



## **TODAY 09-01-12**

**NL** (a.o.): Air France-KLM traffic;

**NL Tomorrow** (a.o.): - ;

**EUR** (a.o.): - ;

**EUR Tomorrow** (a.o.): Hays, Marks & Spencer ;

**EUR Ex-div** (a.o.): UniCredit ex-rights, Bankinter, Gas Natural;

**EUR Ex-div Tomorrow** (a.o.): BBVA, Repsol, Fomento de

Construcciones y Contratas ;

## **FINANCE Credit / CDS HF's**

- **Basel rejects delay to liquidity buffers** -- Banks will be required to hold emergency stocks of easy-to-sell assets starting in 2015 but will be permitted to dip into these liquidity buffers during times of stress, said global regulators meeting in Basel, Switzerland. The top central bankers and regulators from 27 major economies firmly rejected industry pleas for a delay or substantial rewrite of the controversial planned "liquidity coverage ratio" that will require banks to hold buffers against a 30-day market crisis. Part of the "Basel III" reform package designed to prevent a repeat of the 2008 financial crisis, the LCR has come in for heavy criticism from bankers who say it will constrain lending, harm economic growth and make the banking system vulnerable to sovereign woes. The industry wants the LCR scrapped or at least for the buffer definition expanded beyond the current definition of high-quality corporate and sovereign bonds to include equities, securitisations and gold. (<http://www.ft.com/intl/cms/s/0/d11c609c-3a25-11e1-a8dc-00144feabdc0.html#axzz1iwM4GZbS>)
- **Basel Group to Study Nations' Respect of Bank Capital Rules** -- Regulators and lenders in the U.S., European Union and Japan are to face "detailed" peer reviews of their implementation of international bank capital rules, global regulators said. All member countries of the Basel Committee on Banking Supervision have agreed to undergo the assessments, the group's governing board said in a statement on its website. The results of the reviews, to begin in the first quarter of 2012, will be published, it said. The EU, U.S. and Japan will be the first to be assessed, it said. The reviews will include examining how lenders value their assets. (BN)
- **Greek Debt Writedown May Be as High as 60%, Financial Times Says** -- Private creditors holding Greek government bonds are set to accept a writedown of 55 percent to 60 percent of their holding, the Financial Times reported, citing people involved in the talks it didn't identify. The so-called Private Sector Involvement which aims to lower Greece's debt would be more than a 50 percent writedown agreed as part of a debt swap agreed in October, the newspaper said. (BN)
- **Greek Debt Writedown Should Top 50%, Schaeuble Aide Tells Vima** -- The planned 50 percent writedown of Greek government bonds held by private creditors as part of a debt swap won't be enough to make the country's debt sustainable, an adviser to German Finance Minister Wolfgang Schaeuble told To Vima in an interview. The write down, which aims to lower Greece's debt to 120 percent of gross domestic product in 2020, will have to be greater and shouldn't be voluntary, Oxford University professor Clemens Fuest told the Athens-based newspaper. (BN)
- **EFSF's Regling Plans to Offer Investors 30% Guarantee, Bild Says** -- Klaus Regling, who heads the European Financial Stability Facility, plans to offer potential investors in the fund a guarantee of as much as 30 percent on their investment, rather than the 20 percent currently offered, Bild- Zeitung reported. The current insurance rate isn't enough given the risk involved, the newspaper said, citing comments made by Regling to policymakers of the German Christian Social Union at Wildbad Kreuth in Bavaria last week. The CSU belongs to Chancellor Angela Merkel's ruling coalition. Separately, the German government is considering an earlier start of the planned European Stability Mechanism program, Bild cited unidentified people in the government as saying. European states may add the scheduled 80 billion euros to the pool in one move rather than in installments or raise the amount to 100 billion euros, Bild said. (BN)
- **Spain Regulator Questions Savings Banks Results, Expansion Says** -- Spain's stock market regulator will ask some Spanish savings banks to provide additional information regarding their 2010 results after analyzing annual reports, Expansion reported, without citing anyone. The regulator will ask banks including La Caixa, CatalunyaCaixa, Ibercaja, BMN, Unnim, and Caja Espana Duero for more information regarding their exposure to sovereign debt, asset valuations and investment and divestment strategies, the newspaper added. (BN)
- **European Banks Sold 208.7 Billion Euros Covered Bonds, Welt Says** -- The volume of bonds that banks in Greece, Portugal, Spain, Italy and Ireland have issued so far and that are only guaranteed by their home states amounts to 208.7 billion euros, Welt am Sonntag reported, citing its own research. The banks have made "brisk" use of the option to deposit those bonds as collateral at the European Central Bank, the newspaper cited several unidentified central bankers as saying, without specifying a figure. The central bankers said the ECB may at any time limit the acceptance of such covered bonds, Welt am Sonntag said, adding that the ECB declined to comment when and how such rules may be introduced. (BN)
- **Italy Willing to Consider Bank Transaction Tax, Monti Says** -- Prime Minister Mario Monti said his government is willing to consider supporting a tax on bank transactions. Speaking in an interview on the "Che Tempo Che Fa" talk show on state-owned RAI television, Monti said his position was somewhere between that of French President Nicolas Sarkozy, who has said France will unilaterally impose the tax and that of German Chancellor Angela Merkel, who opposes such a levy unless the entire European Union adopts the measure. (BN)
- **Finnish FinMin favors widely agreed financial transaction tax** -- Finnish Finance Minister Jutta Urpilainen hopes a tax aimed at curbing currency speculation will be adopted widely across the European Union (EU), Finnish media reported on Sunday. Finland was one of the keenest promoters of such a financial transaction tax within the union, she said. Urpilainen said: "I hope the tax would be effective over the widest possible geographical area with the participation of several European countries. We need to agree on a tax model that other nations can accept. As a result France would not need to go forward solo on the issue." In Urpilainen's view, a jointly agreed tax was the best solution. (Xinhua)
- **[Fri] Sarkozy Says 'Unacceptable' That There's No Tax on Transactions** -- French President Nicolas Sarkozy said it is "unacceptable" that there's no tax on financial transactions and said France "won't wait for everyone to be agreed" before imposing the tax. "How can you explain that when you buy an apartment or go to the supermarket you pay tax, but that financial transactions are the only sort of purchase where you don't pay," Sarkozy said to the closing session of the "New Worlds" conference in Paris. "The euro zone must take its responsibilities." (BN)
- **French Finance Group Opposes Trading Tax** -- A French financial association Sunday spoke out against a French-only trading tax that may be implemented this year. The Association Paris Europlace, which represents key players in the French financial world, said such a tax

## **MACRO:**

*Japan markets closed*

08:00 Germany Trade Balance

12:00 Germany Industrial Production

13:30 Merkel, Sarkozy hold talks in Berlin

21:00 US Consumer Credit



would hurt the French economy unless it was implemented across the European Union. The move comes after President Nicolas Sarkozy on Friday said France should not wait for other European countries to get on board with what some have dubbed a "Robin Hood tax" or the "Tobin tax" that would help reduce budget deficits. Many activists in Western countries have long campaigned for a small tax on financial transactions to raise funds they say would compensate for the damage done by reckless speculation. But Paris Europlace said a France-only tax "would be inappropriate." "If this tax was applied only in France, it would inevitably lead to an exodus of banks, insurance companies and management," the association said, "and would reduce... the role of Paris in the European and global economy." (AFP)

