

Capital Markets

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Major Indices

Foreign	Last	Ch	YtD
Dow Jones	12720.50	0.76%	4.12%
Nasdaq	2786.70	-0.06%	6.97%
S&P500	1315.38	0.07%	4.59%
DAX	6404.39	-0.18%	8.58%
CAC40	3321.50	-0.22%	5.12%
FTSE100	5728.55	-0.22%	2.80%
DJstoxx 600	255.85	-0.28%	4.63%
Nikkei 225	8765.90	-0.01%	3.67%

Arab*	Last	Ch	YtD
BSI	1168.15	-0.08%	-0.73%
S&P AFE40	52.84	0.04%	-1.62%
TASI	6450.58	-0.21%	0.51%
DFMGI	1334.58	0.51%	-1.39%
EGX30	3920.17	1.34%	8.22%
KWSE	5797.10	-0.02%	-0.29%
AMGNRLX	1932.53	-0.35%	-3.14%

Major Currencies**

	Last	Previous	Change
EUR/USD	1.2870	1.2966	-0.74%
GBP/USD	1.5550	1.5488	0.40%
USD/JPY	76.93	77.11	-0.23%

Major Commodities Futures**

	Last	Previous	Ch
Oil	98.33	100.39	-2.05%
Gold	1666.2	1657.3	0.54%

Interbank Rates

	Last	Previous
LIBOR 1M	0.28%	0.28%
LIBOR 3M	0.56%	0.56%
EURIBOR 1M	0.78%	0.79%
EURIBOR 3M	1.18%	1.20%

US Benchmark Rates

	Last	Change
1 Y	0.11%	0
2 Y	0.26%	0
5 Y	0.91%	4
10 Y	2.05%	4
30 Y	3.10%	5

Economic Watch List

	Actual
CA Lead Indicators mm (Dec)	0.6%
FR Business Climate (Jan)	-

MARKET WRAP UP

US stocks continued to advance Friday as positive economic reports and strong company earnings boosted investment sentiment driving Dow Jones up by 0.8% to 12721 and S&P500 up by 0.1% to 1315. In contrast, European equities snapped their winning streak after Greece's fiscal woes came back into the picture due to held up restructuring negotiations. Stoxx600 diminished 0.3% to 256. Germany's DAX, France's CAC40, and UK's FTSE100 lost 0.2% each. Moving East, Asian stocks were mostly trading higher today on improved confidence following strong tech company earnings in the US although gains were muted by concerns from Greece and a potential political standstill in Japan. MSCI Asia Pacific 50 climbed 0.9% to 802. Japan's Nikkei225 remained almost flat at 8766 and Hong Kong's Hang Seng increased by 0.8% to 20110.

TOP STORIES

Economists Predict US Growth to Moderate in H1; RIM names new CEO

The US economy will slow down in 2012 but avoid another recession, according to an economists' survey conducted by USA today. Average growth will slow down to 2.2% y-o-y in the first two quarters of 2012 from a 3.1% y-o-y in Q4 2011, as the effect of the recovery following Japan's earthquake last year will wane. Economists expect the housing market to continue to weigh down on growth and employment in general, keeping the jobless rate between 8.4% and 8.6%, elevated until 2014, although house prices are generally seen to have bottomed out. While unemployment will remain elevated until 2014 or even later, according to the panel of economists. In corporate developments, Blackberry producer Research in Motion (RIM) named Thorsten Heins, a former Siemens executive, as the company's CEO after investor pressure forced out former co-CEOs.

Portugal Erases 50% of 2010 Deficit; Mercedes to adopt Volkswagen's Strategy

Portugal's deficit halved in 2011 under the bailout program to \$9.3B as revenues surged 14.5% and spending fell 3.6%, yielding around 4% of GDP, comfortably below the program's 5.9% target. Separately, Greece and the private creditors may finally converge on a deal in which the latter would assume a 65-70% loss on their Greek holdings up from 50%. However negotiations over the debt-swap have stalled. Euro finance ministers will convene today on the new bailout terms in pushing down debt to 120% of GDP by 2020 from 160% presently. In corporate news, France Telecom decided not to match the aggressive low-cost mobile offers launched by new operator Iliad since they would compromise on its network's security, reliability, innovation, and would imply less investment, fewer services and jobs. Goldman Sachs predicts Iliad's mobile entry will cause FT, Bouygues and Vivendi to lose 33%, 33% and 50% respectively of their operating profits locally by 2015. Separately, following Volkswagen's strategy, Daimler's luxury car maker, Mercedes, will switch production to using more common parts across segments to achieve synergies, bringing down costs of \$2B annually thereby realizing its savings strategy by 2015.

Noda's Tax Plan Faces New Opposition; Australia's Producer Prices Decelerate

The proposal that was put forth by Japan's Prime Minister Y. Noda to double consumption tax to 10% by 2015 faces additional hurdles, as the country's opposition party called this week for new elections before the legislation is passed. Noda's tax plan that is designed to help aging Japan cover its increasing social welfare costs will be opposed by 60% of voters if an election is held, according to a local poll. Noda's approval rating has already dropped to 32% from 56% in September when he took office. In other news, Australia's producer price index increased by 0.3% during the fourth quarter of 2011, decelerating from the 0.6% rise in Q3, according to the country's Bureau of Statistics. The new data suggests that easing inflation in Australia will allow for further interest rate cuts in the medium term, further boosting the economy. Relatedly, Deloitte Access Economics forecast Australia's GDP growth to accelerate to 3.6% in 2012 from almost 2% in 2011 due to a rise in resource investment.

Gulf Stocks End Mixed; Vodafone Qatar Q3 Net loss Narrows

Arab equity markets' performance diverged on Sunday as fourth-quarter corporate earnings continue to weigh on markets. Dubai's index added 0.5% to 1,335, supported by property stocks, while Abu Dhabi's market gained 0.2% to 2,341. Oman advanced 0.2% to 5,592, whereas Saudi Arabia's Tadawil slipped 0.2% to 6,451, led by petrochemical stocks. Kuwait edged 0.02% down to 5,797, and Qatar declined 0.2% to a three-month low. Egypt's EGX30 rose 1.3% to close at 3,920. On the corporate front, Vodafone Qatar reported a third-quarter net loss of QAR122M (\$33.51M) compared to a loss of QAR144M (\$39.55M) registered a year earlier, partly due to a rise in mobile subscribers. In Saudi Arabia, Kingdom Holding posted a 19.9% drop in fourth-quarter net profit to SAR187.8M (\$50.1M) due to a decreased performance by associated hotels. Separately, the United Arab Emirates' cabinet approved plans for Etihad Rail, the developer of a railway network in the country, to borrow AED4.7B (\$1.28B) to finance part of the construction.

*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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