

FINANCIAL FRONTLINE NEWSLETTER

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- After the slides in overseas markets and unpromising trade in Europe, a very poor performance was seen on Friday in the US stock market. This led to another weekly loss for stocks. As a result, the stock market ended with a monthly loss of 7% and a quarterly loss of more than 14%, resulting in the worst quarter since 2009.
- European markets fluctuated to a large extent in the third quarter with clear increases and decreases, but the overall direction was downward. The Greek debt problems have started to influence core European countries, specifically Germany and France. Investors are no longer confident in the two markets although they both did good jobs in limiting debt concerns.

FOREIGN EXCHANGE

- The dollar climbed back, especially against currencies in emerging market as investors consider the economic uncertainty faced by developed world to be extremely high. The dollar increased 16% against the Brazilian real for the quarter, 11% against the Korean won and 20% against the South African rand.
- Consumer prices in the Euro zone rose by 3.0% in the past twelve months, which is the fastest rate in almost three years. Inflation surges coupled with economic slowdown put the ECB in a hard position for a solution.
- The Chinese Yuan faces the tendency of depreciation in the turbulent economy though China's central bank tries to maintain an appreciating trend.

COMMODITIES

- Gold had the worst month in three years, dropping by 11 percent in September. The drop was mostly triggered by liquidity issues as investors sold gold to cover losses in equities, and fears of a Greek default triggered a cash shortage.
- Oil dropped 3.6 percent on Friday, selling at its lowest level in 2011. This was caused by a sharp selloff towards the end of the session, triggering further sell orders which caused a bigger move.

Market Highlights

Dow Jones Industrial Ave.	10,771.50 ↑141.88
S&P 500	1,131.42 ↓5.54
NYMEX	76.50 ↓3.53
10-YR. TREAS.	2.125%
FED Funds Rate	0.08
Unemployment Rate	9.10%

FIXED INCOME

- Due to disappointing economic data and an uncertain EU status in the third quarter, bonds outperformed stocks. Treasuries with maturities ten years or more hit historical low yields. The Barclays U.S. Treasury index returned roughly 25%, and yield curves flattened, questioning the health of the market.
- The recovery of commercial mortgage-backed securities market is not bright as investors are demanding increasing protection for riskier parts of the deals.
- Pacific Investment Management Co.,(PIMCO), which runs the world's biggest bond fund, is cutting exposure to riskier assets such as European bonds, and investing in safer assets.

M&A AND FINANCIAL INSTITUTIONS

- Back in July 2011, Volkswagen AG acquired 55.9% voting stake and 53.7% of the share capital in MAN SE, and recently, the European Commission gave the approval to VW's proposed takeover of MAN. This announcement allowed VW to pursue closer cooperation between MAN and Scania, helping it build a European truck empire that can challenge rivals like Volvo and Daimler.
- McGraw-Hill is in talks with CME about the possibilities of combining stock-market icons such as the Dow Jones Industrial Average and S&P 500 into a joint venture.
- BP's plan of selling its stake in Argentine crude producer Pan American Energy to Chinese CNOOC has faced opposition from politicians, and this \$7.1 billion deal might be at risk of collapse. Due to this result, BP's price fell 0.8% to 388.5 pence in London.
- BB&T's insurance unit has agreed to acquire Atlantic Risk Management Corp., allowing BB&T to expand into metro Baltimore and have a greater representation in the D. C. area.

WORD SEARCH

BARCLAYS
 BONDS
 CNOOC
 DOLLAR
 FRANCE
 INFLATION
 LOSS
 OUTPERFORM
 PIMCO
 RAND
 SELLOFF
 TREASURY
 VOLKSWAGEN
 YIELDCURVES
 YUAN

P	O	Y	R	U	S	A	E	R	T	S	I	T	N	B
U	I	U	F	I	F	R	A	Z	E	Z	K	P	A	O
R	T	M	T	Z	R	L	H	V	Q	M	T	R	Q	N
F	F	H	C	P	L	H	R	P	W	T	C	P	L	D
Y	F	X	N	O	E	U	L	M	O	L	Z	E	L	S
Y	E	O	D	A	C	R	L	R	A	H	B	C	Y	D
V	Q	R	L	D	U	O	F	Y	U	P	I	N	N	X
W	J	N	L	L	S	Y	S	O	E	M	N	A	H	P
R	Z	E	Z	S	E	G	A	K	R	Y	F	R	D	G
D	I	K	Y	L	C	S	E	O	X	M	L	F	A	X
Y	D	N	A	R	L	H	S	K	J	P	A	D	O	B
V	O	L	K	S	W	A	G	E	N	K	T	E	B	Q
P	D	V	U	C	A	G	M	Z	L	C	I	Z	U	P
H	S	B	O	E	X	C	N	O	O	C	O	H	U	A
C	W	V	Q	B	N	L	M	Z	U	T	N	P	V	X