

# SFG Finance Committee

## Market Report

**SFG Finance Committee - Market Report**  
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### Current events:

- Tropical Storm Fred is gaining strength in the eastern Atlantic Ocean with sustained winds at 50 MPH. According to forecasters, the storm shows the potential to become a hurricane. Commodities traders pay special attention to storms that may affect crops and refining operations in the Gulf Coast. Bond traders will keep an eye on the situation as the bond portfolios of insurance companies can also be affected.
- World Economic Forum analysts released a report ranking the United States 93<sup>rd</sup> among 133 nations in macroeconomic stability, reasons include the growing national deficit, weakened financial institutions, and insufficient savings rate among American consumers.

### Equities: Kimberly Crofford

- During the latest G-20 meeting last week, Finance Ministers and Central Bank Governors agreed on plans to assist the global financial system. Since then, the MSCI Emerging Markets Index (which measures equity market performance in emerging countries) jumped 1.4 percent to 865.15. This is the highest level it has been since September of last year.
- Emerging market shares have soared 53 percent in the past year due to government stimulus, bail-outs, and interest-rate cuts. All of these factors have supported the optimistic view that the worst of the financial crisis is behind us.
- Back in the United States, stocks have been gaining due to slowing job loss and a better earnings outlook for technological companies. According to the 2009 equity benchmark, the technology industry (which soared 39 percent in the past year) is the best performing group. These technology stocks contributed the most gain (1.7 percent) to the S&P 500. The top performers within the Dow Jones Industrial Average included General Electric (+3.1%), Caterpillar (+2.4%), and Microsoft (+2.1%).

### Fixed Income: Rachel Morin

- In order to repay government loans, AIG announced in early August to sell their Hong Kong consumer finance unit (one of the largest credit card issuers in the territory) to China Construction Bank Ltd. for \$70M. Following this announcement, the credit market sees a significant increase as the largest Wall-Street bond holders begin to sell off their stakes of U.S. debt.
- Former chairman of the Federal Reserve, Alan Greenspan, is concerned with the volume of capital that banks currently possess. Greenspan believes that banks need a greater buffer zone, and predicts that global inflation will continue to decrease in to the beginning of 2010.
- Fannie Mae, the government-sponsored enterprise which ensures that sufficient funds are available to lend to home-buyers, announced last Friday that it will be selling \$1B in bills (\$500M three-month benchmark and \$500M six-month benchmark) in the next week.

### Commodities: Jonathan Saxer

- WTI Crude Oil closed at \$68.02/barrel continuing to rise after stocks show gains on account of consumer confidence increases. OPEC leaders are meeting this week in Vienna, analysts do not predict any changes to supply. Oil currently trades near OPEC's \$75 target
- Natural Gas traded in the \$2.40 - \$2.90 range last week. Natural Gas prices have been continuing a downward trend since mid-2008.
- Gold traded through \$1000 an ounce on Tuesday, some analysts are concerned as high gold prices have historically marked times of economic distress and may signal an end to the current bull market.

### Currencies: Dessi Sevdina

- The dollar falls to the lowest level in 2009 against the euro, as prospects of global recovery rally the higher-yielding currencies of developed and emerging markets; the Dollar Index (measures the dollar against a basket of six major currencies) falls to 77.893 from 78.144, lowest level since Sept. 28, 2008 (Collapse of Lehman Bro.)
- The G20 Financial meeting in London concluded that fiscal and monetary stimulus for economies will continue, which boosted risk in currency trading, making the dollar decline as it is a safer currency and investors are seeking riskier, high-yield currencies
- The recent takeover offer of Kraft Foods Co. (US) to Cadbury (UK) also brought risk and the British pound up, declining the dollar further
- Investors are worried over the US deficit, which is projected to grow to \$1.6 trillion, which will make the dollar decline for decades, according to Harvard economists. The dollar is projected to fall to \$1.49 per euro in 10 years, compare with the \$1.17 average against the euro since it came about in 1999.
- Across the board, no developed or emerging currency declined against the dollar, closing on Tuesday, Sept. 8: Euro/Dollar \$1.4479 (-.0071)  
Brit Pound/Dollar \$1.6489 (-.0053)

### Additional

- Upcoming events:
  - SFG Ginnie Springs trip, 9/13/09
  - SFG General Meeting featuring Siemens AG, 9/17/09

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