- **Germany criticizes France over unilateral financial transaction** -- France was moving too fast and rashly to unilaterally introduce a financial transaction tax this year, a German government spokesman said on Friday. Implementation of such a controversial taxation should be a common and concerted action among all 27 EU member countries, said Steffen Seibert, spokesman for German Chancellor Angela Merkel. "Under such a circumstance it must be clearly clarified, that the financial transaction taxation must be implemented collectively among all 27 EU member countries altogether and simultaneously, and that is our objective," Seibert said. (Xinhua)
- **David Cameron: I Will Veto Financial Transaction Tax** -- Prime Minister David Cameron has said for the first time he would veto a European-wide financial transaction tax unless it was imposed globally, deepening a confrontation with European Union heavyweights France and Germany. He said France should be free to go it alone and introduce a financial transactions tax if it wished. Paris and Berlin have been pushing for an EU-wide tax of financial transactions but Britain has strongly resisted, fearing it will damage the City of London, a global financial centre where much of the tax would be raised. Cameron's threat to block the tax comes after he angered EU partners last year by vetoing a new EU treaty on greater fiscal integration in the eurozone that was aimed at defusing the euro debt crisis. Critics said his move risked leaving Britain isolated from the other 26 EU countries. (TEL)
- **Tobin Tax 'Could Leave €116bn Hole in EU Finances', Ernst & Young Warns** -- Plans to levy a tax on financial transactions across Europe could leave a €116bn hole in the region's public finances, a report has warned. The calculations by Ernst & Young came as Prime Minister David Cameron said Britain would veto any attempt to introduce a so-called "Tobin tax", arguing that imposing such a levy across Europe without similar measures being in place elsewhere in the world would hit European jobs and prosperity. France has indicated that it will push ahead with plans for the tax, but Germany has signalled it wants to build the broadest possible consensus for a levy. The issue is set to be one of several on the agenda when German chancellor Angela Merkel hosts talks on Monday with French president Nicolas Sarkozy as the pair continue their attempts to tame the eurozone's debt crisis. But the difficulties of tackling the crisis were illustrated on Sunday amid speculation that private-sector holders of Greek bonds are poised to accept higher losses. They are said to be likely to suffer a haircut of 55pc to 60pc, more than the 50pc agreed in October. (TEL)
- **US regulators eye new futures rules** -- US financial regulators have raised the idea of extending investor safeguards proposed for certain derivatives to the futures markets as they probe missing customer funds at bankrupt broker MF Global. Investors in cleared swaps – a form of derivatives contract negotiated between two traders where the risk of one party defaulting is shifted to a clearing house – are set to receive stronger protection than futures traders in a vote by the Commodity Futures Trading Commission on Wednesday. But two commissioners on the five-member body are now questioning the fairness of that approach and are opening the debate as to whether the same rules should apply to both swaps and futures, a move likely to provoke a backlash from the industry. The issue has gained increase relevance after \$1.2bn in funds of futures customers vanished in the wake of MF Global's collapse in October. (FT)
- **[Fri] NYSE Euronext Exec Sees More Clarity Soon On Tie-Up With Boerse** -- Exchange operators Deutsche Boerse AG and NYSE Euronext will soon detail how they aim to soothe competition concerns about their planned merger, an Amsterdam-based NYSE Euronext executive said Friday. "We are in a phase where [the European Commission] made a technical assessment. The focus is on the clearing and derivatives activities," Cees Vermaas, the head of NYSE Euronext Amsterdam, said in an interview with Dow Jones Newswires ahead of the exchange's annual New Year's event. Vermaas said he is currently participating in talks with the competition authorities. He declined to elaborate on the possible outcome, but said he expects more clarity soon. "It will become clear in the coming weeks," he said. (DJ)
- **UniCredit CEO Reiterates Solidity Of Bank-Report** -- UniCredit SpA Chief Executive Officer Federico Ghizzoni Sunday said that the multi-billion capital increase of the bank will strengthen the bank's capital ratios, Italian daily La Repubblica reported Sunday. Ghizzoni reiterated that the bank did the right thing by announcing the rights issue as soon as it was necessary. He also said that following the EUR7.5 billion rights issue the bank will be able to provide up to EUR75 billion capital to families and companies in the next three years. (DJ)
- **Dexia SA** -- France's shareholding agency head Jean- Dominique Comolli rejected Dexia Chief Executive Officer Pierre Mariani's proposal that the government nationalize the lender's French units Dexia Credit Local and Dexma, Le Figaro said, citing an unidentified participant at the meeting. (BN)
- **Dexia Unlikely to Need to Tap Guarantees in 2012, Coene Says** -- Dexia SA, the French-Belgian lender being broken up after requiring two bailouts in three years, is unlikely to have to tap Belgian government guarantees in 2012, said Luc Coene, the head of Belgium's central bank. (BN)
- **Caisse Des Depots to Be Close to Breakeven 2011, Echos Says** -- Caisse des Depots et Consignations was around the breakeven point in 2011 even after absorbing its share of losses at Dexia SA, Chief Executive Officer Augustin de Romanet told French daily Les Echos in an interview. Asked about France's credit rating, de Romanet said that the U.S. downgrade has had only a limited impact on the country. Investor confidence that policies are sustainable is more important, de Romanet added. (BN)
- **KBC Not Endangered by Exposure to Hungary, Coene Tells La Libre** -- Hungary's political and economic woes don't pose an existential threat to KBC Groep NV, a Belgian bank with operations there, said Luc Coene, the head of Belgium's central bank. "The exposure isn't of a nature that puts the bank in peril," Coene told La Libre Belgique in an interview published today. "The situation will probably stabilize because the Hungarians will have to reach an agreement with the International Monetary Fund and European Commission." (BN)
- **U.A.E. Banks May Refinance Rather Than Repay Debt: Arab Credit** -- Banks in the United Arab Emirates may opt to refinance more than \$3 billion of bonds due this year should pricing remain at current levels, as they seek to extend the average maturity of their debt. U.A.E. banks have about \$3.49 billion of bonds and sukuk maturing in 2012, according to data compiled by Bloomberg. Most of this debt is held by the country's three largest banks, Emirates NBD PJSC, National Bank of Abu Dhabi PJSC and Abu Dhabi Commercial Bank PJSC, the data shows. (BN)
- **U.K. May Have Lost 10% of Finance Jobs Since Lehman, CBI Says** -- Financial companies in Britain may have shed almost a tenth of their jobs by the end of the first quarter since the collapse of Lehman Brothers Holdings Inc., according to a survey by Britain's biggest



business lobby group. In the fourth quarter, banks, insurers and asset managers probably cut 9,000 jobs, and may shed 11,000 workers in the first three months this year, the survey by the Confederation of British Industry estimated. The new losses would mean that since Lehman's collapse in 2008, about 101,000 jobs will have been lost in an industry that employs 1.05 million people in the U.K., or about 9.6 percent, the CBI said. (BN)

