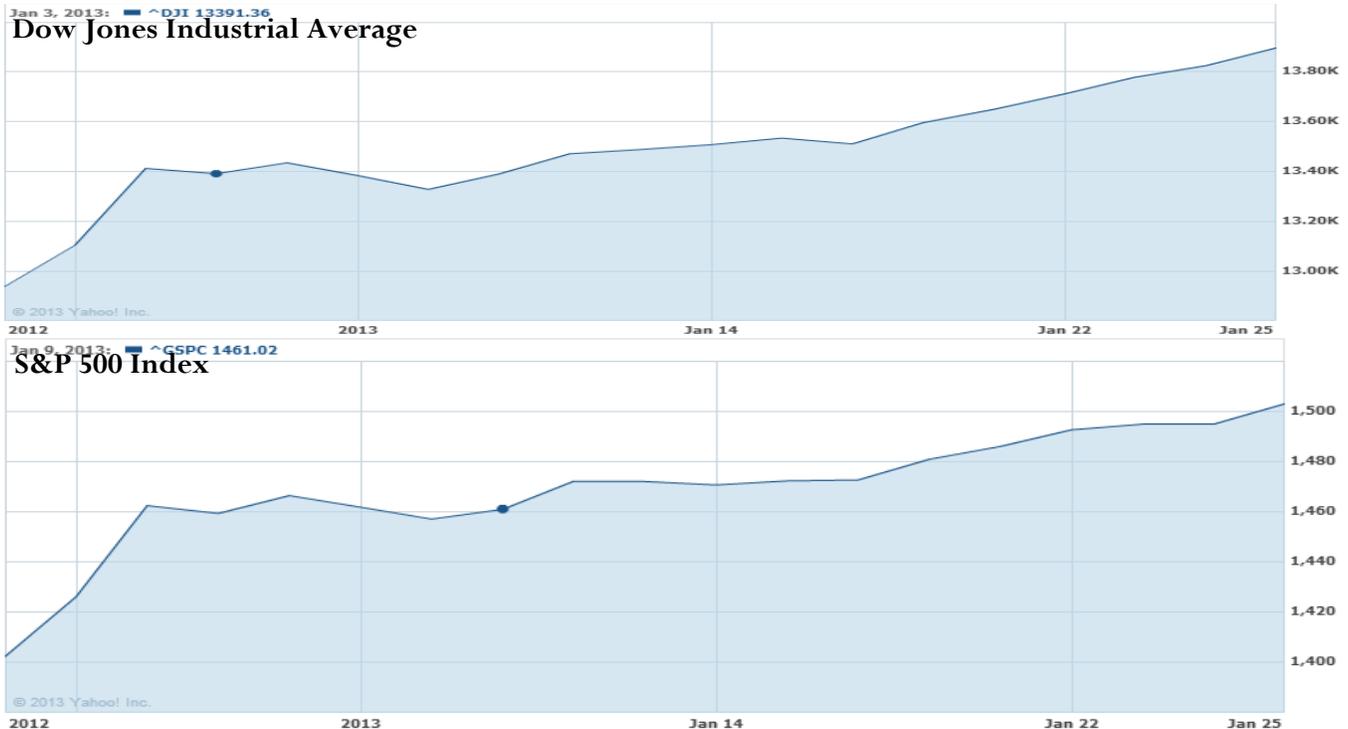


# FINANCIAL FRONTLINE NEWSLETTER

WEEK: JANUARY 20 - JANUARY 27 SPRING 2013 ISSUE 1

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## MARKET RECAP

- The S&P 500 ended above the 1500 level for the first time since December 10, 2007 as a result of many positive earnings and generally positive housing market news. It increased 1.1%, ending the week at 1502.96. The DJIA increased 1.8%, ending the week at 13895.98.
- Representative Paul Ryan, chairman of the House budget panel, stated that he believes the likelihood of sequestration (automatic spending cuts of \$1.2 trillion) is increasing. Forecasters believe that the sequester would knock 0.7 percentage points off growth in 2013, which would have a big impact on the economy.
- Apple shares (AAPL 439.88, -10.62) performed relatively weak compared to the NASDAQ and S&P500, causing Apple to slip behind Exxon Mobil in market capitalization. However, the tech sector still performed fairly well due to strength among microprocessor manufacturers, such as KLA-Tencor (KLAC 56.34, +4.37) and Cirrus Logic (CRUS 29.42, +2.71).

## FOREIGN EXCHANGE

- The yen hit a new multi-month lows yet again against the dollar and euro on Monday in Asia. Signs of improvement in European debt crisis and expectations on Bank of Japan's active monetary easing have seemed to spur the yen downward. The European Central Bank announced last Friday that 278 banks will be able to repay the crisis-response loans. Meanwhile on the other side, Shinzo Abe, the newly-elect Prime Minister of Japan, voiced to the parliament that the BOJ must achieve its new inflation target of 2%. In response to the continued downward spiral of the yen, strong risk appetite has pushed up dollars and other currencies against yen.
- Having reached near \$1.35, the euro is on the verge of its "pain threshold", at which the exporters in the euro zone start to lose competitiveness in the strength of euro. Although the rally in the single currency appeared as an auspicious sign of recovering from the region's debt crisis and further attracting of investors, it is now heavily drawing risk-taking investors from abroad, further rising upward. While Germany and Spain, which maintain relatively low cost of labor and economies closely intertwined with the global market, withstand the pressure from higher euro, France and Italy are already under intense pressure.

