

# Capital Markets

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## Major Indices

Foreign	Last	Ch	YtD
Dow Jones	12624.00	0.36%	3.33%
Nasdaq	2788.33	0.67%	7.03%
S&P500	1314.50	0.49%	4.52%
DAX	6416.26	0.97%	8.78%
CAC40	3328.94	1.96%	5.35%
FTSE100	5741.15	0.68%	3.03%
DJstoxx 600	256.57	1.22%	4.92%
Nikkei 225	8766.36	1.47%	3.68%

Arab*	Last	Ch	YtD
BSI	1169.12	0.23%	-0.65%
S&P AFE40	52.82	-0.13%	-1.66%
TASI	6377.99	0.00%	-0.62%
DFMGI	1327.75	-0.26%	-1.89%
EGX30	3868.44	-0.91%	6.79%
KWSE	5798.50	-0.03%	-0.27%
AMGNRLX	1939.25	0.20%	-2.80%

## Major Currencies\*\*

	Last	Previous	Change
EUR/USD	1.2966	1.2857	0.85%
GBP/USD	1.5488	1.5433	0.36%
USD/JPY	77.11	76.79	0.42%

## Major Commodities Futures\*\*

	Last	Previous	Ch
Oil	100.39	101.14	-0.74%
Gold	1657.3	1659.3	-0.12%

## Interbank Rates

	Last	Previous
LIBOR 1M	0.28%	0.28%
LIBOR 3M	0.56%	0.56%
EURIBOR 1M	0.79%	0.80%
EURIBOR 3M	1.20%	1.20%

## US Benchmark Rates

	Last	Change
1 Y	0.11%	0
2 Y	0.26%	2
5 Y	0.87%	5
10 Y	2.01%	9
30 Y	3.05%	9

## Economic Watch List

	Actual
US Existing Home Sales (Dec)	4.65m
CA CPI Inflation yy (Dec)	2.8%
GB Retail Sales (Dec)	-

## MARKET WRAP UP

US stocks advanced for the third consecutive day on Thursday after the release of better than expected earnings from major firms, namely Bank of America, boosted investment sentiment. Dow Jones and S&P500 rose 0.4% and 0.5% to 12624 and 1314 respectively. In Europe similar market vigor was seen following the positive report for the US and on successful French and Spanish bond auctions. Stoxx600 rose by 1.2% to 257; Germany's DAX and France's CAC40 sprung up by 1% and 2% respectively followed by a 0.7% increase in UK's FTSE100. In Asian trading today, MSCI Asia Pacific 50 added 0.9% to 802; Japan's Nikkei225 jumped 1.5% to 8766 and Hong Kong's Hang Seng closed up by 0.6% at 20062.

## TOP STORIES

### US Inflation Remains Flat, Jobless Claims Fall; Tech Companies Beat Wall Street

US CPI remained flat in December on lower gas prices. Core inflation edged up by 0.1% m-o-m. Y-o-y, prices were up 3%, down from a 3.4% annual rate in November. In other releases, initial jobless claims fell to a four-year low of 352,000 last week, down from 402,000 the week before. Also, the Philadelphia Fed said its index of general manufacturing activity in the Mid-Atlantic area rose to 7.3 in January, up from 6.8 in December. Separately, building permits for privately-owned housing units edged down by 0.1% m-o-m in December to 679,000, but were up 7.8% y-o-y. On corporate earnings, Microsoft reported fiscal Q2 net profit of \$6.624B, or \$0.78 per share, almost unchanged from last year's \$6.634B, or \$0.77 per share; while sales rose by 5% y-o-y to \$20.9B, in line with forecasts. IBM on the other hand posted a 4% y-o-y increase in net profit to \$5.5B, or \$4.71 per share, ahead of estimates, on \$29.5B in revenues for the quarter. Intel's quarterly earnings also beat expectations, as Q4 net income rose by 6% y-o-y to \$3.4B or \$0.64 per share, on \$13.9B in revenues which were up by 21% y-o-y. Google's net revenue stood at \$8.13B in Q4, versus \$6.37B a year earlier. The company earned \$2.71B, or \$8.22 per share, in the quarter, compared with \$2.54B, or \$7.81 per share, a year earlier.

### Spain Cruises through 10-yr Bond Sale; EU Doldrums Victimize Carrefour's Strategy

An embattled EZ managed to pass a major test of investor appetite on Thursday when Spain swam through a key bond sale of long dated 10-years, raising \$3.9B at better-than-forecasted yields of 5.403%, which dropped more than 1.5 pp since the same type of bond was sold in November. In other news, economists are more upbeat than three months ago on EZ's recession prospects, as they expect a contraction of just 0.3% for the year versus earlier forecasts of a 0.9% retreat. Turning to Greece, Athens and its foreign lenders remained in a battle boiled down over the new bonds' coupon payment that must be offered under a debt swap, as the former stuck to a 3.5% while the latter gunned for at least a 4%. Moving to corporate news, BP is likely to agree next month to disburse \$20-\$25B to settle all charges around the Gulf of Mexico oil spill, double the figure the company had set aside. Separately, France's Carrefour, the world's number two retailer, is reviewing the capex of its latest high-end hypermarkets revamp strategy as the performance of the 81 stores converted so far was not as expected. Meanwhile, it warned of a profit decline in 2011 of 15-20% y-o-y due to Europe's woes.

### China's Manufacturing May Contract Again in January; Takeda to Cut 2,100 Jobs

Chinese manufacturing contracted for the third consecutive month in January, although at a slower pace than December, as the HSBC/Markit purchasing manager's index showed a reading of 48.8 in January compared to 48.7 in December. The sustained decline in factory output comes as further evidence of a waning Chinese economy and supports the case for policy easing. In corporate developments, Japan's largest drug producer Takeda Pharmaceutical Co. said it will cut up to 10% of its workforce in Europe and the US, saving up to \$2.6 B, after it had acquired Swiss drug maker Nycomed last year. Separately, India's software exporter Wipro Ltd. said its Q4 profits climbed 11% y-o-y to \$291 M, slightly above analyst expectations.

### Arab Markets End Up; Saudi Telecom Reports Flat Q4 Earnings

Gulf markets rose on Thursday with Dubai's index advancing 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 added 0.1% to 6,378, led by petrochemical stocks, and Kuwait gained 0.2% to 5,800. Qatar's index declined 0.5% to an 11-week low of 8,555, whereas Oman lost 0.1% to 5,596. Egypt's EGX30 edged 0.7% up to close at 3,904. In other news, Saudi non-oil exports rose 13% y-o-y in November to reach SAR13 billion (\$3.46 billion). The Kingdom exported 3,619,000 tons of goods compared to 3,925,000 tons registered during the same period a year earlier. On the corporate front, Saudi Telecom fourth-quarter net profit fell 0.3% to SAR2.28 billion (\$608 million) as foreign currency losses hit its annual income. Separately, Moody's Investors Service assigned a Baa1 senior unsecured debt rating to the \$300m sukuk issuance of Tamweel Funding.

\*BSI: BLOM stock index ; AMFICI: Arab Monetary Fund composite index ; TASI: KSA index ; DFMGI: Dubai index ; EGX30: Egypt index ; KWSE: Kuwait index ; ASE: Jordan Index ; \*\* From Open To Open ; US: United States ; EZ: Euro Zone ; UK: United Kingdom ; DE: Germany ; JP: Japan  
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