- **U.K. Banking Industry Lost 21,000 Top Jobs, Sunday Times Reports** -- More than 21,000 senior London bankers lost their jobs last year, equivalent to one in seven of the city's senior finance executives, according to a report from corporate advisory firm IMAS, the Sunday Times said. The bankers in the study, produced from Financial Services Authority statistics, were still out of work at the end of 2011, according to the report, the Sunday Times said. (BN)
- **RBS Said to Plan Announcement on Equities Business This Week** -- Royal Bank of Scotland Group Plc, Britain's biggest government-owned bank, will this week announce plans to sell or close its global cash equities business, a person with knowledge of the matter said. The proposal will be unveiled by Chief Executive Officer Stephen Hester and John Hourican, head of the global banking and markets division, according to the person, who asked not be identified before the announcement. The cash equities division, which employs about 1,200 people and includes the research division, will be shut down if a buyer can't be found, the person said. RBS has hired Lazard Ltd. to advise it on the sale of parts of the equities unit, including stockbroker Hoare Govett, another person with knowledge of the matter said last week. (BN)
- **Royal Bank of Scotland Group Plc** -- The U.K. lender may combine its investment banking and global transactions services divisions, the Sunday Telegraph reported, without citing anyone. (BN)
- **RBS's Investment Bank Head May Get GBP4 Mln Bonus in April: FT** -- John Hourican, CEO of RBS's investment bank, stands to receive a special bonus of more than 4 million pounds as a bonus package of shares and options he was awarded in 2009 vests in April, FT reports, without attribution. (BN)
- **U.K. May Make Bosses Reveal All Pay Details, Sunday Times Says** -- The U.K. government is preparing measures to force chief executive officers at listed companies to reveal complete details of their pay packages and to say how much more they earn than their employees, the Sunday Times said. Bosses will have to provide a single pay figure including salary, share grants, retirement provisions and other perks, under the proposals which Business Secretary Vince Cable will reveal to representatives of the U.K.'s financial industry in a week's time before announcing them at the end of the month, according to the Sunday Times. (BN)
- **Banks Blame Countrywide for U.K. Mortgage Losses in 97 Lawsuits** -- Suninder Sandha bought his luxury apartment in Coleorton Hall, a 19th century country mansion near Leicester in central England, using a 1.2 million-pound loan from Barclays Plc in 2005. When the property market collapsed two years later, Sandha couldn't make his mortgage payments and Barclays seized the apartment, selling it for 500,000 pounds. The lender has now sued Countrywide Plc, whose surveying unit valued it at the peak of the boom, for its losses, according to court papers. (BN)

#### TECH/TELCO

- **Deutsche Telekom May Issue Bonds to Boost T-Mobile U.S. Unit: FT** -- Deutsche Telekom may issue bonds and sell broadcast towers to raise money to strengthen its T-Mobile USA business following the collapse of its planned sale to AT&T last month, FT says, cites people familiar with the company. \* Deutsche Telekom declined to comment, FT says \* Deutsche Telekom has considered selling its U.S. towers business, which could raise between \$1 billion and \$2 billion, according to FT \* It's unlikely there'll be any rush to find a more long-term solution for the U.S. unit, FT says, cites person with knowledge of the company's plans. (BN)
- **Olympus Sues Present, Past Executives Over Cover-Up, Nikkei Says** -- Olympus Corp. filed court papers seeking damages from current and former executives over their roles in a \$1.7 billion cover-up of losses, Japanese newspapers reported, without saying who gave them the information. The Japanese camera maker submitted the claim yesterday, according the Nikkei and Yomiuri newspapers. It wasn't possible to confirm the lawsuits because today is a holiday in Japan. While Olympus spokesmen weren't available to comment, the Tokyo-based company yesterday said it was considering legal action. Olympus should seek more than 90 billion yen (\$1.2 billion) from more than 10 current and past executives, including President Shuichi Takayama, for hiding losses over more than a decade, according to the panel's findings, Kyodo reported yesterday. (BN)

#### RESEARCH UPDATES

JP Morgan upped **RBS** to Neutral, from Underweight; Mediobanca cut **Deutsche Bank** to Underperform, from Neutral; Citi upped **Renault** to Buy, from Neutral; UniCredit upped **Nokia** to Hold, from Sell; Goldman Sachs cut **European Food & Beverages stocks** to Underweight, from Neutral; Citi named **TNT Express** a Most Preferred stock;

#### ENERGY, UTILITIES AND COMMODITIES

- **Oil Declines a Third Day; Morgan Stanley Cites 'Grim' Outlook** -- Oil declined for a third day in New York as Europe's struggle to save the euro countered concern that tension with Iran may disrupt Middle East crude exports. Morgan Stanley said the outlook for crude is "grim." Futures fell as much as 0.7 percent before German and French leaders meet in Berlin today seeking to craft a plan for rescuing the euro over the next three months. The U.S. will act to reopen the Strait of Hormuz if Iran blocks the channel, Joint Chiefs of Staff chairman General Martin Dempsey said in an interview on the CBS "Face the Nation" program yesterday. Oil fundamentals bearish are likely to weaken in the months ahead, according to the Morgan Stanley report. Crude for February delivery slipped as much as 66 cents to \$100.90 a barrel in electronic trading on the New York Mercantile Exchange. It was at \$101.10 at 3:27 p.m. Sydney time. The contract fell 0.3 percent to \$101.56 on Jan. 6, the lowest close since Dec. 30. Prices are 2 percent higher this year. Brent oil for February settlement was at \$113.11 a barrel, up 5 cents, on the London-based ICE Futures Europe exchange. The European benchmark contract's premium to New York crude was at \$12.04, the highest gap based on closing prices since Nov. 15. The difference rose to a record \$27.88 on Oct. 14 as the uprising in Libya curbed supplies of light, sweet crude. (BN)
- **Hormuz Bypass Oil Pipeline Said to Be Delayed Amid Iran Tensions** -- A pipeline that would allow oil from the United Arab Emirates to bypass the Strait of Hormuz separating it from Iran has been delayed because of construction difficulties, two people with knowledge of the matter said. As many as 270 construction issues have pushed back the completion date, said the two people, declining to be identified because they're not allowed to speak publicly on the matter. The \$3.3 billion project won't be ready until at least April, one of them said. Abu Dhabi, holder of most of the U.A.E.'s oil reserves, had planned to start exports in January 2011 through the pipeline to a port outside the strait, Dieter Blauberg, the project's former director, said in May 2009. (BN)



