

# CORPORATE SNAPSHOT-WORLD

November 2013

## ***J.P. Morgan and Its 'Victims'***

The \$13 billion settlement with J.P. Morgan over the sale of mortgage-backed securities, the Justice Department has finally solved the mystery of the financial crisis. Turns out that the bankers did it—to each other, and even to themselves.

In Justice's press release, U.S. Attorney for the Eastern District of California Benjamin Wagner describes "credit unions, banks and other investor victims" who bought mortgage-backed securities that included "toxic" loans. The government claims that Morgan ripped off other financial institutions when it sold them bundles of mortgages. But the alleged victims include institutions where the government has separately accused managers of their own mortgage misdeeds.

## ***Yellen Defends QE as Economic Benefit***

The nominee for Federal Reserve chairman, defended the central bank's bond purchases in a letter to a U.S. senator, saying they boosted economic growth and provide benefits that exceed the risks. "By putting downward pressure on longer-term interest rates and helping to make financial conditions more accommodative, the Federal Reserve's asset purchases have supported a stronger economic recovery, improved labor-market conditions and helped keep inflation closer to its 2 percent objective.

## ***How the GOP Should Fix Obama Care***

The problem is simply stated. Millions will be losing their individual insurance policies that they were promised they could keep. They will be expected to buy more expensive ObamaCare-approved policies than they want or need, and to do so from ObamaCare exchanges that aren't working.

Mr. Obama's fix, which he proposed on Thursday and which was quickly debunked by the insurance industry and its state regulators, can't work because Mr. Obama can't let it work. He has to fight to preserve the central purpose of ObamaCare—to use the individual mandate and ObamaCare's compulsory benefit list to capture money from unwilling buyers of ObamaCare's gold-plated insurance policies to subsidize others.

## ***Hollande's Tax Rebels Underscore Mounting Opposition***

Farmers have threatened to block roads into Paris tomorrow, saying they're "fed up." Horse-riding centers are set to protest this weekend against a higher sales tax, an issue ambulance drivers demonstrated against earlier this week.

The burgeoning tax revolts underscore the two-front economic

battle that has made Hollande France's least popular leader since 1958. He's under pressure from the European Union to cut the budget deficit and from an electorate squeezed by one of the world's highest tax burdens and unemployment at a euro-era record. In response, Prime Minister Jean-Marc Ayrault said yesterday that the government will consider a complete overhaul of the tax system, though it won't back down on a sales tax rise slated for 2014.

## ***Farney Daniels LLP***

Its actions may violate the Nebraska Consumer Protection Act, Bruning said, demanding that Farney Daniels "immediately cease and desist the initiation of any and all new patent infringement enforcement efforts within the state."

Bruning accused Farney Daniels's client, Activision TV Inc., of being a "patent troll," a pejorative term for a patent owner who doesn't make goods or provide services covered by the patents it seeks to enforce. Farney Daniels said in response that while Bruning "may have concerns about the U.S. patent system and how it works or particular types of patent owners," the firm had lawfully represented its clients in upholding their rights, according to court papers.

## ***Fast China Growth Unlikely Even With Reform Efforts***

The Chinese economy is like a bicycle. Ride at an unsustainably high speed and the bicycle will spin out of control. Move too slow and the bicycle will lose momentum and topple over. In the previous week, investors, made impatient from the speculation and the anticipation over the Communist Party plenum, reacted with disappointment at the indefinite wording of the initial communique.

Yet, changes in the existing policy regime require a careful balance of progress and market stability.

## ***Bitcoin Bets Feed Twitter Dreams as Regulators Circle***

The Winklevoss twins, who in 2004 sued Facebook Inc. founder Mark Zuckerberg claiming he stole their idea for the social-networking site, caught the digital-currency bug at a Spanish beach resort.

Union Square Ventures co-founder Wilson compares Bitcoin with the creation of the protocols behind e-mail and the World Wide Web. Photographer: Michael Sharkey/Bloomberg Markets. The founder of New York-based SecondMarket Inc. is raising capital for a private Bitcoin Investment Trust aimed at

institutional and accredited investors.

### ***China's Reform Plan***

The third plenum, brought together 350-plus top officials and was billed as the starting point for introducing far-reaching policy shifts to boost China's flagging growth. The meeting's communique promised a stronger role for the market, a top-level group of leaders to oversee reforms and decisive results by 2020. That raises hopes that Beijing is ready to allow the market to play a greater role in determining everything from energy prices to capital allocation. Still, detailed proposals, targets or a timeline — beyond the distant 2020 objective — were absent. Topics seen as crucial to reform, ranging from financial market liberalization to strengthening farmers' land rights and allowing rural migrants to settle in cities, were touched on only briefly.

### ***Bernanke Signals Fed Target Rate to Stay Low Long After QE***

Federal Reserve Chairman Ben S. Bernanke said the Fed will probably hold down its target interest rate long after ending \$85 billion in monthly bond buying, and possibly after unemployment falls below 6.5 percent.

"The target for the federal funds rate is likely to remain near zero for a considerable time after the asset purchases end, perhaps well after" the jobless rate breaches the Fed's 6.5 percent threshold, Bernanke said yesterday in a speech to economists in Washington.

### ***German Stocks Little Changed Before U.S. Data***

As investors awaited U.S. retail and housing data to gauge the

outlook for the Federal Reserve's stimulus policy. Deutsche Post AG (DPW) dropped 1.9 percent after Bank of America Corp downgraded the shares. Wirecard AG (WDI) retreated 4.8 percent after Barclays Plc lowered its rating of the shares. ThyssenKrupp AG fell 2.1 percent.

