COMENTARIO BURSATIL

UNIVERSIDAD ICESI

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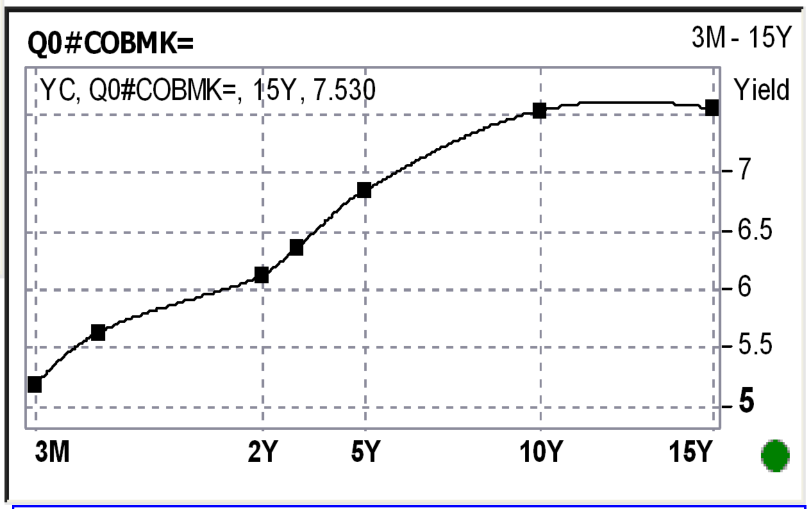
COLOMBIAN STOCK MARKET

TES Julios del 2024 Yield and volumen daily since January 2011.

MATURITY	COUPON	PRICE	YIELD
25 ENERO 2012	15		
26 ABRIL 2012	15		
15 AGOSTO 2012	9.25	103.679 0	5.2190
17 ABRIL 2013	6	100.702 0	5.5140
14 NOVIEMBRE 2013	10.25	109.141 0	5.7080
14 MAYO 2014	9.25	108.278 0	5.8330
24 JULIO 2020	11	124.084 0	7.2310
24JUL24	10	121.115	7.4



Yield Curve colombian sovereign debt November 13 2011

Colombian Index daily since January 2011.

	Close Friday 26 August2011	Market Capitalization in million of dollars	Volatility 30 days
IGBC	12,693		18.56
BANCOLOMBIA	$ 27,480	$7,310.3 m.	22.9
BOGOTA	$48,480	$7,223 m.	16
GRUPO SURA	$31,380	$7,681.8 m	18.36
CEMARGOS	$10,300	$6,191.1 m.	20.63
NUTRESA	$21,660	$4,934.4m	11.04
COLINVERS	$3,970	$1,409.9m	26.99
ECOPETROL	$3,975	$8,396.56	12.73
ETB	$516	$956.2m	30.77
EXITO	$24,640	$5,765.2 m	16.03
ISA	$11,600	$6,706.1m	19.22
MINEROS	$5,390	$736.1m	16.02
EEB	$1,200	$130.5m	22.48
TABLEMAC	$9,58	130,5m	22.48
FABRICATO	$74.5	$356.7m	21.41
ENKA	$10	$61.4m	48.83

Source: REUTERS EIKON REUTERS

AGENDA

REUTERS

Monday 21 November; DANE realeses the report of licences for constructions

Wenesday 30 November; DANE realeses the unemployment report for October.

Friday 2 December; DANE realeases the inflation report for November.

