

FINANCIAL FRONTLINE NEWSLETTER

WEEK: Feb 17. To Feb 24

FINANCIAL.FRONTLINE.SOCIETY@GMAIL.COM

S&P 500



Market Recap

- Two camps emerged in commenting on the unemployment market. The first believes the recent decline in unemployment rate reflect structural change. More people retiring and leaving labor force. The second led by Boston Fed President, Rosengren, believes unemployment rate overstates health of economy and employment to population ratio remains severely dislocated.
- Peripheral Euro-zone bond spreads were mostly stable despite political instability in Italy.
- Chinese banks lent 1.32 trillion yuan(\$217.6 billion) worth of loans in January, the largest since January 2010, an event that eased investors worries following conflicting recent data.
- Investor sentiments grew due to eased worries over China's growth and emerging market and also Janet Yellen's commitment to keep interests rates low.

Foreign Exchange

- Just after a slightly increase last week, the greenback hit 6-week low on Monday due to disappointing US data. The decreasing manufacturing data made investors revise their expectations on the pace of bond tapering and weakened their confidence.
- Euro is increasing with respect to dollar due to the upbeat euro zone economic readings. The mood is even more upbeat after the change of power in Italy as the new president made promise to lift Italy out the more serious economic slump.

Fixed Income

- As investors bet that Italy's ability to finance itself won't be immediately hurt by a transition of power, its 10-year yields dropped to the lowest level since 2006 this week.
- Weak economic data this year reflects harsh weather rather than a faltering recovery. Treasuries fell amid bets the Federal Reserve will continue with reductions to its bond-purchase program.
- As turmoil in emerging markets eased, investors are drawn back into bonds, and a measure of US corporate credit risk dropped to the lowest level in about a month. Issuance of short-term IOUs by US-based financial institutions increased for the first time in five weeks.

Commodities

- US crops price dropped 9.8% last year as a result of a decline in price of major crops including corn and soybeans, which hit record high in 2012, the US department of agriculture said in its annual estimate.
- Oil price has risen above \$100 per barrel Monday as a result of the cold weather condition in the United States increased the demand for heating fuels as well as good Chinese credit numbers eased concerns over its economy.

M&A/Capital Market

- Former AGI boss Hank Greenberg has made a \$4.4bn acquisition of MultiPlan, a US healthcare IT service provider. The deal reflects Mr. Greenberg's effort to rebuild an insurance empire after being forced out of AIG in 2005 due to an accounting scandal.
- Industrial & Commercial Bank of China Ltd (ICBC) were looking for acquisitions opportunities in the Middle East as part of plan to increase earnings from the region by 50% in 2014.

Brain Teaser

Continue the following number series with the pair of numbers below that best continues the series: 10 3 9 5 8 7 7 9 6 . . .

(a) 11, 5; (b) 10, 5; (c) 10, 4; (d) 11, 6.