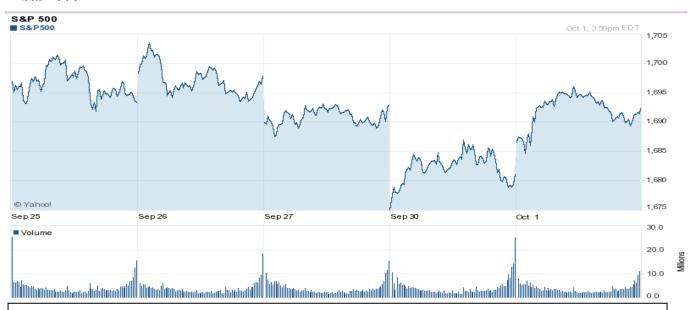
FINANCIAL FRONTLINE NEWSLETTER

WEEK: September 30-October 6 FALL 2013 ISSUE 4 FINANCIAL.FRONTLINE.SOCIETY@GMAIL.COM

S&P 500



Market Recap

- The S&P and Dow Jones Industrial Average fell dramatically since last weeks' record high due to the government's continuation of the QE program.
- Quarrels in Washington over the federal budget and debt ceiling have created a threat to financial markets. The
 threat of a U.S. default is preventable only if the government passes a bill that raises the nation's debt ceiling.
 To add drama, the Treasury announced last Wednesday that it will fall behind paying its bills by October 17, if
 they don't come up with new contingency measures.
- Traders appear to be pessimistic about the markets due to the unwillingness of senate democrats and house republicans to pass a bill that is due today, September 30th, at midnight. If this bill fails to pass, the government will be forced to have a partial shutdown on Tuesday, September 31st.

Foreign Exchange

- Last week the UK GDP figure came out slightly lower than expected at 1.3%, while it was quite a successful week for the pound which strengthened against both the Euro and US Dollar, opening this week above 1.1950 and 1.6150. Thus it is a good time to look at booking forwards to take advantage of it.
- On September 30th, the Eurozone CPI figure will be released for September with the figure expected to remain at 1.1%.
- The US change in non-farm payrolls, which is the most closely watched figure in the labour market, is expected to show some fluctuations. This figure will be followed closely with the unemployment rate which is currently at 7.3%, the lowest since January 2009.

Fixed Income

- Treasury 10-year note yields increased from a seven-week low amid speculation a potential partial shutdown of the U.S. government that looms over a budget standoff would be short-lived.
- The benchmark yields rose from the day's low after reports showed manufacturing gained more than forecast in three U.S. regions. They slid earlier as investors sought refuge on bets as many as 800,000 federal employees would be put on furlough unless lawmakers reach an accord. Congress also must address the next fiscal dispute, raising the nation's debt ceiling.
- Analysts have begun cutting third-quarter profit estimates for banks including Goldman Sachs Group Inc (GS.N) and Morgan Stanley (MS.N), citing an industry-wide fixed-income trading revenue decline of 20 to 30 percent compared with a year ago. The quarter's lull has made at least some Wall Street professionals nervous that a fresh round of job cuts may be coming, a trader said.
- The third quarter is typically a weak period for banks' trading businesses, but the Fed's decision to keep its program of bond buying intact has hurt trading revenue even more than usual and weighed on the value of the bonds that dealers keep on hand for trading, bankers and analysts said.

Commodities

- In September, the prices for gasoline on the New York Mercantile Exchange fell around 11% due to the substantial increase in supplies. In the U.S. retail market, a decrease of 13 cents in the price of regular gasoline occurred in August and the price is now at \$3.42 a gallon. This price is also 38 cents lower than the price last year.
- The U.S. government lost \$53.3 million on the latest sugar deal. The U.S. Department of Agriculture paid domestic processors \$65.9 million for the sugar, while the ethanol makers paid USDA about \$12.6 million for the sugar.
- Due to the U.S. government shutdown, gold futures, along with other equities and commodities are suffering from serious declines. Gold futures for December delivery have dropped about 0.9 percent on the Comex in New York, which is the biggest drop since Sept. 20. Silver futures for December delivery dropped 0.6 percent as well.

M & A / Capital Markets

- On September 30th, Active Network Inc. (ACTV), a company that manages online registration for events, agreed to be acquired by Vista for \$1.05 billion in cash after attracting interest from other buyout firms. The takeover will allow Active to go private and revamp before returning to public markets. Shares have more than doubled this year.
- US IPO volumes lag behind Europe's in the third quarter but still triples to more than \$11 billion from a year earlier, as per September 30. Sprouts Farmers Market Inc. more than doubled in their trading debuts, gaining investors' confidence. Co-head of equity capital markets for the Americas at Jefferies Group LLC says the pace of IPO activity may set the stage for sustained momentum through the end of the year.

Financial Term

2% Rule: A trading practice and restriction developed by investors to stay within the boundaries of the trading system by concentrating no more than 2% of available capital on a single trade. The investor calculates the capital at risk, or 2% of the available trading capital with consideration of brokerage fees, and divides this number by the current share price to determine the number of shares that can be purchased.