The DAX Index (DAX) added less than 0.1 percent to 9,197.78 in Frankfurt. The benchmark measure has surged 21 percent in 2013 as central banks around the world pledged to leave interest rates low for a prolonged period. The broader HDAX Index was also little changed today.

### ***Euro Gains to Highest in Four Years Versus Yen on ECB Comments***

The euro rose to a four-year high against the yen after a European Central Bank board member said policy makers must be "very careful" about using negative interest rates to counter low inflation.

The dollar touched a two-week low as Chicago Federal Reserve President Charles Evans said policy makers are waiting to see that the labor market "has improved substantially" before trimming the bond-buying program known as quantitative easing. Chairman Ben S. Bernanke speaks later. A gauge of global volatility fell to its lowest level this month. Economists forecast that a report tomorrow will show U.S. retail sales increased in October after dropping the previous month.

## **CORPORATE SNAPSHOT-INDIA**

### **November 2013**

### ***Lakshmi Mittal's home street among world's most expensive areas***

NRI steel baron Lakshmi Mittal's London residential address, Kensington Palace Gardens, is the second most expensive street in the world, where the average price per square metre is a whopping \$107,000.

According to the data from Knight Frank, published by Billionaire, a sister company of Wealth-X - the world's leading ultra high net worth intelligence firm - Kensington Palace Gardens in London is the second most expensive street in the World after Pollock's Path, The Peak in Hong Kong. The average price per sq mt in Pollock's Path, The Peak is \$120,000, followed by Kensington Palace Gardens, London (\$107,000). Kensington Palace Gardens is also

known as London's "Billionaire's Row", where properties change hands for as much as (\$195 million). This private, tree-lined avenue is home to the French, Russian and Japanese embassies among others, and some of the world's most famous billionaires. The top 10 most-expensive streets on the planet include Paterson Hill, Singapore (average price per sq mt: \$42,500), followed by Chemin de Ruth, Geneva (\$37,000); Romazzino Hill, Sardinia (\$32,900); Ostozhenka, Moscow, Russia (\$29,000); Fifth Avenue, New York, US (\$28,000) and Avenue Montaigne, Paris, France (\$26,000).

### ***India, Pakistan work on forging closer business bonds***

Bilateral trade between India and Pakistan is currently around \$2.6 billion annually, but according to think tank ICRIER, it could well touch \$50 billion in the next five years.

For a start, both the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) hope to raise it to \$7-8 billion by next year. Most of the trade between the two countries at present is through the medium of a third country which impacts the foreign exchange reserves of both. India has told Pakistan it is ready to reciprocate any gesture towards closer business cooperation Pakistan makes, but has also made it clear it expects 'Most Favoured Nation' status to take things forward. Vikramjit Singh Sahney, President, SAARC Chamber of Commerce and Industry and Senior Executive Committee Member, FICCI, said, "We need political will on both sides to take trade relations to the next level. It would also be in the interests of business communities on both sides to make the best possible use of the growing economic opportunities. As a business community we must respond and rise to the occasion. In that context, there are areas of action that need our attention." He added that there was still lack of awareness of each other's product offerings. "We at FICCI are committed to play our part in reducing this information gap," he added.

#### ***FMCG firms cut product launches in 2013***

The economic slowdown has taken its toll on the Indian fast moving consumer goods (FMCG) sector. Leading FMCG companies have become cautious and drastically cut down on new product launches. "We have seen a consistent decline in innovations across all FMCG players," says Ranjeet Laungani, vice-president, Innovation Practice at Nielsen, a market and consumer research firm. Indeed, this trend was visible last year as well. There was a 2.4 per cent decline in new product launches in 2012 but this year there has been a marked slump, says Nielsen. Indeed, before the onset of the economic slowdown, FMCG

companies were gung-ho on the Indian market. About 10,000 innovations were unveiled in 2010 and another 14,500 in 2011, according to Nielsen. A BCG-CII report in 2012, estimated consumption in India to clock exponential growth and touch \$3.6 trillion by 2020, from \$991 billion in 2010. But clearly companies have taken note of the underlying challenges and don't want to rush in blindly with new launches. It is likely then that these companies will focus on changes in packaging and pricing of products, along with new consumer insight-led modifications, rather than innovations for some time to come.

#### ***Jet Airways completes 24% stake sale to Etihad***

Jet Airways and Etihad on 20<sup>th</sup> Nov announced closure of a Rs 2,069 crore deal for the Abu Dhabi-based carrier to pick up 24 per cent equity in the Indian airline, marking the first foreign direct investment (FDI) infusion by an airline in the Indian aviation sector. Maintaining that all requisite regulatory approvals from Indian authorities have been obtained on November 12, the two airlines said Jet has "issued and allotted 27,263,372 equity shares of a face value of Rs 10 each at a price of Rs 754.7361607 per equity share on a preferential basis to Etihad Airways." Following the allotment of equity shares on preferential basis to Etihad Airways, Etihad Airways holds 24 per cent of the post-issue paid up share capital of Jet Airways "on a fully diluted basis". As per legal requirements, 51 per cent stake would be held by Jet and its Chairman and promoter Naresh Goyal. The Jet stake sale deal is the first of its kind in an Indian airline. The announcements by Malaysian carrier Air Asia to set up Air Asia India and by Singapore Airlines to set up a joint venture airline with Tata Sons, are yet to fructify.