- **Iran Able to Block Strait of Hormuz, General Dempsey Says on CBS** -- Iran has the ability to block the Strait of Hormuz "for a period of time," and the U.S. would take action to reopen it, Joint Chiefs of Staff chairman General Martin Dempsey said. "They've invested in capabilities that could, in fact, for a period of time block the Strait of Hormuz," Dempsey said in an interview aired yesterday on the CBS "Face the Nation" program. "We've invested in capabilities to ensure that if that happens, we can defeat that." Should Iran try to close Hormuz, the U.S. "would take action and reopen" the waterway, said Dempsey, President Barack Obama's top military adviser. Blocking the Strait of Hormuz, a strategic shipping lane linking the Gulf of Oman with the Persian Gulf, would constitute a "red line" for the U.S., as would Iranian efforts to build a nuclear weapon, Defense Secretary Leon Panetta said on the same program. The U.S. tightened economic sanctions against Iran over its nuclear program on Dec. 31, and the European Union is weighing a ban later this month on purchases of Iranian crude. (BN)
- **Iran Starts Uranium Enrichment at Fordo Plant, Kayhan Says** -- Iran has started to enrich uranium at its Fordo production facility, the official Kayhan newspaper reported without saying where it got the information. Iran will soon have a ceremony to open the site officially, the newspaper reported, citing the head of the Iranian Atomic Energy Organization, Fereydoun Abbasi. The Iranian nuclear chief was cited yesterday by Mehr News as saying that the underground facility "will start operating in the near future." The existence of the Fordo plant, built into the side of a mountain near the Muslim holy city of Qom, south of Tehran, was disclosed in September 2009, heightening concern among the U.S. and its allies who say Iran's activities may be a cover for the development of atomic weapons. (BN)
- **BP, Shell to Partake in Arctic Drilling Inquiry, Telegraph Says** -- BP Plc, Royal Dutch Shell Plc and Cairn Energy Plc are among companies that may be asked to provide information on drilling in the Arctic to the U.K.'s Environmental Audit Committee later this year, the Sunday Telegraph reported, citing Committee Chairman Joan Walley. The committee's Protecting the Arctic inquiry will include both onshore and offshore drilling in the Arctic Circle, the newspaper said. (BN)
- **Statoil Makes Substantial Oil Discovery at Havis in Barents Sea** -- Statoil ASA together with Eni Norge AS and Petoro AS has made a "substantial" oil discovery in the the Havis prospect in the same licence as Skrugard in the Barents Sea, Statoil said in an e-mailed statement today. The well has proved a 48 meter gas column and a 128 meter oil column. Statoil estimates the volumes in Havis to be between 200 and 300 barrels of recoverable oil equivalents. (BN)
- **EON Asks for Bids in \$3.8 Billion Gas Network Sale, Reuters Says** -- EON AG has at least five potential bidder groups for its gas distribution network and is asking them to indicate interest by Jan. 20, Reuters reported, citing an unidentified "senior" banker. The Open Grid Europe asset, which may sell for about 3 billion euros (\$3.8 billion), has attracted the interest of infrastructure funds including Macquarie, GS Infrastructure Partners and Borealis, plus parties from the energy industry, according to the banking official, Reuters said. Allianz SE has teamed up with Canada's CPP Investment Board to bid for the pipeline operator, Reuters said. (BN)
- **Alcoa to Cut Smelting Capacity by 12% After Aluminum Decline** -- Alcoa Inc., the biggest U.S. aluminum producer, will close 12 percent of its global smelting capacity after the price of the lightweight metal slumped amid a global surplus. The company will permanently close its smelter at Alcoa, Tennessee, and two of six idled potlines at its Rockdale, Texas, plant, eliminating 291,000 metric tons of annual capacity, the New York-based company said yesterday in a statement. An additional 240,000 tons of curtailments will be announced "in the near future." Aluminum, which is used in beverage cans, auto parts and aircraft, tumbled 18 percent in 2011 as global economic growth decelerated, making some smelters unprofitable. Analysts have cut their earnings estimates in the past month. The average of 18 estimates for Alcoa's fourth-quarter is for a 1-cent loss, compared with a projected 7-cent profit 30 days ago. (BN)
- **NMDC Executive: Yet To Decide On January-March Iron Ore Sale Price** -- NMDC Ltd. hasn't yet set the domestic sale price of its iron ore for the January-March quarter but a decision is likely later this month, a senior executive said Monday. Indian steelmakers are expecting the country's largest iron ore producer by volume to cut prices by as much as 20% in line with global rates. Local prices are expected to remain depressed also because a hike in export tax to 30% from 20% earlier this month is likely to hurt shipments. However, the NMDC executive, who didn't wish to be named, said that the state-run company received "good price" for its iron ore sold in a court-mandated auction held last week in the southern state of Karnataka and that he expects prices to remain robust on strong domestic demand. (DJ)
- **Rio Tinto May Boost Cash Returns in 2012, Citigroup Estimates** -- Co. may declare final div. of \$0.70/shr, full-year div. of 124c/shr, Citigroup says in note. \* Co. is "most financially prudent" of all the large diversified companies: Citigroup (BN)

#### **AEX/NETHERLANDS**

- **Dutch Court Rules Investing In Hedge Funds Isn't Low Risk - Report** -- A Dutch court has ruled that investing in hedge funds isn't low risk, and has ordered an asset manager to refund a retail investor for losses incurred, Financieele Dagblad reported Monday. The court made the ruling in late December but hasn't yet made it public, the newspaper said. Investing in hedge funds is often advertised as low risk because it delivers returns regardless of market conditions, and hence is considered suitable for retail investors with a low risk appetite. But the court disagreed, arguing that hedge funds' investment strategies are complex even for asset managers and aren't transparent, the newspaper said citing the ruling. (DJ)
- **[Fri] Disgruntled TNT Holder Agitates For Boardroom Shake-Up** -- TNT Express NV shareholder Jana Partners LLC wants to add three new three members to the supervisory board of the Dutch logistics company, including a new chairman, reflecting its worries over TNT Express' performance and strategy, according to a letter seen by Dow Jones Newswires. U.S.-based Jana Partners, together with Canada's Alberta Investment Management Corp., or Aimco, owns a stake of just over 5% in TNT. Jana's approach comes amid growing shareholder concern about TNT Express' future after last year's demerger from mail unit PostNL NV since when the company's operational performance has deteriorated. TNT Express' shares have fallen 36% in the past 12 months. PostNL's have fallen 65%. (DJ)
- **Unilever Workers to Strike in U.K. Pension Protest, BBC Reports** -- Unilever Plc's British factory workers will resume strikes this month to protest proposed cuts to the company's final-salary pension program, the British Broadcasting Corp. reported on its website, citing labor unions. GMB, Unite and Usdaw called for 24-hour strikes from Jan. 17 to follow last month's actions, in which they said 2,500 of the company's employees participated, the BBC said. Unilever is "deeply concerned by the disproportionate action the trade unions are taking" and it's not clear how the dispute will be resolved, the company said today in an e-mailed statement. (BN)
- **ING Says Akzo, ASMI, Binckbank, Heineken Among January Top Picks** -- ING also names Barco, Brunel International, Fugro, Imtech, Randstad and Tessenderlo as top picks. (BN)