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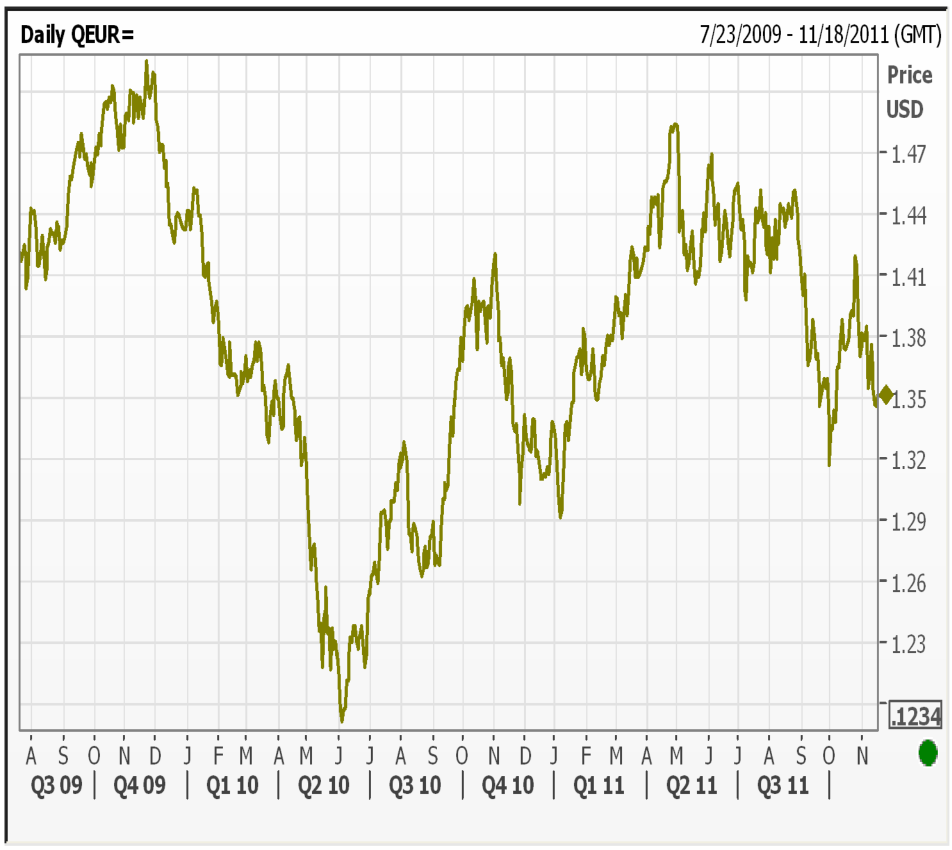
CURRENCIES



