

Rock Woes, Nationwide Grows

Bhavin Dhanani

The UK's biggest building society, Nationwide, has seen a substantial increase in its savings deposits. For the six months ending September they have risen 96% to £4.1billion.

Nationwide is seen as the safe option during current market conditions. It is believed that many who had saved with the troubled Northern Rock have transferred their deposits to Nationwide. £1.8billion was deposited in September alone. As a result of increases in deposits, pre-tax profits for the six months end-

ing September rose from £306million to £394million.

Nationwide's low exposure to wholesale money markets has fuelled its current success. Only 30% of its financing comes from borrowing in the wholesale markets, which is significantly lower than most of its rivals.

Meanwhile, Northern Rock's biggest shareholder, RAB Capital, has stated it will vote against a proposed takeover if shares in the bank were undervalued. Chief executive Philip

Richards said "We would vote against any offer which seeks to wipe out or nearly wipe shareholders out."

Elsewhere, Paragon, one of the UK's biggest buy-to-let lenders has announced a £280 million rights issue as a last resort if current funding fails. Paragon, like Northern Rock, is highly exposed to the credit markets where it raises most of its funds for lending.



Nationwide deposits are increasing due to the trouble at Northern Rock

Denmark referendum on Euro

Phillip Butler

This week the Danish Prime Minister announced that Denmark will hold a referendum on the Euro. No date has yet been set but it will happen within the next four years after the government was re-elected last week. Other issues such as defence and law enforcement policies will also be up for a referendum.

The changes came after Denmark rejected the Euro in 2000 along with Sweden and the United Kingdom. The primary reason for the referendum is the Danish Central Bank's inability to chart an independent

monetary policy from the EU. At the moment the Danish Central Bank mimics the European Central Bank. Other reasons include the strength of the Euro which has performed well since its circulation in 2002.

Based on recent opinion polls the country seems divided on whether to accept the Euro. Marginally more people are currently in favour of joining.

If Denmark does sign up they will join the 12 countries who accepted the Euro in 2000, Slovenia who joined after 2004 and Cyprus and Malta who join on 1st January 2008.

Markets

Winners, Losers

- The FTSE 100 quarterly review is due on the 6th of December. Currently there will be six companies changing places. The main faller is Northern Rock who would now struggle to make the FTSE 250.
- This many changes has not occurred since the dot.com bubble was growing.
- Nationwide will release house price figures this week. They are expected to show a slow down in the real estate market. The figure is expected to show only a 0.1% growth compared to 1.1% last month.

Company	Price	Change
Icap (interdealer broker)	669p	12.3%
Kelda (utilities)	1056p	12.0%
Pennon (utilities)	662.25p	9.4%
A&L (financial services)	645.5p	6.3%
Berkeley (housing)	1316p	-10.0%
Rank (leisure)	80.5p	-10.1%
Tullow Oil (oil)	575.5p	-11.0%
Northern Rock (financial services)	86p	-35.2%

Company Profile

Name: Goldman Sachs, Inc.

Share price: \$216.48

Business sectors:

Investment Banking; Divided into Financial Advisory and Underwriting.

Trading and Principal Investments; Divided into three segments, Fixed Income, Currency and Commodities, Equities, and Principal Investments.

Asset Management and Securities Services; Divided into investment advisory and financial planning services, Prime Brokerage and Financing Services.

Notable M&A:

Acquired The Hanover Insurance Group, Inc. in November 2006

Employees: 29,905

Customers: Corporations, financial institutions, investment funds, governments and individuals.

Sales: Investment banking 15%, 68% in Trading and Principal Investments, 17% in Asset Management and Securities Services.

Revenue: \$69.353 billion (2006)

De-Coupling

De-coupling is a theory based around the rest of the world no longer needing the US to fuel growth and support their economies.

Strong economic growth in the BRICs and in other emerging countries has led to speculation that America is no longer integral to the world economy.

Recent sub-prime problems resulting in the emerging markets outperforming Wall Street, have led many to emphasise the de-coupling theory.

However, China's commerce minister has warned that the nation's exports would be "devastated" if the US slowed further.

Stephen Roach, chairman of Morgan Stanley Asia has stated Asia is still export-dependent, with exports equaling 40% of GDP and therefore de-coupling is still an on-going process.

The US now accounts for just 14% of EU exports, as Europe has managed to re-align itself with the Asian markets to fuel its growth.

Another Mega IPO

Bhavin Dhanani

The world's third largest construction contractor, China Railway Group, has raised £1.5 billion in its initial public offering in Shanghai.

There was an enormous oversubscription in the railway builder, attracting £2.21 billion, which smashed the previous Chinese record set by Petro-China last month. Each share was priced at 31p (top of the set range) due to the strong de-

mand. Although China's leading stock market, the Shanghai Stock Exchange, has lost some of its value recently, investors were not deterred from purchasing the shares.

Shares are also going to be sold in Hong Kong where proceeds are expected to reach £8.6 billion.

Trading will begin on the 3rd December in Shanghai and on the 7th December in Hong Kong.

Banking Bites

Swiss Re, the world's biggest reinsurer, experienced the pain of the credit crisis with a SFR1.2bn loss on credit default swaps.

Spanish Bank, 'Bankinter', approved **Credit Agricole's**, the largest highstreet bank in France, request to acquire 14.99% of the company and let it become the largest shareholder in the bank.

A UK government report concluded Qinetiq, a defence technology business, was sold too cheaply to investors that reaped a 19,900% return over three years before its privatisation in 2006.

Shares in oil group **Burren** fell dramatically (nearly 15%) after **Italian multinational** announced an adjusted takeover bid.

Sports Direct lost nearly £100m in value after England failed to qualify for Euro 2008.

HSBC and Citigroup have approached the UK water company, **Kelda Group**, with a bid in the region of £3bn after being attracted to the low risk nature of the industry.

The Biggest initial public offering in the **Middle East** occurred this week when **DP World**, a logistics company, raised almost \$5bn.

Arcelor Mittal is talking to Chinese steel producer **China Oriental Group** about increasing its stake in the company from 28%, although the **Chinese government** may resist.

Hewlett Packard had a strong quarter, its **end of year** (Oct) sales past \$100bn for the first time.

The **US 10 year treasury bond yield** has fallen below 4% for the first time in two years showing the lack of confidence in the **US economy** currently.