#### **M&A and OTHER CORPORATE NEWS**



- **Asian Stocks Decline as Bullard Says New Fed Buying Is Unlikely** -- Asian stocks outside of Japan dropped for a third day after Federal Bank of St. Louis President James Bullard said the Fed probably won't begin a new round of bond purchases amid "encouraging" U.S. economic data. Samsung Electronics Co., the world's second-biggest maker of mobile phones by sales, decreased 2 percent in Seoul. Hutchison Whampoa Ltd., the utilities company and port operator that gets more than half of its revenue from Europe, fell 1.5 percent in Hong Kong after European economic confidence and German factory orders plunged. HTC Corp. sank 4.8 percent in Taipei as the maker of smartphones posted its first drop in quarterly profit in two years. The MSCI Asia Pacific Excluding Japan Index declined 0.8 percent to 392.79 as of 1:20 p.m. in Hong Kong, with more than two stocks falling for each that rose. The measure gained 0.9 percent last week as manufacturing growth from the U.S., Australia, China and India added to signs the global economy may withstand Europe's debt crisis. Australia's S&P/ASX 200 Index lost 0.1 percent after the country's retail sales unexpectedly stalled. South Korea's Kospi Index and Hong Kong's Hang Seng Index dropped 0.9 percent. Japanese markets are closed today for a holiday. (BN)
- **[Fri] U.S. Stocks Drop as Treasuries Advance After Employment Report** -- Stocks dropped, trimming a weekly gain, as faster-than-forecast growth in U.S. jobs failed to lift the Standard & Poor's 500 Index above its October high. Treasuries rose as Federal Reserve Bank of New York President William Dudley said more monetary accommodation is appropriate. The Standard & Poor's 500 Index slipped 0.3 percent to close at 1,277.81 at 4 p.m. in New York, trimming its weekly gain to 1.6 percent. The Dow Jones Industrial Average lost 55.78 points, or 0.5 percent, to 12,359.92. Treasury 10-year yields fell four basis points to 1.96 percent. The Stoxx Europe 600 Index ended little changed as Germany's DAX Index tumbled 0.6 percent and the euro traded at a 15-month low versus the dollar. Natural gas and heating oil led gains in commodities. While U.S. employers added more workers to payrolls than forecast in December and the jobless rate fell to an almost three-year low, the growth did not beat estimates by as wide a margin as data from ADP Employer Services on Thursday that helped trigger gains in equities. A 4.8 percent decrease in German factory orders was the biggest decline in almost three years and fueled concern that Europe was heading into a recession. (BN)
- **EUROPE** -- Investors are likely to start with a cautious approach Monday, leading stock markets lower, with bunds and gilts mixed. The euro is narrowly mixed, with spot gold and oil futures lower. European stock markets are likely to start lower with euro-zone worry still plaguing sentiment and investment decisions. For Monday's opening, Cantor Index is calling the FTSE down 17 at 5632, the DAX off 32 at 6025, and the CAC down 22 at 3115. (DJ)
- **Cameron to Give Investors Veto on Pay, Sunday Telegraph Says** -- U.K. Prime Minister David Cameron plans to give investors a veto on executive salary packages and payouts, the Sunday Telegraph reported. The change would replace the advisory votes that currently apply and would address the "crony capitalism" that allows underperforming executives to be rewarded, the newspaper reported today, citing an interview with Cameron. Other plans by the government include keeping the top tax rate of 50 pence for people earning more than 150,000 pounds (\$232,485), keeping Britain united by trying to avoid an independence referendum in Scotland and limits on the power European human rights judges, the newspaper said, citing Cameron. (BN)
- **Tesco May Report Decline in Domestic Christmas Sales, FT Says** -- Tesco Plc, the U.K.'s largest supermarket chain, may report a decline in domestic sales during the Christmas holiday, the Financial Times reported, citing JPMorgan Cazenove. Sales at Tesco stores open at least a year may have dropped 1.5 percent in the six weeks through Jan.7, from a year earlier, the newspaper said, citing the broker. (BN)
- **Confidence in London Property Market Plunges, Study Finds: FT** -- Confidence in London's commercial property market has fallen to the lowest level in two years, FT reports, cites industry survey by Lloyds Banking Group. \* Net balance of respondents expecting the market to improve in the next six months fell to 2.8, compared with 32.2 at the end of August, FT says, cites the survey. (BN)
- **Axa Raises EU2.5 Billion for Europe Property Investment Fund: FT** -- Axa raised 2.5 billion euros for a fund that will invest in the development of offices and shopping centers across Europe in a bid to take advantage of the fact that banks and other lenders are reluctant to provide credit to the property sector, FT reports, cites Laurent Vouin, head of opportunistic funds at Axa Real Estate. \* EU585.5 million was raised largely from pension and insurance funds, FT says \* The group will work either alone or as part of a joint venture to secure development opportunities in the U.K., France and Germany, FT says, cites Vouin (BN)
- **London Luxury-Home Prices Gain as Foreigners Compete for Haven** -- Luxury-home prices in central London gained for a 14th consecutive month in December as overseas buyers sought safer investments and competed for a smaller number of properties for sale, Knight Frank LLP said. Values of houses and apartments costing an average of 3.7 million pounds rose by an average of 0.8 percent from a month earlier, the London-based broker said in a report today. Prices are now 7 percent higher than their previous peak in March 2008. "Demand for prime London property in 2011, despite uncertainty resulting from the euro-zone debt crisis and on-going global economic uncertainty, outpaced supply and led to strong price performance," said Liam Bailey, head of residential research, in the report. (BN)
- **Air France-KLM Said to Be Unidentified Buyer of 25 Boeing 787s** -- Air France-KLM Group is Boeing Co.'s unidentified buyer for 25 composite-plastic Dreamliners, after agreeing to buy the planes in September without signing off on the order, a person with knowledge of the matter said. The accord was completed just before Christmas, said the person, who asked to remain anonymous because the details aren't public. Boeing declined to specify a buyer on Jan. 5 when it disclosed the latest order for the 787s, which have a list value of about \$5 billion. Airlines usually get a discount. (BN)
- **Corporate Profit Growth at 2-Year Low as U.S. Feels Europe Drag** -- U.S. corporations ended 2011 with the slowest profit growth in two years as the mending economy that lifted Macy's Inc. was met by a European slump that vexed companies more tied to global sales, such as Cisco Systems Inc. Standard & Poor's 500 Index companies may have earned \$24.74 a share in the fourth quarter, according to analysts' estimates compiled by Bloomberg as of Jan. 6. The projected 6 percent gain is the smallest against a year-earlier quarter since September 2009, just after the U.S. recovery began. (BN)

#### **MACRO / GEOPOLITICS**

- **Italian Prime Minister Monti Rules Out New Austerity Plan** -- Italian Prime Minister Mario Monti Sunday ruled out a new austerity plan, reiterating that the measures already announced are enough to guarantee the country will reach its economic targets. Monti was interviewed Sunday night on the state-owned RAI television network. Italy will run a balanced budget by 2013 and a primary surplus of 5% of gross domestic product that year, probably the highest in the euro area, Monti said Sunday. Monti confirmed he will meet German Chancellor Angela Merkel Wednesday to persuade her that Italy will fulfill the austerity obligations it has undertaken. When asked for a comment on the stability of the Italian banking system, Monti said the system is solid. He acknowledged that some banks have been negatively affected by



announced capital increases. In the past three trading days, UniCredit SpA shares have lost more than 30% in value ahead of the start of a 7.5-billion-euro capital increase scheduled from Monday. Monti said that the euro is not in crisis, but is suffering from volatility. (DJ)

