

Capital Markets

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Major Indices

Foreign	Last	Ch	YtD
Dow Jones	12708.80	-0.09%	4.02%
Nasdaq	2784.17	-0.09%	6.87%
S&P500	1316.00	0.05%	4.64%
DAX	6436.62	0.50%	9.13%
CAC40	3338.42	0.51%	5.65%
FTSE100	5782.56	0.94%	3.77%
DJstoxx 600	257.01	0.45%	5.10%
Nikkei 225	8785.33	0.22%	3.90%

Arab*	Last	Ch	YtD
BSI	1169.94	0.15%	-0.58%
S&P AFE40	53.16	0.61%	-1.02%
TASI	6460.55	0.15%	0.67%
DFMGI	1340.70	0.46%	-0.94%
EGX30	4014.27	2.40%	10.82%
KWSE	5787.80	-0.16%	-0.45%
AMGNRLX	1932.73	0.01%	-3.13%

Major Currencies**

	Last	Previous	Change
EUR/USD	1.3027	1.2870	1.22%
GBP/USD	1.5571	1.5550	0.14%
USD/JPY	77.00	76.93	0.09%

Major Commodities Futures**

	Last	Previous	Ch
Oil	99.88	98.33	1.58%
Gold	1676.5	1666.2	0.62%

Interbank Rates

	Last	Previous
LIBOR 1M	0.28%	0.28%
LIBOR 3M	0.56%	0.56%
EURIBOR 1M	0.76%	0.78%
EURIBOR 3M	1.17%	1.18%

US Benchmark Rates

	Last	Change
1 Y	0.12%	1
2 Y	0.26%	0
5 Y	0.93%	2
10 Y	2.09%	4
30 Y	3.15%	5

Economic Watch List

	Actual
CA Retail Sales mm (Nov)	0.2%
EZ Industrial New Orders yy (Nov)	-2.8%
JP Trade Balance (Dec)	-139.7b

MARKET WRAP UP

US stocks were mixed on Monday as investors remained cautious despite signs of improving economic conditions. Dow Jones slid by 0.1% to 12709; S&P500 edged up by 0.05% to 1316. Conversely, European stocks mostly advanced as French and German debt continued to attract demand, although the Greek government and its private sector lenders continued to struggle in finding a solution for debt write-downs. Stoxx600 added 0.45% to 257 points; Germany's DAX and France's CAC40 climbed 0.5% each and UK's FTSE100 sprung up by 0.9%. In Asian trading today, stocks mostly opened higher in Japan and in South East Asia after India reduced its reserve ratio, while China and Hong Kong were closed for Lunar New Year celebrations. MSCI Asia Pacific 50 edged 0.05% up to 803 and Japan's Nikkei225 rose 0.2% to 8785.

TOP STORIES

US 10-yr Yields Hit 6-week Highs; TI Leads Chip Industry's Global Rebound

Treasuries fell for a fifth day as the US prepares to sell \$35B of two-year notes today. While the Benchmark 10-yr yields climbed towards a six-week high on signs GDP grew 3% y-o-y in Q4 up from 1.8% in Q3, in a report by the Commerce department due on Friday, dampening demand for the safest securities. In other news, Canada's composite of 10 leading indicators surged in December unexpectedly by 0.8% m-o-m, above a 0.6% estimate but below November's 0.9% surge. Improvements in manufacturing and housing made up for drops in the stock index and furniture sales. Moving to corporate news, Texas Instruments, a global chipmaker bellwether for a broad array of manufacturers from personal consumer electronics to industrial equipment beat Q4 chip sales consensus of \$3.25B, reaching \$3.42B. However in December through January this year, new demand resumed for TI in December, implying these industries have begun to replenish their depleted inventories. Separately, Oil and gas producer Apache Corp is to buy CEP III for \$2.85B in both cash and stock, doubling its shale holdings in the most lucrative emerging oil and gas fields in the US, the Andarko-basin bordering west-Oklahoma and Texas.

France Manufacturer's Morale Bottoms again; Siemens Surrenders to Gloomy EU

In a move likely to alarm banks like EU's largest-bailout RBS, and Barclays where both have been criticized for allocating \$780M and \$110M in bonuses in 2010, EU Finance Commissioner, Michel Barnier, is eyeing capping top banker's pay to a multiple of junior staff salaries as well as limiting bonuses to a fixed ratio versus pay. The consulting process will begin in next week's World Economic Forum meeting in Davos. In other news, yesterday Eurozone ministers backed the Greek government's position of sticking to a 3.5% coupon for new longer-dated bonds and rejected the private-sector led IIF's 4% demand, bringing default fears once again. Separately, France's manufacturing sector saw business sentiment drop unexpectedly in January for a seventh month, by 3 points to 91, last seen in Feb '10, well below estimates. Meanwhile Germany's Bundesbank said the economy is set to freeze in Q1 after having estimated a contraction of 0.25% in Q4. In corporate news, industrial bellwether Siemens saw new orders drop 5% to \$25.8B in Q1, three-months through Dec 31, as core operating profit tumbled 23% y-o-y to \$2.1B, missing estimates by the same figure.

India Cuts Banks' Reserve Ratio; BoJ Reduces Japan's Growth Forecast

In an effort to sustain high growth rates against downward economic pressures, the Reserve Bank of India (RBI) reduced the reserve requirement ratio for the first time in two years by half a percentage point to 5.5%, potentially adding \$6.4 B into the market. The RBI's decision was supported by the fact that India inflation subsided to a two-year low in December. However, as policy makers assured that inflationary forces are far from gone, the RBI kept its key lending and borrowing rates unchanged at 8.5% and 7.50% respectively. In other news, the Bank of Japan (BoJ) slashed its growth forecast for the year ending March 2012 to 2% from a previous 2.2% estimate. The BoJ also projected further export declines this year attributing the weakness in the country's tour de force to faltering growth in importing economies and a persistently strong Yen.

Arab Equities End Mixed; Kuwait's inflation Accelerates to 4.8%

Saudi Arabia's Tadawul ended Monday's session 0.2% higher at 6,461, supported by petrochemical stocks, while Oman edged 0.1% up to 5,598. Dubai's benchmark gained 0.5% to 1,341, whereas Abu Dhabi's market advanced 0.5% to 2,353, led by real estate and energy stocks. Kuwait lost 0.2% to 5,788, undermined by financial stocks, and Bahrain eased 0.02% to 1,141. Egypt's EGX30 jumped 2.4% to a 7-week high of 4,014. In economic news, Kuwait's annual inflation jumped to 4.8% in December on higher food and beverage prices. On the corporate front, Qatar Telecom is in talks to buy a 19% stake in Iraqi mobile phone operator Asiacell from private-equity firm MerchantBridge. In Saudi Arabia, HSBC led the successful SAR15 billion (\$4 million) 10-year sukuk issuance for the General Authority of Civil Aviation. The funds from the sukuk issuance will be used for the construction of the new King AbdulAziz International Airport in Jeddah.

*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 *** US: United States ; EZ: Euro Zone ; UK: United Kingdom ; DE: Germany ; JP: Japan
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