

Capital Markets

Issue 885

Thursday 26 January 2012



Major Indices

Foreign	Last	Ch	YtD
Dow Jones	12756.96	0.64%	4.41%
Nasdaq	2818.31	1.14%	8.18%
S&P500	1326.06	0.87%	5.44%
DAX	6421.85	0.04%	8.88%
CAC40	3312.48	-0.31%	4.83%
FTSE100	5723.00	-0.50%	2.70%
DJstoxx 600	254.95	-0.43%	4.26%
Nikkei 225	8849.47	-0.39%	4.66%

Arab*	Last	Ch	YtD
BSI	1169.95	-0.01%	-0.58%
S&P AFE40	53.34	0.32%	-0.69%
TASI	6476.86	0.16%	0.92%
DFMGI	1396.04	2.35%	3.15%
EGX30	4136.19	0.00%	14.19%
KWSE	5839.80	0.33%	0.44%
AMGNRLX	1936.15	-0.20%	-2.96%

Major Currencies**

	Last	Previous	Change
EUR/USD	1.3102	1.3028	0.57%
GBP/USD	1.5655	1.5620	0.22%
USD/JPY	77.79	77.67	0.15%

Major Commodities Futures**

	Last	Previous	Ch
Oil	99.96	99.2	0.77%
Gold	1709.9	1665.2	2.68%

Interbank Rates

	Last	Previous
LIBOR 1M	0.27%	0.28%
LIBOR 3M	0.56%	0.56%
EURIBOR 1M	0.74%	0.75%
EURIBOR 3M	1.15%	1.16%

US Benchmark Rates

	Last	Change
1 Y	0.12%	0
2 Y	0.22%	-2
5 Y	0.81%	-11
10 Y	2.01%	-7
30 Y	3.13%	-2

Economic Watch List

Actual

MARKET WRAP UP

US stocks rallied on Wednesday after the Federal Reserve said it will keep interest rates low until late 2014 and as Apple's record profits boosted demand for tech stocks. Dow Jones climbed 0.6% to 12757 and S&P500 increased by 0.9% to 1326. Across Europe, weak earnings by major manufacturers damped risk appetite while policy discussions in Davos kept investors waiting for signs from policy makers. Stoxx600 diminished 0.4% to 255; Germany's DAX edged up by 0.04%, whereas France's CAC40 and UK's FTSE100 closed down by 0.3% and 0.5% respectively. Moving to Asia, stocks trailed US markets despite negative reports of economic performance, namely in South Korea. MSCI Asia Pacific 50 rose 0.9% to 813; Japan's Nikkei225 slid 0.4% to 8849 whereas Hong Kong's Hang Seng jumped 1.5% to 20407.

TOP STORIES

Fed Sees Slower Economic Growth, Lower Unemployment; Xerox Posts Q4 Results

The Fed released its quarterly economic outlook expecting the economy to grow at a range of 2.2%-2.7% in 2012, a slower pace from its last estimates of 2.5%-2.9%, and offered an official target for inflation at 2% in a statement of its long-term policy goals. With an anticipated weak recovery, the Fed will maintain its benchmark interest rate near zero until late 2014. It expects the unemployment rate to fall to 8.2%, down from the low of 8.5% in November, stating that a jobless rate at 5.2%-6% would be consistent with its goal for a healthy economy. On corporate earnings, Xerox reported Q4 results of \$0.33 per share, up 14% y-o-y and in line with analysts' expectations, while revenues were flat at \$6B as the weak performance in its technology unit hit by Europe's economic weakness was offset by growth in its services business. The company also declared its board of directors had authorized an additional \$500M in share buybacks.

Portugal to seek \$40B Extension; H&M Profits Slip 6th Quarter in-a-row

Portugal, which managed to beat IMF's budget deficit cuts requirements for 2011 and likely 2012, will ask for another \$40B of funds as it seeks an extension to the current \$111B bailout package. In other news, in her address to the Davos World Economic Forum, Germany's chancellor Angela Merkel appealed to business leaders for more time in solving the crisis in an orderly fashion. She added that Europe should be committed on tackling the core underlying issue, which lies in the indebted neighboring governments' fiscal inefficiencies and imprudence rather than the ineffectiveness of boosting the EFSF firepower. Merkel also insisted on a more integrated EU where member nations should cede more powers to turn Europe into a practical and flexible continent. Separately, the IIF, representing the private bondholders, will resume talks today with Greek officials on their voluntary write-offs, which however must exceed 50% in order for Greece to get any second bailout debt-swap approved by the IMF. Moving to corporate news, Europe's second largest clothing retailer Swedish H&M announced a 2.4% decline y-o-y in Q4 profits ending Nov 30 to \$797M, in-line with estimates, as a warmer season hurt sales of winter garments. In the last five quarters it has experienced declining profit growth due to rising costs of cotton and labor in Asia and as consumers scale back purchases in main market Europe.

Economic Growth in South Korea Moderates; Hyundai Q4 Profits Surge 38%

South Korea's economy grew at the slowest pace in two years in Q4 2011, as slowing demand for exports from Europe reduced the country's quarterly GDP expansion to 0.4% from 0.8% in Q3. With growth missing previous forecasts and other regional economies undergoing new easing policies, South Korea will have to reduce its interest rates if Q1 results also disappoint, even if inflation pressures remain strong according to market analysts who noted that country's consumer prices rose 4.2% y-o-y in 2011 exceeding the 4% target. In other news, New Zealand's central bank held its interest rates steady at 2.5% according to a statement by Governor A. Bollard, as inflation in the oceanic island subsided and demand for its commodity exports dropped over the past quarter. On the corporate front, South Korea's Hyundai Motor Co. said its Q4 net profits jumped 38% y-o-y to \$1.79 B as a 23% annual increase in overseas sales offset a 5.8% decrease in domestic sales.

Arab Markets End Mixed; Commercial Bank of Qatar Q4 Net Profit Jumps 22%

Dubai's benchmark jumped 2.35% to 1,396, boosted by property stocks, while Abu Dhabi's market added 0.58% to 2,375. Saudi Arabia's Tadawul rose 0.16% to 6,477, led by petrochemical stocks, whereas Kuwait gained 0.33% to 5,840. Muscat's bourse lost 0.13% to 5,586, and Bahrain declined 0.29% to 1,141. Moving to corporate news, Commercial Bank of Qatar reported a 22% increase in its fourth-quarter net profit to QAR376 million (\$103.3 million) on increased lending and deposits. Separately, Doha Bank net profit reached QAR1.24 billion (\$340.75 million) in 2011, up by 17.7% from a year earlier. In Abu Dhabi, Etihad Airways agreed to invest \$20 million to acquire a 40% stake in Air Seychelles, its second airline acquisition in the last five weeks as the carrier embarks on an ambitious expansion plan.

*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
Disclaimer: This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy.

Economic Research Department
T 01 991784/7 F 01 991732
research@blominvestbank.com