- **Italy Needs Liberalization to Revamp Economy, Corriere Says** -- Italy needs to carry out market liberalizations to revamp the economy, the country's antitrust chief Giovanni Pitruzzella told Corriere della Sera. "Liberalizations are an indispensable requirement to restart the economy," the newspaper cited the head of the competition authority as saying in an interview. He added that measures should be taken in industries including energy, transports and banks, according to Corriere. (BN)
- **Italy PM Monti, German Chancellor Merkel To Meet Wednesday-Report** -- Italian Prime Minister Mario Monti and German Chancellor Angela Merkel will meet Wednesday to continue discussions over the European debt crisis, financial daily Il Sole 24 Ore reported Sunday. The paper added that top officials from Germany, Italy and France will meet in coming days and that a summit between Monti, Merkel and French President Nicolas Sarkozy is scheduled for Jan 20. (DJ)
- **Merkel, Sarkozy to Move Forward on Euro Rescue Master Plan** -- German Chancellor Angela Merkel and French President Nicolas Sarkozy meet today for the first time in 2012 as they seek to craft a master plan for rescuing the euro over the next three months. The two leaders gather in Berlin to flesh out a new rulebook for fiscal discipline negotiated at a Dec. 9 summit that seeks to create a "fiscal compact" for the 17-member euro area. They meet at 11 a.m. local time at the Federal Chancellery and hold a joint press conference at about 1:30 p.m. (BN)
- **EU Plans to Enforce Economic Cooperation, Handelsblatt Reports** -- Euro-zone countries plan to make coordination of economic policies mandatory by making it part of European Union law, Handelsblatt reported, citing the latest draft of a new EU contract. The draft foresees stronger integration of the euro-zone interior market and would force governments to discuss economic reforms with each other before enacting them, according to the report. The plan also contains stricter rules on budget deficits and debt loads, Handelsblatt said. (BN)
- **ECB's Asmussen Says Executive Board Needs One Voice, Welt Says** -- European Central Bank Executive Board member Joerg Asmussen said the six-member board he joined this year needs to "be a team" and "act as one man vis-a-vis the outside world," Welt am Sonntag reported today, citing an interview. (BN)
- **EU Governments Might Have To Increase EFSF-Guarantees-Report** -- European governments may have to increase guarantees to ensure that investors provide funds and boost the firepower of the European Financial Stability Facility, Klaus Regling, EFSF chief executive officer, said according to the German newspaper Bild am Sonntag. Regling wants to offer investors a 30% guarantee on investment in the EFSF, he said last week at a meeting of the Christian Social Union party, according to the report. The foreseen 20% guarantee wouldn't be sufficient to attract investors as it doesn't fully reflect the risks attached to the funds and the single currency bloc, the report added. European leaders last year decided to leverage the EFSF by attracting outside investors. Raising the guarantee to 30% from 20% however would curb the leverage capacity, the report said. The report also said the EFSF's paid-in capital by E.U. governments could rise to EUR100 billion from EUR80 billion formerly, citing persons familiar with the matter. (DJ)
- **Banks Can Go Below Basel Minimum Liquidity Levels During Crisis** -- Banks will be allowed go below minimum liquidity levels set by global regulators during a financial crisis so that they can avoid cash-flow difficulties. "During a period of stress, banks would be expected to use their pool of liquid assets, thereby temporarily falling below the minimum requirement," the Basel Committee on Banking Supervision's governing board said in a statement on its website yesterday, following a meeting in the Swiss city. The aim of the measure, known as a liquidity coverage ratio, is to ensure that lenders hold enough easy-to-sell assets to survive a 30-day credit squeeze. The requirement, one of several measures from the Basel group designed to prevent a repeat of the 2008 financial crisis, is scheduled to enter into force in 2015. (BN)
- **Moody's: Spain Fiscal Slippage In 2011 Is Credit Negative** -- Spain's worse-than-expected fiscal deterioration in 2011 is credit negative, and highlights the challenge the country faces to put its finances back on a sustainable path, Moody's Investors Service said Monday. In an article in the Weekly Credit Outlook, senior analyst Kathrin Muehlbronner said the government's actions demonstrated its commitment to fiscal consolidation, but more action was required. But tightening amid slowing output growth could make the economic outlook even worse, she said, tipping real gross domestic product to contract by 0.5% to 1% in 2012, versus growth of 0.7% in 2011. "The large fiscal deficit in 2011 is credit negative and clearly illustrates the challenge facing authorities in bringing Spain's public finances back onto a sustainable path," Muehlbronner said. (DJ)
- **Spanish Government Has Backing for Austerity Cuts, El Pais Says** -- The Spanish government's austerity measures are supported by 53 percent of the population, according to a poll by Metroscopia for newspaper El Pais. Thirty-five percent of the people that participated opposed the spending cuts, according to the survey. The Metroscopia poll of 1,000 people was carried out Jan. 4-5 and has a margin of error of 4.5 percentage points, the newspaper said. (BN)
- **Bank of Spain's Ordóñez Faces Calls to Step Down, Mundo Says** -- Bank of Spain Governor Miguel Angel Fernandez Ordóñez is facing calls from bankers and members of the country's central bank to step down, El Mundo reported, citing unidentified people from the country's ruling People's Party. Pressure is mounting for a new round of consolidation in the Spanish banking industry to be carried out under the supervision of a new governor, the newspaper cited the people as saying. (BN)
- **Ifo's Sinn Sees Germany 'Marginalized' in ECB, Spiegel Reports** -- Hans-Werner Sinn, president of the Munich-based Ifo economic institute, said Germany is being "marginalized" in the European Central Bank, Der Spiegel reported, citing an interview. The fact that the nation now provides neither the bank's president nor its chief economist illustrates the loss of influence, the magazine cited Sinn as saying. (BN)
- **Germany Is in Recession, Welt Says Citing Survey of Economists** -- \* Welt surveyed 14 economists \* Economists estimate there was contraction in 4Q that's continuing in 1Q, Welt says \* German 2012 GDP will rise 0.5%, according to survey \* Article in German: <http://tinyurl.com/8ydt6pz> (BN)
- **Europe's New Deficit-Control Powers Face Test in Belgium Clash** -- Europe's newfound powers over national taxing and spending face a first test when the European Commission prods Belgium to make deeper savings just over a week into the budget year. Under authority granted last month, the commission will on Jan. 11 decide whether an emergency Belgian spending freeze is enough to drive the deficit below the euro-area limit in 2012. A negative verdict would expose Belgium, saddled with Europe's fifth-highest debt, to potential sanctions



in a precedent-setting trial of rules designed to overcome investors' skepticism about the euro area's response to the two-year-old debt crisis. (BN)

- **Van Rompuy Says Belgium to Cut Deficit Below 3% in 2012** -- Belgium will succeed in bringing its budget deficit below the European limit of 3 percent of gross domestic product in 2012, European Union President Herman Van Rompuy said. "We'll keep this promise, we'll do it in particularly difficult circumstances," Van Rompuy, a former Belgian prime minister, told Belgium's RTBF television in an interview broadcast today. "For the future of social security, for our economic future, for employment and so on there has to be a return to budget balance by 2015." (BN)
- **ECB Coene: Belgium Govt Must Make Further Budgetary Efforts -Report** -- The situation in Europe is "under control" and talk of an end to the single currency, even if Greece leaves, is "complete fantasy," European Central Bank governing council member Luc Coene said Saturday in a joint interview with RTBF radio and La Libre Belgique newspaper. Coene, who is also head of the Belgian Central Bank, said the country's government must take additional budgetary measures in order to get its deficit under control this year against a background of "anaemic growth which could even be slightly negative" in the first half of 2012. "It still isn't clear whether or not there'll be a recession," the newspaper cited him as saying. (DJ)
- **IMF doubts Greece's ability to fix economy: report** -- The International Monetary Fund has growing doubts about Greece's long-term ability to reduce its debts, German news magazine Der Spiegel reported Saturday. According to an IMF note obtained by the magazine, Greece must accelerate consolidation of public debts or else private creditors will see smaller and smaller returns. The IMF also envisions greater participation from eurozone countries in saving Greece. Greece, with a population of just 12 million, is over 350 billion euros in debt and facing its fifth straight year of recession. The IMF slammed a lack of reforms in the country, saying tax revenues and money from a privatisation drive were lower than expected. Greece is expected to register a 5.5 percent contraction of its gross domestic product (GDP) in 2011. The country has been allocated two bailouts totalling 240 billion euros -- including 30 billion to recapitalize banks -- and has so far drawn 73 billion euros from that total. (AFP)
- **Greece Should Quit Euro Unless 'Massive' Funding Given: Czech Central Bank Governor -Reuters** -- Greece should quit the euro-zone and devalue its new currency unless Europe is willing to give "massive" funding to the country, according to the Czech central bank governor Miroslav Singer, Reuters reported Sunday, citing an interview given by Singer to the daily Hospodarske Noviny. Europe should focus on helping banks which might need recapitalization and on issues that can be resolved, rather than focusing on Greece which represents just 2% of the European economy, the report said, citing Singer. The comments reported by Reuters couldn't be independently verified. (DJ)
- **End of Euro Is 'Fantasy', Says Eurozone Policymaker Luc Coene** -- The idea that the troubled eurozone could collapse is "complete fantasy" according to a policymaker at the European Central Bank (ECB). Luc Coene, a Governing Council member at the ECB, said that even if Greece was to leave the euro, Europe would unite to protect the system. "If the Greeks decide to leave, something that seems to me to be completely inconceivable ... Europe will certainly stand shoulder to shoulder to protect the system," he told the newspaper La Libre Belgique. (TEL)
- **Cameron Says EU-Wide Financial Tax Would Harm Europe** -- British Prime Minister David Cameron said Sunday he would block any attempt to introduce an EU-wide financial transaction tax because he fears it will harm jobs and prosperity in Europe. Cameron said countries such as France pushing for the introduction of such a levy were welcome to go ahead and introduce it within their own borders. But implementing a tax in the European Union when countries in the rest of the world were not bound by it would have a negative effect on jobs and prosperity in Europe, he said. "If the French themselves want to go ahead with a transactions tax in their own country then they should be free to do so," Cameron said in an interview with BBC TV. "But the idea of a transactions tax put in place only in Europe that doesn't include other jurisdictions, what that would do is it would cost jobs, it would cost us tax revenue, it would be bad for the whole of Europe. He said he would block any attempts for an EU-wide transaction tax. (AFP)
- **Euro Unlikely To Find Succor In ECB Policy Meeting** -- The European Central Bank is expected to take a pause in its interest-rate-cutting campaign next week, but that's not likely to bring a reprieve to the euro, which remains trapped in a vicious cycle of rising government borrowing costs and weak economic data. The first week of 2011 hasn't been an encouraging one for Europe's common currency. After a brief bout of optimism fueled by improved manufacturing data at the beginning of the week, it eventually succumbed to broad pessimism about the debt crisis that's stalking the 17-nation currency area. By Friday, the euro had sunk to a 15-month low below \$1.27 and its lowest in more than a decade against the yen below Y98. Efforts by the ECB to quell turbulent markets have had limited import. The central bank continues emergency buying of Italian and Spanish debt, yet Italy's long-term borrowing costs remain unbowed from their 7% yields, a threshold that economists view as unsustainable. Italy's struggles set the stage for the ECB's policy meeting on Thursday, its first of the year. Most market watchers expect the central bank to keep euro-zone lending costs at 1% after two consecutive 25-basis-point cuts. Still, analysts are seeking clues that the ECB may undertake more aggressive bond-buying, such as the quantitative-easing championed by the Federal Reserve that led to a sharp depreciation of the dollar. At least for now, ECB President Mario Draghi resists the idea because it isn't seen as part of the central bank's mandate. (DJ)
- **Draghi May Copy Bernanke on Path to Record-Low Interest Rates** -- European Central Bank President Mario Draghi may act more like Ben S. Bernanke than Jean-Claude Trichet in 2012. With the euro area's debt crisis pulling its economy into a second recession in three years, Draghi soon may cut the ECB's benchmark interest rate below 1 percent for the first time and help banks by further inflating its balance sheet, which already has ballooned 17 percent since he took office Nov. 1. Such activism would mark a reversal from a year ago -- when the Trichet-led ECB was pivoting toward higher rates -- and is causing economists at Bank of America Corp. and Jefferies International Ltd. to declare that Draghi is behaving more like Federal Reserve Chairman Bernanke than his ECB predecessor. If the slump drags down Germany, Europe's largest economy, and fans deflation, it may even prompt the bank to consider Fed-style asset buying, providing relief it now balks at for governments. (BN)
- **Fed Nears Adopting Price Goal as Bernanke Pushes Openness** -- Federal Reserve officials are nearing agreement on adopting an inflation goal as Chairman Ben S. Bernanke extends his push for improving transparency and communications with the public. "We are very close to having inflation targeting in the U.S.," James Bullard, president of the Federal Reserve Bank of St. Louis, said in a radio interview yesterday on Bloomberg Surveillance hosted by Tom Keene and Ken Prewitt. "We are getting closer to being able to make a committee-wide statement about these longer-term policy goal issues." (BN)



