

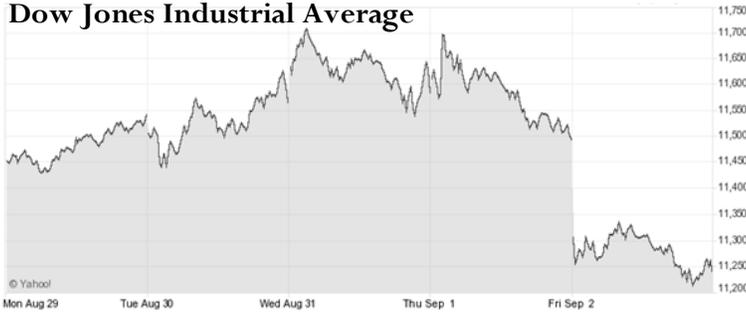
FINANCIAL FRONTLINE NEWSLETTER

WEEK: AUGUST 29-SEPTEMBER 5

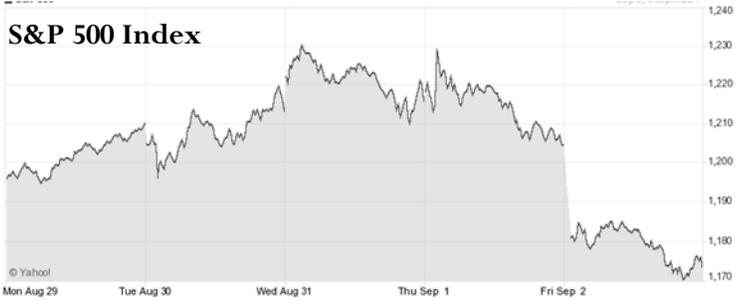
FALL2011ISSUE 1

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Dow Jones Industrial Average



S&P 500 Index



- Friday's job data along with problematic Europe peripheral situations eased the gain in stock markets for the week. Zero jobs were added during August.
- The Fed discussed easing policies to help the economy. Officials suggested increasing the duration of central bank's portfolio – selling short maturities bonds and buying long maturities bonds
- During the week, the 10 year notes yield was up to 2.273%. We also see two year swap spread tighten showing better credit. However, on Friday yield hit below 2% for the week.

FOREIGN EXCHANGE

- EUR is down from one month high ending the week at 1.42. Weak Italian bonds auction and disappointing US job data triggering investors to buy dollars
- Swiss Franc (CHF) is strengthening with solid Swiss economic data. The SNB eased CHF interventions. We see CHF up 2% on Wednesday against USD. Also uncertain economy recovery in US and Europe boost demand for the safe-haven CHF
- Popular dollar index fails to reflect dollar movements with JPY ,CHF and emerging market currencies as it has too much weight on the EURUSD

CAPITAL MARKETS

- The alternative-fuel IPOs tended to come from companies with ethanol products, but a wave of biofuel companies' IPO tells a different story in the past 18 months
- As U.K. soccer giant Manchester United's choice of Singapore for its \$1 billion IPO is a blow to Hong Kong listing as Singapore agrees for the dual-option structure (one with voting rights and one without)

Market Highlights

Dow Jones Industrial Ave.	11,240.26 ↓253.31
S&P 500	1,173.97 ↓30.45
NYMEX	83.60 ↓2.85
10-YR. TREAS.	2.125%
FED Funds Rate	0.12
Unemployment Rate	9.10%

FIXED INCOME

- Emerging markets are receiving more cash flows though the economy continues stalling. Investors send a net of \$1.807 billion to funds dedicated to investing in local currency emerging market debt for the past four weeks. Treasuries and EM debts are moving in the same direction
- S&P gives more than 14,000 securitized bonds AAA ratings. S&P says that compared to these bonds, the AA+ US Treasuries is less stable and less effective

MERGERS AND ACQUISITIONS

- Deals in technology and telecommunications industry seems have returned to pre-recession levels as purchases of AT&T's \$39 billion of T-Mobile, Google's \$12.6 billion of Motorola, and HP's \$11.0 billion of Autonomy. Exxon Mobil reaches a deal with Russia's state-run OAO Rosneft on exploring oil fields in Kara Sea and Black Sea, where in return, Rosneft will have abilities to purchase stakes of energy projects in the U.S
- Google's acquisition of Motorola will not only bring Motorola's vast portfolio of 17,000 patents, but also will it bring large sum of tax reductions and accounting benefits to Google

COMMODITIES

- Crude Oil (WTI) - After peaking on Thursday at a price of \$89.90, Crude Oil futures fell 2.8% on Friday to \$85.42 a barrel due to August US nonfarm payroll which was unchanged since July. Investors are generally uncertain about the stagnating US economy
- Gold - Gold futures broke out of the \$1800 resistance to close under the next resistance at \$1850 on Thursday.

LEGAL AND REGULATORY

- The Federal Housing Finance Agency has filed lawsuits against 17 of the world's largest financial institutions that sold over \$196 billions of risky home loan to Fannie Mae and Freddie Mac without disclosing enough details about the risks within the portfolio.

WORD SEARCH

DOLLARINDEX
EURO
EUROPE
EXXON
FRANC
MATURITY
MOTOROLA
SWAP
TREASURIES
UNEMPLOYMENT
YIELD

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