates**

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