- **SNB's Hildebrand May Supply Evidence as Politicians Give Backing** -- Swiss National Bank President Philipp Hildebrand will seek to end a discussion about alleged insider trading, Der Sonntag newspaper reported, as leading politicians said he should stay in office. Hildebrand will submit e-mails to parliament today that show his wife acted alone in making foreign currency trades that led to calls for him to resign, Der Sonntag said yesterday. SNB spokeswoman Silvia Oppliger declined to comment. (BN)
- **IMF Won't Compromise on Hungary, Won't Quit Talks, Lagarde Says** -- The International Monetary Fund won't compromise regarding demands on Hungary in exchange for a bailout and is open to continuing talks on funding, Managing Director Christine Lagarde said in an interview with CNN. "We're not complacent. We don't compromise," Lagarde said when asked whether the Washington-based lender would be willing to compromise, according to the transcript of an interview with CNN conducted on Jan. 6. "But, equally, we never leave the table." The IMF and the European Commission suspended bailout negotiations with Hungary in December, saying that a newly passed central bank law may curb monetary policy independence. Prime Minister Orban rejected a written request from European Commission President Jose Manuel Barroso to withdraw the central bank bill and a law on financial stability. (BN)
- **Hungary Runs Out of Options as Orban Bonds Routed in IMF Spat** -- Hungary's plunging bonds and falling currency pushed Prime Minister Viktor Orban into his first major U-turn in office in order to return to the negotiating table with the International Monetary Fund. The risk of the country failing to reach an agreement sent the forint last week to a record low, pushed default risk to a record high and lifted the government's borrowing costs to the highest since 2009. Talks for Hungary's second bailout in four years broke down last month as the government refused to alter a central bank law that the EU said threatens the monetary authority's independence. Orban yesterday abandoned all previous objections to an IMF bailout, telling state news agency MTI his government was open to "any kind" of credit line to prop up financing. Hungary needs to tap international markets in the first half and meet forint financing goals to about 15 billion euros of payments due this year, according to data compiled by Bloomberg. (BN)
- **Czech Economy Faces Year of Low or Negative Growth, Singer Says** -- The Czech economy may contract "slightly" this year because of the effects of Europe's debt crisis, central bank Governor Miroslav Singer said. "A crisis like in 2008 isn't coming," Singer said in an interview with Hospodarske Noviny published today. "But it will be a year of low, or slightly negative economic growth." The Czech economy shrank 0.1 percent in the third quarter from the previous three months, the first quarterly contraction since a 2009 recession. Gross domestic product rose 1.2 percent in the third quarter from a year earlier, after expanding 2 percent in the previous three months. (BN)
- **Poland Expects 2011 Deficit at Two Thirds of Target, Gazeta Says** -- Poland's budget deficit totaled about 25 billion zloty (\$7.1 billion) in 2011, about one third below the government's target, Finance Minister Jacek Rostowski said in a letter to the European Commission, Gazeta Wyborcza reported today. Poland will narrow this year's general government shortfall by 2.63 percentage points to 2.97 percent of gross domestic product, the daily newspaper said, citing the letter. (BN)
- **Britons' Job Concerns Worsen as Economic Recovery Loses Strength** -- Britons' concern about losing their jobs soared last month as Europe's debt crisis threatened to push the economy back into a recession, Lloyds Bank Corporate Markets said. An index of job security fell to minus 33 from minus 21 in November, the unit of Lloyds Banking Group Plc said in an e-mailed report in London today. That's the lowest since the index began in 2004. A measure of inflation expectations fell to the lowest in two years, reflecting the economic slowdown. (BN)
- **China December Loans, Money Supply Signal Easing Conditions** -- China's December lending and money supply growth exceeded economists' estimates, signaling monetary conditions may be easing as the nation's central bank said it must be prepared for possible shocks from the U.S. and Europe. New loans totaled 640.5 billion yuan (\$101 billion) for the month, exceeding the estimates of all 18 economists surveyed by Bloomberg. M2, a measure of money supply, rose 13.6 percent, compared with the 12.9 percent median of 18 estimates. People's Bank of China Governor Zhou Xiaochuan said yesterday the nation must be ready to combat possible shocks from Europe's debt crisis and an uncertain U.S. economic outlook, echoing comments by Premier Wen Jiabao. The central bank will "very likely" follow up last month's reduction in lenders' reserve requirements with another cut this week, JPMorgan Chase & Co. said today. (BN)
- **[Fri] State Researcher: China Lowers 2012 Growth Target By 'Appropriate Amount'** --The Chinese government has lowered its economic growth target for this year amid mounting domestic and international uncertainties, a government researcher said in a commentary in the People's Daily Friday. Lin Zhaomu of the Institute of Macroeconomics, a unit under the National Development and Reform Commission, the country's top economic planning agency, didn't specify what the government's new target is, but said it had been reduced by an "appropriate amount." Lin added that the recovery of key developed economies is likely to be slow, while China is undergoing an overhaul of its own investment-driven growth model. Lin added that even in a healthier economic environment, a growth rate of 7%-8% would be considered strong for most countries. Beijing targeted growth of around 8% for 2011 although actual growth was probably around 9%, despite a slowing of exports and a series of policies aimed at holding property prices in check. (DJ)
- **Shrinking China Trade Surplus May Help Wen Rebuff on Yuan** -- China's trade surplus may narrow to an eight-year low in 2012 as slowing external demand undermines exports, a shift that may help the nation rebuff overseas criticism for maintaining an undervalued exchange rate. Bank of America Corp., Credit Agricole CIB and Haitong Securities Co. estimate the surplus this year will slip below \$102 billion in 2005. For December, the excess shrank to \$8.8 billion, according to the median of 20 estimates in a Bloomberg News survey, indicating an annual surplus of \$147.2 billion. The latest monthly figures are due tomorrow, before the arrival in Beijing of U.S. Treasury Secretary Timothy F. Geithner, who said last year that China's yuan hadn't risen fast enough. With a prolonged crisis in Europe, the biggest Chinese trading partner, Premier Wen Jiabao may have little appetite to accommodate Geithner's request, analysts said. (BN)
- **Home Sales Extend Decline in All Major China Cities, Soufun Says** -- Residential transactions in Beijing and Shanghai fell 40% Y/y Jan. 2-Jan. 8 on property curbs and New Year holidays, Soufun says in report today. \* Sales plunged >60% Y/y in Chengdu and Tianjin \* Sales down ~50% Y/y in Nanjing and Hangzhou \* Transactions may continue to fall on upcoming Chinese New Year holidays \* No plots of land were sold last week in Beijing, Changsha, Chengdu and Shenzhen (BN)
- **Debt Cut Derailed by Downgrades as \$34 Billion Due: India Credit** -- India's biggest developers have 1.8 trillion rupees (\$34 billion) of debt maturing the next three years as ratings firms cut or withdraw their assessments. DLF Ltd., the nation's largest builder, was downgraded by Crisil Ltd., the Indian unit of Standard & Poor's, on Dec. 27 after its liabilities minus cash climbed to an all-time high of 242.7 billion rupees in the three months ended Sept. 30, data compiled by Bloomberg show. Fitch Ratings withdrew its rankings last month for Unitech Ltd., the second-biggest developer which faced a funding crunch during the 2008 credit crisis. (BN)



