

FINANCIAL FRONTLINE NEWSLETTER

WEEK: March 31. To April 6

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S&P 500



Market Recap

- Major US stock indexes and US 10 year Treasury bond yields finished the week largely unchanged. The S&P 500 remains about 1% below its record high level reached 3 weeks ago.
- European Central Bank might be considering aggressive economic stimulus to embrace more accommodative monetary policies.
- More than 30 companies in China have dropped plans to sell debt after China recently experienced its first domestic corporate bond default.
- The price of gold fell to its lowest level after trouble in the Ukraine eased and the US economic news become largely positive.

Foreign Exchange

- An official of China's Central Bank voiced his skepticism towards bitcoin earlier today, a move that comes amid uncertainty toward digital currency's future in China. His main concern including legal issues and the possibility of default of the digital currency. And several media has reported that China's Central Bank has already put a ban on domestic banks to do bitcoin trading.
- Despite disappointing inflation rate data of Euro zone, Euro strengthened on Monday while the stock retreated from early highs. The current Consumer Prices rose 0.5%, far less than the targeted 2%. Some officials are concerned that if ECB doesn't take any action, or continue its dovish policies, it is likely that the Euro will depreciates in the long run.

Fixed Income

- Spanish, Irish and Italian government bonds advanced this week, accompanied by 5-year yields dropping to record low. This is because the slowing inflation in the euro area's largest economy bolstered further monetary stimulus.
- On March 30, treasuries fell for the first time in three days and stocks increased. This is due to a rise in consumer spending which boosted speculation that economic growth would be fast enough to allow the Federal Reserve to keep reducing stimulus.
- According to OAO Gazprombank analyst Alexey Todorov and Alexey Demkin, investors have withdrawn \$1 billion from Russian fixed-income funds this year, which is about 2.9 percent of total asset under management.

Commodities

- West Texas Intermediate crude slid from the highest price in three weeks, trimming a quarterly advance amid speculation talks between the U.S. and Russia will defuse the crisis over Ukraine. Brent declined in London.
- Speculators that took a chance betting on higher agricultural prices this year are being rewarded with the best quarterly rally since 2010. Money managers are now holding the biggest bullish wager in three years on farm goods from cotton to soybeans. They got bullish in January, defying forecasts for abundant supplies of everything from grains to coffee to sugar. As more bets were added over the quarter, the Standard & Poor's Agricultural Spot Index jumped 16 percent, five times the gain across commodities.

M&A/Capital Market

- Facebook acquired Oculus for \$2 billion. Oculus is designing goggles that allow wearers to see images as solids. Hypothetically, a group of friends could see each other in 3D in a Facebook chat.
- Microsoft's acquisition of Nokia is delayed until April because of a short holdup in the regulatory approval process.

Brain Teaser

If it were two hours later, it would be half as long until midnight as it would be if it were an hour later. What time is it now?

Answer: 2 hours later (23:00 - 1 hour before midnight) is half the time until midnight as 1 hour later (22:00 - 2 hours before midnight).