## Market Highlights

<b>Dow Jones Industrial Ave.</b>	13,895.98 ↑246.28
<b>S&amp;P 500</b>	1,502.96 ↑16.98
<b>NYMEX</b>	96.51 ↑0.07
<b>10-YR. TREAS.</b>	1.625
<b>FED Funds Rate</b>	0.16
<b>Unemployment Rate</b>	7.80

## FIXED INCOME

- Invesco Canada Ltd. announced that Rex Chong, who had been on sabbatical, has decided not to return and is resigning effective today. Invesco Canada thanks Mr. Chong for his past service and wishes him the best. Anthony Imbesi, Alfred Samson and Gary Lew will continue to manage fixed income mandates for Invesco Canada. Additionally, the team will expand its resource pool by accessing the depth of Invesco's Global Fixed Income team, which has particular expertise in corporate credit, high yield and bank loans. Invesco's Global Fixed Income team has extensive resources including more than 150 investment professionals managing over US\$200 billion in assets for clients around the globe.
- Thailand Securities Depository Company (TSD), a subsidiary of the Stock Exchange of Thailand (SET), will join the fixed-income registration business to support securities companies competing with foreign brokers in Asean. Currently, TSD has three main businesses including settlement and clearing services, a depository, and registration for equity and derivatives. In the fourth quarter, the company entered the fixed-income market by offering a scripless depository service for government saving bonds worth a total of 80 billion baht. "The entry into the fixed-income market will aid our brokers' ability to compete within the Asean Economic Community, and we are also using the SET's existing infrastructure more efficiently," said Chanisa Chutipat, the SET's senior vice-president and head of Market Operation Division. At the end of 2012, the total market size of short-and long-term bonds (or fixed income) issued by both government and corporate bodies was around 8.5 trillion baht, up 20% from 7.2 trillion baht in the same period of 2011.

## COMMODITIES

Crude: 95.95

Gold: 1661.3

- Hedge funds increased bullish commodities bets as accelerating growth in China and the U.S. boosted prices. More than \$2.2 trillion was added to the value of global equities this month as the Standard & Poor's 500 Index posted the first eight-session rally since 2004. Manufacturing in China is expanding at the fastest rate in two years, and an index of U.S. leading indicators rose the most in three months in December.
- Wheat sowing in Canada, the world's third-largest exporter, will probably expand as much as 10 percent this year spurred by a rally in prices, according to the nation's wheat board. Rising production in Canada may help ease global supply concern after global inventories declined for a third straight year as dry weather from Australia to Russia shriveled crops.
- Fonterra Cooperative Group, the world's largest dairy exporter, is consulting with its biggest customer China after traces of an agricultural chemical were found in some of its milk products. Fonterra, which accounts for about 40 percent of the global dairy trade and sends about 20 percent of its exports to China said Jan. 24 the discovery of the additive may become a trade issue even though it presents no safety risk.

## M&A & CAPITAL MARKETS

- This week, Belkin has announced that it intends to acquire Cisco's Home Networking Business Unit, including its proven products, technology, Linksys brand and talented employees. Belkin plans to maintain and provide technological and financial support for Linksys brand. If the acquisition were to be successful, Belkin would take up an approximately 30% share of the U.S retail home and small business networking market. The acquisition intends to expand the innovation capabilities of Linksys and Belkin and to accelerate the next breakthrough in home networking technology.
- AT&T Inc. has agreed to acquire 700 MHz B Band Spectrum from Verizon Wireless for \$1.9 billion. This acquisition, together with AT&T's existing holdings in the 700 MHz B Band, will allow AT&T to exploit more 4G LTE services. AT&T believes that the acquisition will allow it reach 300 million people in the U.S with 4G LTE network by the end of 2014.
- Group 1 Automotive. Inc. has entered into a definitive deal to acquire one of Brazil's largest motor retailers, UAB Motors Participacoes S. A. with \$47.4 million cash and 1.45 million shares of Group 1 common stock. Group 1 will have 100% ownership of UAB Motors and the acquisition is expected to expand the South American market and to generate \$650 million annual revenues for Group 1.

## BRAIN TEASER

Four investment bankers need to cross a bridge at night to get to a meeting. They have only one flashlight and 17 minutes to get there. The bridge must be crossed with the flashlight and can only support two bankers at a time. The Analyst can cross in 1 minute, the Associate can cross in 2 minutes, the VP can cross in 5 minutes and the MD takes 10 minutes to cross. How can they all make it to the meeting in time?

## UPDATES