### Last Trading Day Stats

Index	Close	1D %Chg	YTD%Chg
<b>EuroStoxx 50</b>	2,298.65	-0.74%	-0.77%
<b>CAC</b>	3,137.36	-0.24%	-0.71%
<b>DAX</b>	6,057.92	-0.62%	2.71%
<b>AEX</b>	311.11	-0.26%	-0.44%
<b>FTSE 100</b>	5,649.68	0.45%	1.39%
<b>SMI</b>	6,013.83	-0.21%	1.31%
<b>OMX</b>	1,002.18	-0.41%	1.45%
<b>S&amp;P 500</b>	1,277.81	-0.25%	1.61%
<b>Nikkei 225</b>	8,390.35	-1.16%	-0.77%

Index	Close	1D Chg	5D Chg
<b>Dow Jones</b>	12,359.92	-55.78	72.88
<b>VIX Index</b>	20.630	-0.850	-2.020
<b>VDAX Index</b>	28.220	-0.130	-2.140
<b>2-10 EUR</b>	168.272		
<b>2-10 US</b>	170.016		
<b>Eur / Dollar</b>	1.2711		

Bunds	Yield (%)	Chg 1d bp	Chg 5d bp
2YR	0.166	<b>-0.80</b>	2.20
5YR	0.783	<b>-0.90</b>	2.50
10YR	1.854	<b>-0.90</b>	2.50
<b>1st CL future</b>	Close	1D Chg	5D Chg
<b>CRB index</b>	101.56	-0.54	2.19
	309.48	0.94	4.93

AEX close	311.11
<b>ADR Impact</b>	<b>-0.17</b>
ADR Impact %	-0.06%
<b>AEX Parity</b>	<b>310.94</b>
AEX Ex-div Impact	

ADRs	Volume	Rel.vol	NL Close	ADR (Eur)	Chg EUR	%Chg
<b>AEGON NV-NY REG</b>	578702	57%	3.07	<b>3.08</b>	<b>0.01</b>	<b>0.32%</b>
<b>ARCELORMITTAL-NY</b>	4615816	61%	14.74	<b>14.69</b>	<b>(0.05)</b>	<b>-0.32%</b>
<b>ASML HOLDING-NY</b>	2665401	97%	32.11	<b>32.18</b>	<b>0.07</b>	<b>0.23%</b>
<b>REED ELSEVIE-ADR</b>	156096	210%	8.79	<b>8.80</b>	<b>0.01</b>	<b>0.07%</b>
<b>ING GROEP-ADR</b>	3812569	77%	5.46	<b>5.44</b>	<b>(0.02)</b>	<b>-0.34%</b>
<b>PHILIPS ELEC-NY</b>	1004899	58%	15.65	<b>15.62</b>	<b>(0.03)</b>	<b>-0.21%</b>
<b>ROYAL DUTCH-ADR</b>	5879887	273%	28.92	<b>29.01</b>	<b>0.09</b>	<b>0.33%</b>
<b>UNILEVER NV-NYS</b>	4190285	162%	26.32	<b>26.17</b>	<b>(0.15)</b>	<b>-0.55%</b>

Dow Jones Sectors US	Close	%Chg	Chg 1d	Chg 2d	Chg 5d
BAS MAT	268.11	<b>-0.24%</b>	-0.65	-1.61	9.33
CON CYC	364.61	<b>-0.02%</b>	-0.06	1.66	3.54
CON NCY	343.62	<b>-0.45%</b>	-1.54	-0.41	-0.61
ENERGY	604.32	<b>-0.53%</b>	-3.19	-6.50	9.64
FINANCL	251.00	<b>-0.52%</b>	-1.32	1.88	4.26
HLTHCAR	363.80	<b>0.19%</b>	0.69	2.06	3.34
INDUST	314.44	<b>-0.05%</b>	-0.15	0.33	5.39
TECH	677.88	<b>0.22%</b>	1.46	5.80	16.51
TELECOM	129.48	<b>-1.50%</b>	-1.97	-2.54	-2.61
UTILITY	170.59	<b>-0.63%</b>	-1.08	-0.85	-5.65

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Sources amongst others: Bloomberg (BN), Reuters (R), BBC, CNN, NY Times (NYT), Washington Post(WP), The Guardian (G), het Financieele Dagblad (FD), Telegraaf (T), Volkskrant (VK), NRC, Wall Street Journal Europe (WSJE), Dow Jones (DJ), AFS and the Financial Times (FT) The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. All opinions and estimates expressed in this document are subject to change without notice. AFS does not accept any liability whatsoever for any direct or consequential loss arising from the use of this document. This document is for information purposes only and is not, and should not be construed as, an offer to buy any securities or derivatives. The information contained in this document is published for the assistance of the recipient, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient.