

Capital Markets

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Major Indices

Foreign	Last	Ch	YtD
Dow Jones	12675.75	-0.26%	3.75%
Nasdaq	2786.64	0.09%	6.97%
S&P500	1314.65	-0.10%	4.54%
DAX	6419.22	-0.27%	8.83%
CAC40	3322.65	-0.47%	5.15%
FTSE100	5751.90	-0.53%	3.22%
DJstox 600	256.04	-0.38%	4.70%
Nikkei 225	8883.69	1.12%	5.07%

Arab*	Last	Ch	YtD
BSI	1170.06	0.01%	-0.57%
S&P AFE40	53.17	0.02%	-1.01%
TASI	6466.54	0.09%	0.76%
DFMGI	1364.03	1.74%	0.79%
EGX30	4136.19	3.04%	14.19%
KWSE	5820.60	0.57%	0.11%
AMGNRLX	1940.06	0.38%	-2.76%

Major Currencies**

	Last	Previous	Change
EUR/USD	1.3028	1.3027	0.01%
GBP/USD	1.5620	1.5571	0.31%
USD/JPY	77.67	77.00	0.87%

Major Commodities Futures**

	Last	Previous	Ch
Oil	99.2	99.88	-0.68%
Gold	1665.2	1676.5	-0.67%

Interbank Rates

	Last	Previous
LIBOR 1M	0.28%	0.28%
LIBOR 3M	0.56%	0.56%
EURIBOR 1M	0.75%	0.76%
EURIBOR 3M	1.16%	1.17%

US Benchmark Rates

	Last	Change
1 Y	0.12%	0
2 Y	0.24%	-2
5 Y	0.92%	-1
10 Y	2.08%	-1
30 Y	3.15%	0

Economic Watch List

	Actual
US Pending Homes Index (Dec)	-
US Monthly Home Price (Nov)	-

MARKET WRAP UP

US stocks retreated on Tuesday due to the lack of progress between Greece's government and its European creditors, reducing Dow and S&P500 by 0.3% and 0.1% to 12676 and 1315 respectively. Likewise, Greece's ongoing discussions played the pivotal role in Europe's equity markets yesterday, sending Stoxx600 0.4% down to 256; Germany's DAX slid 0.3%; France's CAC40 and the UK's FTSE100 fell 0.5% each. Moving East, Asian markets rallied today on a higher than expected profit from Apple and after Japan's Yen lost in value improving exporters' prospects. MSCI Asia Pacific climbed 0.5% to 806, Japan's Nikkei225 rose 1.1% to 8884, whereas Hong Kong remained closed to mark the start of the Year of the Dragon.

TOP STORIES

US Fed to announce interest rate projections; Apple Smashes Street Estimates

The US Fed is set to keep monetary policy on hold on Wednesday. Moreover, it will start a new practice of announcing policymakers' interest-rate projections, which may show interest rates will be near zero until at least 2014 slightly longer than previous sessions' ongoing releases of until at least mid-2013. Long-term interest rates may drop as a result. Moving to corporate news, after a rare miss in the previous quarter, Apple managed to double the number of iPhones and iPads sold y-o-y and outpacing its own heightened projections for the holiday season. It smashed street estimates for gross margins which came in at 44.7%, and for sales and net profits by more than 19% and 30% respectively to \$46.3B and \$13.1B respectively. In other news, Johnson & Johnson managed to beat Q4 street estimates by 4 cents per share to hit an EPS of \$1.13 excluding a \$3B charge related to the recall of so-far 93K defective artificial hips in patients. Separately, McDonald's realized Q4 EPS of \$1.33 outpacing estimates of \$1.3 as global December's same-store sales surged 9.6% y-o-y.

Eurozone PMI Rebounds Lopsidedly; Ericsson Q4 Earnings Halved

The Eurozone composite PMI activity index surprisingly jumped 2.1 points to 50.4 m-o-m, beating the 48.5 consensus and breaking above the 50 contraction/expansion level, owed to EZ services PMI which rose by 1.7 point to 50.5 ahead of a 49.0 median. Manufacturing PMI managed to surge 1.8 to 48.7 above the 47.3 prediction despite a hampered growth outside Germany and France. In other news, Madrid sold \$3.27B of debt, on short-term opportunistic demand which propelled to more than \$17.6B, thanks to both ECB's 3-yr cheap loans and Spain's 50%-deficit reduction commitment to 4% of GDP. Both 3-month and 6-month yielded 1.29% and 1.85% respectively compared to a November crisis-high 5%. Moving to corporate news, Swiss Roche, the world's largest maker of cancer drugs, where gene analysis is expanding the fastest, has offered \$5.7B in cash to buy US gene-sequencing company Illumina. Separately, Ericsson, the world's largest mobile gear maker saw its Q4 earnings halved to \$605M y-o-y versus a forecasted \$1.09B as a global slowdown hit demand for new equipment and network upgrades by telecom operators, particularly as expected for the US and Russian markets. Gross margins fell 3.2 percentage points to 30.2% on the back of \$9.4B of Q4 sales.

Japan Records First Trade Deficit Since 1980; Australia's Core Inflation Accelerates

Japan's Finance Ministry reported today the country's first annual trade deficit since 1980, standing at \$32 B in 2011. The final result that came after a third monthly shortfall in December highlights the effects of the earthquake that forced a shutdown in the country's nuclear reactors and manufacturing hubs. Japan's spike in energy imports had pushed the value of total imports up by 12%, while the slowdown in the country's manufacturing reduced its total exports by 2.5%. In other news, Australia's core inflation rate accelerated to 3% q-o-q in the fourth quarter of 2011 from 2% in Q3, according to the country's Bureau of Statistics, although headline inflation was unchanged. The new price rates, considered within policy target range, will enable the Australian government to reduce borrowing costs further, after the decrease in interest rates in Q3.

Gulf Stocks End Up; Dubai Airport Passenger Traffic Rises 8% in 2011

The majority of Gulf equity markets ended Tuesday's session in green. Kuwait's benchmark rose 0.6% to 5,821, its largest one-day gain since September, while Saudi Arabia's Tadawul added 0.1% to 6,467. Dubai and Abu Dhabi indices jumped 1.7% and 0.4% to 1,364 and 2,362 respectively, supported by real estate stocks. Saudi Arabia's Tadawul edged 0.1% up to 6,467, whereas Qatar dropped 0.3% to a 4-month low of 8,387. Egypt's EGX30 surged 3% to close at 4,136, its highest close since November 16. In other news, Dubai International Airport handled 51 million passengers in 2011, up from 47.2 million in 2010, boosted by additional flights to the Gulf Arab region. On the corporate front, National Bank of Oman posted a 25.5% jump in its fourth-quarter net profit to OMR6.9 million (\$17.92 million), missing most analysts' forecasts. Separately, Bahraini lender Al Baraka Bank's Turkish subsidiary will issue a \$200 million sukuk in the first quarter of 2012 after delaying a sale last month due to pricing concerns.

*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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