

Lloyds to be Cleared for Capital Test Plan

Derek Weigel

Lloyds revealed that they had been given the approval needed from Chancellor Alistair Darling to market-test a plan for a £25bn refinancing.

Mr. Darling believes the plan for an injection of private capital is in the taxpayer's best interest; however he wants to make totally sure that the market is ready for such an investment. In the next few days, Mr. Darling will tell Lloyds to begin contacting potential underwriters and start testing the market, yet has reserved the right to call off the plan if he believes the markets are not ready.

Due to the fact that the UK government owns 43.5% of Lloyds, the government would have to stump up £5bn - £7bn of taxpayer funds in order to maintain that stake.

The markets are wary of the potential sanctions imposed on the state-aided bank, Dutch bank ING was made an example of by the EU regulator when it was forced to break up its businesses earlier in the week.

It has been speculated that should the government take up their own rights in the issue, it would re-assure markets that the bank was safe, as

the government would basically put a sign of approval on the deal by taking part. Lloyds is attempting to raise virtually the equivalent of their entire market capitalization in one rights issue.

On the back of news from the EU regulator and plans to acquire CPA Global, Lloyds saw its share price fall 5% to 80p, a fall of 16p on the week, however news of the refinancing saw the shares jump to a close of 87p.



Chancellor Alistair Darling discusses Lloyds TSB plans to raise £25bn in fresh equity

US Record Strong Economic Growth During the Quarter

Stephanie Clarke

With growth at 3.5% between July and September, the US has become the latest country to climb out of recession, joining France, Germany and Japan. This is the first time growth has been experienced in the US since the second quarter of 2008, sending shares on Wall Street higher. On Thursday the main Dow Jones index closed up 200 points (2.1%).

The growth is primarily due to an extensive government spending plan which increased total expenditure by an annualised 7.9% during this quarter. The "cash for clunkers" car scrappage scheme contributed heavily to the 22.3% annualised rate increase on durable

manufactured products. The government has offered \$8000 to first-time buyers in tax credits, spending on housing products has seen its biggest quarterly increase since 1986 at 23.4%. Another contributing factor to growth has been the relative weakness of the dollar, with exports up a strong 21.4%.

Despite welcoming the news, President Obama stressed that "we've still got a long way to go to fully restore our economy," looking at other measures of economic progress like employment, how well businesses are coping, and how families are doing financially.

Markets

- The FTSE 100 fell to 5132.24 (at time of press) this week, a drop of 2.1%. The Dow Jones followed suit with a drop of 2.3% to 9927.21.
- Mervyn King has ignited a fire in parliament with a blood statement recommending banks be split between commercial and riskier investment banks
- The EU has forced ING to split off some its banking operations after declaring it unfair after state aid. Banking stocks across Europe were down on the news.
- The Lisbon Treaty looks set to be signed next week.

Winners, Losers

Company	Price	Change
WPP (advertising)	571.00p	4.77%
Shire (pharmaceuticals)	1069.0p	4.39%
Friends Provident (financial services)	86.00p	4.24%
Man Group (asset manager)	320.9p	4.19%
Xstrata (mining)	918.50p	-3.01%
Lonmin (mining)	1513.0p	-3.26%
Kazakhmys (natural resources)	1145.0p	-1145%
Fresnillo (mining)	764.00p	-764.0%

Company Profile Pearl Boateng

Name: Goldman Sachs

Share price: 178.58 USD, +6.42 (Price change) +3.73 (% change)

Business sectors: Investment Banking – which aims to deliver high-quality strategic advice and creative financing solutions to our clients, including mergers, acquisitions, financing, and risk management transactions

Trading and Principal Investments - a major participant in the global markets for equities, fixed income, foreign currency, commodities and their derivatives.

Asset Management and Securities Services - works with clients, from individual investors to large financial institutions, to develop advanced portfolio management strategies to help them achieve specific goals for their own or their institution's financial future.

Goldman Sachs looks set to distribute total bonuses this year which will match the record bonus pool it accumulated in 2007.

In the third quarter, the bank set aside \$5.4bn for compensation and benefits, bringing the nine-month total to \$16.7bn.

Other news: Rumoured acquisition of trouble Wachovia Corporation, details released in Mid March but an official announcement is yet to be made.

Revenue: IB-\$899 million, 31% lower than the third quarter of 2008 and 38% lower than the second quarter of 2009.

Trading and Principal Investments: \$10.03 billion, significantly higher than the third quarter of 2008 and 7% lower than a record second quarter of 2009.

Asset Management and Securities: \$1.45 billion, 29% lower than the third quarter of 2008 and 6% lower than the second quarter of 2009.

Any queries, comments or requests?
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Galeon Insider Trading Plot Thickens

Sarah Lloyd

The insider trading scandal of Galeon continues as Thursday saw Mr. Rajiv Goel of Intel released on bail. Alongside the arrest of Galeon founder, Raj Rajaratnam, the Securities and Exchange Commission filed a complaint that Goel leaked insider information to Rajaratnam. Rajaratnam was not charged alone but with five other employees—including former Bear Stearns staff.

JPMorgan Chase raised concerns about the aggressive nature of the hedge fund in pushing for informa-

tion from banks. The internal document describes Galeon as a firm which likes to be in the “grey areas of the market”.

Whilst insider trading had previously referred to the divulgence of information about particular shares, this case will see the addition of market “colour” or Wall Street slang hints to the crime.

Being cited as one of, if not the, largest insider trading cases involving hedge funds the scandal is expected to create a wave of hedge fund investigations due to their desire for quick returns.

Strictly Bites

Sunny Shah

The UK House prices rose for the sixth month running in October by 0.4% according to Nationwide, the building society.

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The US GDP grew at an annual rate of 3.5% in the third quarter, after the longest period of economic contraction since the Great Depression.

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Japanese consumer prices continued to drop sharply in September, 2.3% fall compared to last year. The Bank of Japan also forecasts a 3.2% fall in GDP this year.

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Royal Dutch Shell, the Anglo-Dutch energy group, confirmed on Friday that it was in talks to sell three European refineries to Essar, the Indian conglomerate.

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The United Kingdom is set to seek an injunction against the imposition of new contracts for 14,000 British Airways cabin crew.

The Norwegian Central bank raised interest rates by 25 basis points to 1.5%. This is due to massive oil revenues which have steered Norway clear of a heavy recession.

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The total number of unemployed in Eurozone rose by 184,000 to 15.3m in September, according to Eurostat. The unemployment rate has risen only by 0.1% compared to August because of the employment protection schemes.

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US financial groups with operations in London are increasingly concerned that British regulators' tough stance on pay could create a two-tier system in which UK bankers' bonuses are smaller and spread over a longer period than those of American colleagues.

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Postal strikes in the UK have led to a backlog of undelivered mail of over 35 million items. Still no deal has been met and the strikes are set to continue into next week, according to the Royal Mail.