

FINANCIAL FRONTLINE NEWSLETTER

WEEK: September 16-September 22 Fall 2013 ISSUE II

FINANCIAL.FRONTLINE.SOCIETY@GMAIL.COM

Dow Jones Industrial Average



Market Recap

- The S&P 500 added 0.3% to extend its weekly gain to 2.0% on Sep 15. The session was very peaceful as participants showed only mild demand for equities before next week's FOMC meeting. Participants are eagerly looking forward to it because of a possibly tapering announcement.
- The Nasdaq (+0.2%) fell behind the other indices since major tech companies lagged. **Apple** (AAPL 464.90, -7.79), **Google** (GOOG 889.07, -4.00), and **Oracle** (ORCL 32.46, -0.33) declined between 0.5% and 1.7%. The exception is **Intel** (INTC 23.44, +0.81), who gained 3.6% with a Jefferies upgrade to 'Buy' from 'Hold' owing to its strength.
- Other cyclical sectors had mixed performance. Energy (+0.1%), financials (+0.2%), and industrials (+0.2%) lagged; discretionary shares (+0.3%) ended without much change; and materials (+0.7%) outperformed.
- Unemployment rates rose to 10 percent between January 2008 and February 2010. Five years after the crash, the country hasn't recovered fully and the unemployment rate was still as high as 7.3 percent in August.

Foreign Exchange

- The dollar slipped against most major currencies Friday because of disappointing data. Retail sales numbers showed that U.S. consumers are spending more cautiously in August.
- The Thomson Reuters/University of Michigan index which was released on Friday, showed consumer sentiment at a five-month low. Combined with the disappointing data on employment rate realized last week, these numbers raised the doubts of a long-awaited economic growth. And Investors wondered whether the softer-than-expected economic data will influence the Federal Reserve's decision on when to start trimming its economic stimulus program.

Fixed Income

- Treasuries rose for a third day as reports showed retail sales increased less than forecast and [consumer confidence](#) slid more than projected, suggesting the economic expansion is struggling to gain momentum.
- The combination added to speculation that the Federal Reserve may be less aggressive than some investors anticipated in slowing its bond-buying program when policy makers meet Sept. 17-18. Yields climbed last week to the highest since July 2011 before a report showed employment gains in August trailed forecasts. Rates on six-month bills declined to the lowest level since October 2011.
- The Bank of Japan's nonchalant approach towards recent volatility in the government bond market has left investors feeling let down, but a look at historical yields could tell you just why the central bank isn't panicking yet.
- "The [10-year Japanese government bond] yields at 85-90 basis points are exactly in line with the full year average of 2012. We're hardly in unexplored or dangerous new territory here," Michael Kurtz, global head of equity strategy at Nomura, told CNBC Asia's "Squawk Box" on Wednesday. Over the past decade, Japanese government

Commodities

- Speculators got less bullish on gold, selling long contracts at the fastest pace this year as prices fell the most in almost three months on prospects for less central-bank stimulus. Goldman Sachs Group Inc. said the retreat has further to go.
- The net-long position held by hedge funds and other large speculators fell 16 percent to 84,929 futures and options in the week ended Sept. 10, U.S. Commodity Futures Trading Commission data show. Long holdings dropped 10 percent, the most since December, and short bets increased 9.8 percent. The net-bullish position across 18 U.S.-traded commodities slid 4.1 percent, with investors adding to bearish wagers on wheat and corn.
- A measure of net-long positions across 11 agricultural products gained 7.5 percent to 300,032 futures and options. The S&P's Agriculture Index of eight commodities tumbled 17 percent this year, heading for the worst annual decline since 2008.
- Money managers expanded their net-short position in corn to 64,686 contracts, from 64,506 a week earlier. Investors have bet on lower price since June as the U.S. government forecasts a record domestic crop. The net-bearish holding in wheat reached 47,008 futures and options, from 38,390. The U.S. corn harvest, the world's largest, will expand 28 percent from a year earlier, helping to send global inventories to a 12-year high, the Department of Agriculture said Sept. 12. The USDA raised its estimate for global wheat production 0.5 percent from last month to a record 708.89 million tons.

M&A & CAPITAL MARKETS

- Norway's sovereign wealth fund has agreed to buy a 45 per cent stake in a midtown Manhattan skyscraper from Boston Properties on Sep. 9th for \$684m in cash. It made its first US investment this year through the acquisition of a 49.9 per cent interest in a \$1.2bn portfolio from the New York-based Teachers Insurance and Annuity Association. The new investment is just another proof that this oil fund is expanding its property holdings in the world's largest economy.
- The Twitter Inc. announced that it had filed confidential papers with the SEC to begin the IPO process on Thursday, Sep. 12th, which surprised many industry watchers. According to people familiar with the situation, Twitter has chosen Goldman Sachs Group Inc. as the lead underwriter, over the Morgan Stanley team that advised Facebook, showing its determination of avoiding the pitfalls of its rivals.

Financial Term

'Gilt Fund'

A mutual fund that invests in several different types of medium and long-term government securities in addition to top quality corporate debt. Gilts originated in Britain.