

# SFG Finance Committee

## Market Report

**SFG Finance Committee - Market Report**  
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Keene Chau – Vice President – Finance  
keene@ufl.edu  
www.ufsfg.com

### Equities: Rachel Morin

- The S&P 500 closes Monday at 1,049.34, which is the highest that the index has closed in nearly a year (Oct. 6). This gain is supported by speculation in the utilities sector that China's sovereign wealth fund (China Investment Corp) is in talks to acquire a stake in U.S. power company AES.
- As the activity of mergers & acquisitions heats up, stocks rise. According to analysts, mergers & acquisitions can lead to continuous increases in the market's recent uptrend. M&A's have been the explanation for gains in multiple sectors of the market, with banks benefiting from such activity.
- The Bovespa (a São Paulo-based stock exchange, fourth largest in The Americas) closed at its highest level since July 2008, upgrading expectations that Latin America's largest economy will continue expanding without inflationary fears. Expectations are of a bullish macro economy.
- Global stocks fall as China announces that it will be investigating "unfair trade practices" in the U.S. This will be an extremely important story to follow.

### Fixed Income: Dessi Sevdina

- US Bonds decline as US retail sales increase, showing signs of economic recovery.
- This year's sales of corporate bonds total about \$897 billion, compared with \$679 billion during the same period of 2008, the data show.
- Emerging-market borrowing costs fell to levels before the collapse of Lehman Brothers Holdings Inc. as a global economic recovery fueled demand for higher- yielding assets; investors demand foreign bonds over US bonds.
- Treasuries dropped 13 basis points today to 3.31 percentage points (Aug. 15)
- Treasury 10-year notes fell for a second day as sales at U.S. retailers surged in August by the most in three years, adding to signs the U.S. economy is emerging from its worst slump in over 50 years.
- Citigroup, the second-biggest issuer of U.S. government-back debt, plans a benchmark offering of two- and three-year notes as soon as today (Aug. 15), in order to sell the stake the Govt. acquired in the rescue of the bank

### Commodities: Kimberly Crofford

- Commodities have become very popular with investors as there was \$2.63 billion dollars invested into commodities in the past month. This is at least two times the amount that has ever been recorded for the month of August.
- Asia has and will continue to be a huge influence within the commodity markets. According to International Monetary Fund's forecasts, China will continue to grow 8.5 percent by 2010 on top of its 7.5 percent expansion this past year. Being the world's largest user of metals, China's impact on the global economic recovery will be strong.
- Goldman Sachs predicts that copper will eventually be worth \$7,650/metric ton by the end of 2010. Monday, copper traded for \$6,199.
- Crude oil prices fell for the second day in a row to \$68.86/barrel as U.S. fuel stockpiles have grown, while high gold prices continue for \$1,001.01/ounce – a sign of economic distress and a weaker dollar.

### Currencies: Jonathan Saxer

- The euro rose to \$1.458 Friday, after reaching a 2009 high of \$1.462. The British pound rose to \$1.668, from \$1.667
- Why has the dollar been getting killed?
  - Large banks moving on to other forms of currency with less risk
  - Countries dropping back and using other forms of currency
  - Low interest rates
  - The US deficit
- Dollar is at its lowest level of volatility since September 2008 making Carry Trades more dangerous to its value.
- Carry trades:
  - Low interest rates have turned the dollar into a funding currency:
  - Use that currency to purchase that country's bond w/ higher interest rate
  - Investors borrow \$
  - Buy Euros or other currency

### Additional:

- Upcoming events:
  - SFG Tailgate, 9/19/09
  - SFG Flag Football - Game 2, 9/22/09

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