

Capital Markets

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Major Indices

Foreign	Last	Ch	YtD
Dow Jones	12579.00	0.78%	2.96%
Nasdaq	2769.71	1.53%	6.32%
S&P500	1308.04	1.11%	4.01%
DAX	6354.57	0.34%	7.73%
CAC40	3264.93	-0.15%	3.33%
FTSE100	5702.37	0.15%	2.33%
DJstoxx 600	253.48	0.08%	3.66%
Nikkei 225	8639.68	1.04%	2.18%

Arab*	Last	Ch	YtD
BSI	1166.48	-0.47%	-0.87%
S&P AFE40	52.89	-0.13%	-1.53%
TASI	6377.99	0.12%	-0.62%
DFMGI	1331.22	1.59%	-1.64%
EGX30	3904.09	0.69%	7.78%
KWSE	5800.40	0.19%	-0.24%
AMGNRLX	1935.33	-0.03%	-3.00%

Major Currencies**

	Last	Previous	Change
EUR/USD	1.2857	1.2735	0.96%
GBP/USD	1.5433	1.5332	0.66%
USD/JPY	76.79	76.82	-0.04%

Major Commodities Futures**

	Last	Previous	Ch
Oil	101.14	100.91	0.23%
Gold	1659.3	1651.7	0.46%

Interbank Rates

	Last	Previous
LIBOR 1M	0.28%	0.28%
LIBOR 3M	0.56%	0.56%
EURIBOR 1M	0.80%	0.81%
EURIBOR 3M	1.20%	1.21%

US Benchmark Rates

	Last	Change
1 Y	0.11%	0
2 Y	0.24%	3
5 Y	0.82%	3
10 Y	1.92%	5
30 Y	2.96%	7

Economic Watch List

	Actual
US Initial Jobless Claims	385k
US House Starts (Dec)	-
CA Manufacturing Sales (Nov)	-
GB Nationwide Consumer Conf (Dec)	-

MARKET WRAP UP

The US market continued to advance on Wednesday after fresh reports on homebuilder's sentiment boosted investment appetite. Dow increased by 0.8% to 12579, S&P500 climbed 1.1% to 1308. In Europe, equities mostly closed up but recorded small gains amid uncertainty regarding Greece's deal with its creditors, before that was reached by the end of the day, and as speculation that the IMF will boost EU bailout funds failed to encourage investors. Stoxx600 increased by less than 0.1% to 253; Germany's DAX added 0.3%, UK's FTSE100 edged up 0.15%, whereas France's CAC40 diminished 0.15%. In Asian trading today, positive developments in the US and expectations that China will ease its lending regulations boosted the region's stocks. MSCI Asia Pacific 50 jumped by 1.4% to 795; Japan's Nikkei225 and Hong Kong's Hang Seng rose 1% and 1.1% to 8640 and 19910 respectively.

TOP STORIES

US Manufacturing Activity Rises, PPI Edges Down; eBay's Q4 Tops Estimates

Industrial output in the US increased by 0.9% m-o-m in December on stronger demand for business equipment, vehicles and energy, but is still less than 5% below its pre-recession peak in September 2007. In other releases, the Producer Price Index for finished goods declined by 0.1% m-o-m in December, after going up by 0.3% the month before. On corporate earnings, eBay reported a 35% y-o-y surge in revenue for Q4 2011 to \$3.38B and net profit excluding extraordinary items of \$0.6 per share, topping estimates. Positive results for the quarter were led by a campaign to promote its expanded retail offerings and broader use of the PayPal online-payments service.

UK Unemployment & Confidence Slip; Rio Tinto Gains Control of Mongolian Project

British consumer optimism pulled back to its second-lowest level in the last seven years as households' expectations for H1 2012 took a slide according to the nationwide survey's consumer confidence index, which dropped to 38 in December from 40 in November. This comes as the number of UK citizens that are without work reached its highest level in more than 17 years in November at 2.685M while the government cuts hundreds of thousands of jobs in line with its five-year budget deficit reduction commitment. However, a much smaller than expected number of new claims for benefits in December, up by a mere 1.2K in comparison to an estimated 10K, provided some hope that the labor market slump may be evening out. Moving to corporate news, Rio Tinto's stake in Canadian Ivanhoe, which was capped at 49% expired yesterday clearing the way for Rio to invest in the latter and gain complete control of Mongolia's Oyu Tolgoi project. The latter is widely expected to become the world's largest copper-gold mine. In other news, Dutch grocer and market leader Ahold posted a 4.5% instead-of-expected 5.4% rise in Q4 revenues y-o-y to hit \$9.34B as trade worsened by 2.1% in Central Europe despite a 2.9% gain in sales from its US subsidiaries, which account for 60% of its overall business.

China to Take Cautious Easing Steps; FamilyMart to Open 600 New Stores

China is set to allow its five major banks to increase their lending by up to 5% in the first quarter, beginning a tightly monitored monetary easing process. The banking regulator is also expected to reduce risk weightings of loans to small businesses and delay raising the capital adequacy ratios for the country's remaining banks. In a related topic, analysts strongly believe that Australia will continue loosening its monetary policy through interest rate reductions as the country's job market saw in 2011 its worst annual performance since 1992. In December, the number of employed individuals fell by a considerable 29,300 as huge losses in part time employment overshadowed improvements in full time employment figures, whereas the labor participation rate fell to an 18-month low of 65.2%. In corporate developments, Japan's largest convenience store operator FamilyMart Co. said it will open up to 600 new stores in Indonesia and the Philippines by 2015. The company expects the portion of its profits from operations outside Japan to reach 20%. FamilyMart also expects its fiscal 2011 profits to have increased 10% to \$550 M.

Arab Markets End Mixed; Samba Financial Q4 profit Jumps 4.9%

Qatar's bourse ended Wednesday's session 0.5% lower at an 11-week low, dragged by large-cap stocks. Dubai's benchmark advanced 1.6% to 1,331, while Abu Dhabi's market jumped 1.7% to 2,333, its largest one-day increase in two years. Saudi Arabia's Tadawul edged 0.1% up to 6,378, whereas Kuwait added 0.2% to 5,800. Egypt's EGX30 rose 0.7% to close at 3,904. In economic news, inflation in the UAE remained at 0.9% on average in 2011, unchanged from the previous year, while Kuwait's inflation slowed to a 16-month low of 4.2% in November. On the corporate front, Samba Financial fourth-quarter net profit rose by 4.9% y-o-y to SAR944M (\$252M), helped by a drop in operating expenses and an increase in income from operations. Separately, Zain Saudi Arabia fourth-quarter net loss narrowed 11% y-o-y to SAR461M (\$122.9M), beating most analysts' forecasts, on lower maintenance costs and international network call charges.

*BSI: BLOM stock index ; AMFCI: Arab Monetary Fund composite index ; TASI: KSA index ; DFMGI: Dubai index ; EGX30: Egypt index ; KWSE: Kuwait index ; ASE: Jordan

Index ** From Open To Open

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