Euro Dolar daily since August 2009

Dolar Yen daily since August 2009

Dolar Brazilian Real daily since August 2009

Dolar Colombian Peso daily since August 2009

Source: Thomson Reuters EIKON REUTERS

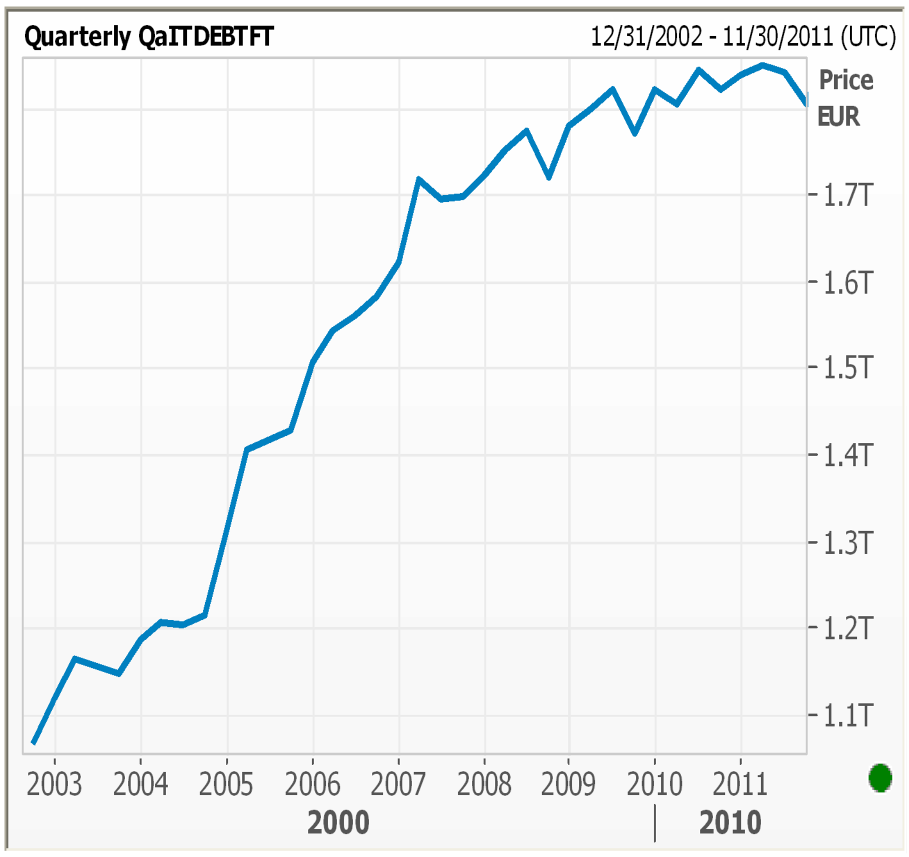
ITALY

The Italian external debt until September of 2011 was nearly 1.841 trillion of Euros, but one of the major economic problems in Italy according to the International Monetary Fund IMF is its lack of productivity in the industrial sector.

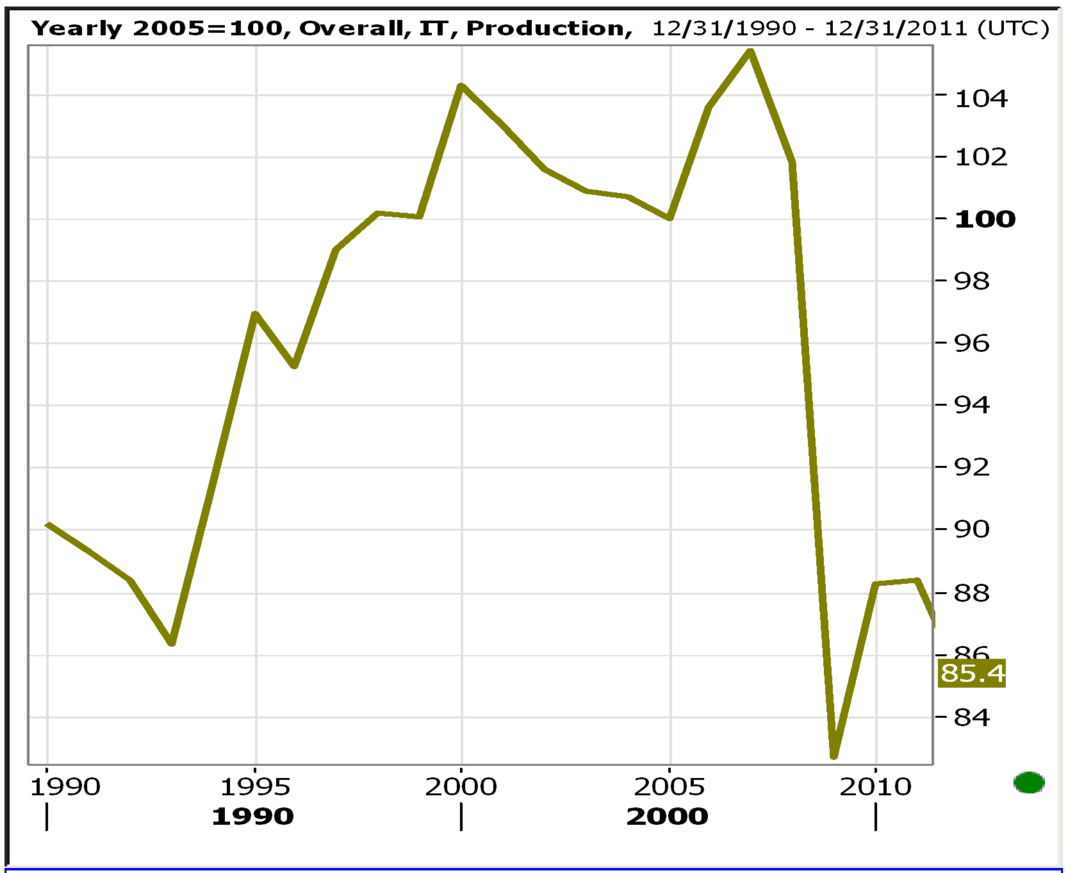
In this section we will discuss the major economic problems in Italy exposed by the IMF in its selected issue of June 2011.

The last decade, Italy has suffered of low economic growth, weak productivity, and declining competitiveness. The Total factor productivity has declined and the labor cost increased. According to the IMF, this declining has been attributed to a number of structural factors:

- Low level and poor attendance in tertiary education: only more than 10 percent of the working age population has a tertiary degree compared with the OECD countries. According to the OECD PISA study, even though high education expenditure per student is high, the average educational outcomes of typical 15-year old Italian student are among the poorest in the euro zone.
- In many areas, Italy`s regulatory policies left behind best practices in Europe, and the private sector must deal with the inefficiencies in public administration.
- A predominance of small and medium-sized enterprises, which are unable to exploit economies of scales. Those enterprises grow until certain point, where family and close personal connections serve to enforce contracts, and its organizational culture has limited the use of non-bank SME financing as a result, the stock market is not well developed as in other euro zone countries.
- The tax burden is one of the largest in OECD countries.
- Research and development in Italian universities or research institutions are underdeveloped compared with OECD countries.
- Weak judicial system, lawyers tend to encourage longer trials: lawyers are paid for each judicial act, so they tend to multiply the number of acts they perform.
- Italy is characterized by large regional disparities especially in the North and the lagging South. Per capita GDP in the South is almost half of that in the North, reflecting lower productivity and, more important, substantially lower employment. Italy`s coefficient of variation for the regional long-term unemployment rate is the highest among OECD countries:



Graph 1: Italian external debt quaterly in trillions of euros since January 2003. Source Thomson Reuters EIKON



Graph 2: Italian production index annually since 1990. 2005= 100
Source Thomson Reuters EIKON

REGIONS	Unemployment Rate (percentage)	PIB PER CAPITA	POBLACION (millones)
NORTE	5,3	23,831	27,4
SUR	12,6	13,838	14,1
CENTRO	7,2	22,440	11,8

Chart 1:
Regional Comparision by Selected Indicators, 2009
Sources: Istat, Haver, and IMF staff calculations.

Sources: International Monetary Fund, Selected Issues June 20 2011; Economic Bulletin Banca D`Italia; Thomson Reuters Eikon.

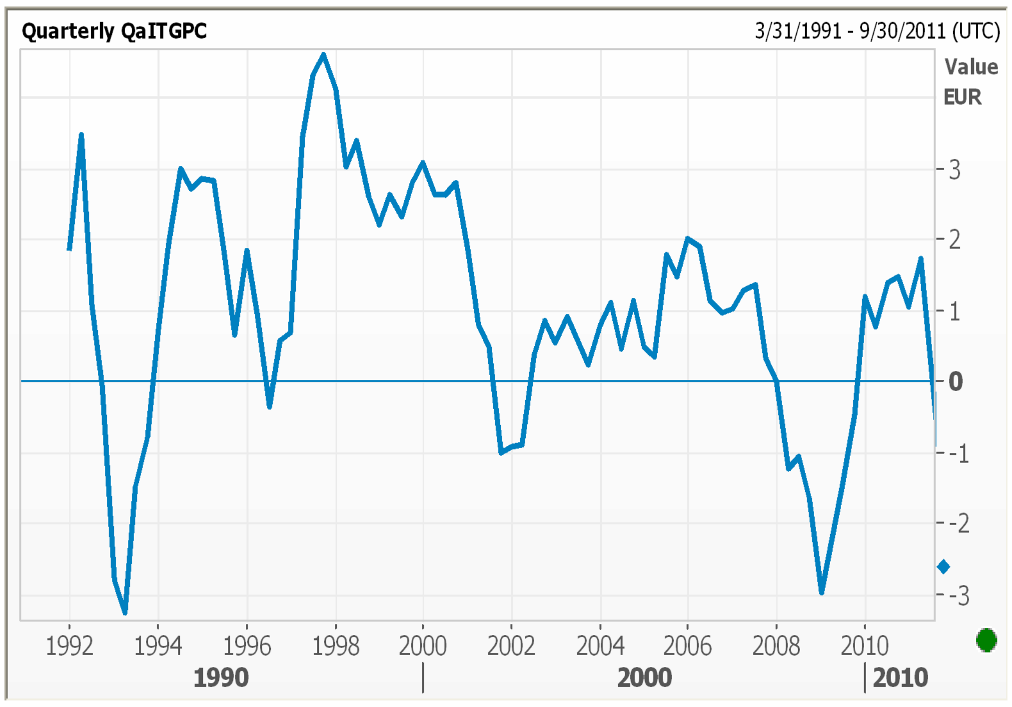
ITALY

Another issues mentioned by the IMF are:

- The high level of product market regulation hinders productivity growth and incentives for innovation. Compared to the other euro area countries (including France, Germany Netherlands, and Spain) improvements were achieved, but Italy is still more heavily regulated than other countries in Europe.
- The level of public ownership is high, especially at the local level, regulatory barrier to competition, administrative burdens to start-ups, and constraining regulations for professional services.

INTERNAL CONSUMPTION

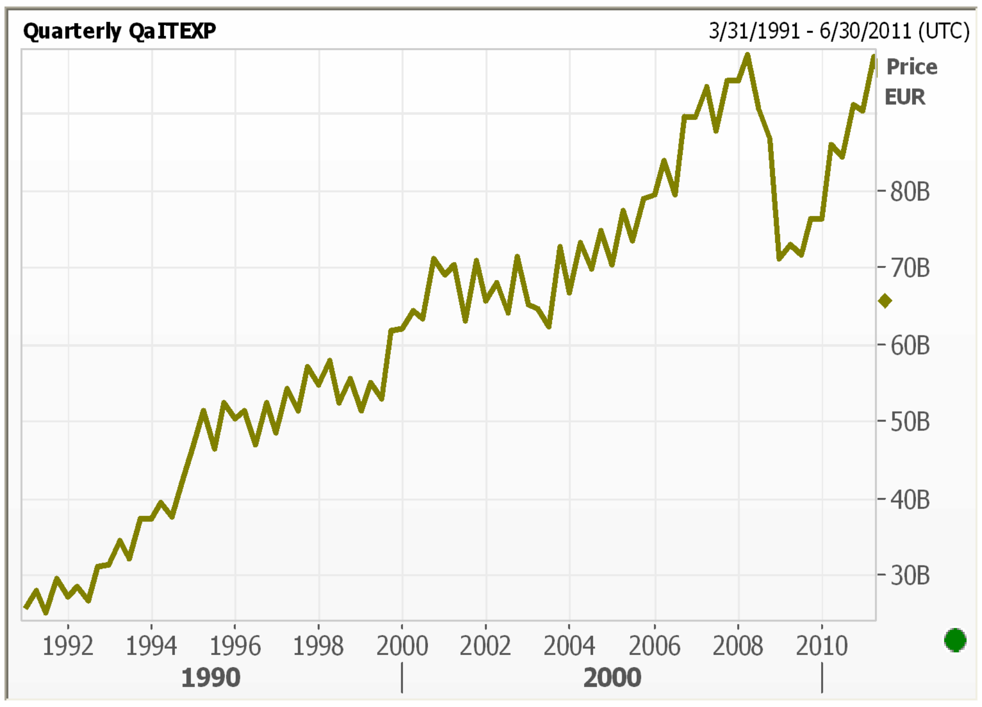
The Internal Consumption Expenditure of household fell severely during 2008 and 2009. During 2011 grew at a modest pace mostly due to the incentives and policies taken by the European Central Bank, like decreases in the ECB rate and purchases in the secondary bond market. But this indicator is restrained by the weakness of households`s gross disposable income, which according to data released by Istat grew by only 0.2 per cent in real terms in the first half of 2011. Another affecting issue is the negative outlook for the unemployment rate and the uncertainty in the economic situation.



Graph 3: Internal consumption quaterly as a percentage same period since 1993. Source Thomson Reuters EIKON

FOREIGN DEMAND AND BALANCE OF PAYMENTS

According to the Banca D`Italia Economic Bulletin October 2011, the expansion of exports was due largely to trade with EU countries, in particular France and Germany, while sales to markets outside the EU grew only by 0.3 per cent in the third quarter of the year. Accordint to the IMF selected issue, Italy doesn`t have products with value added and its market share in world trade has decline significantly more than the euro-zone countries. During the second quarter of 2011 Italian exports of goods and services expanded only by 0.9 per cent in volume terms and the sector that contributed most to volume export was engineering products, which accounted for nearly half of the overall growth. Lesser contributions came from basic metals and transport equipment.



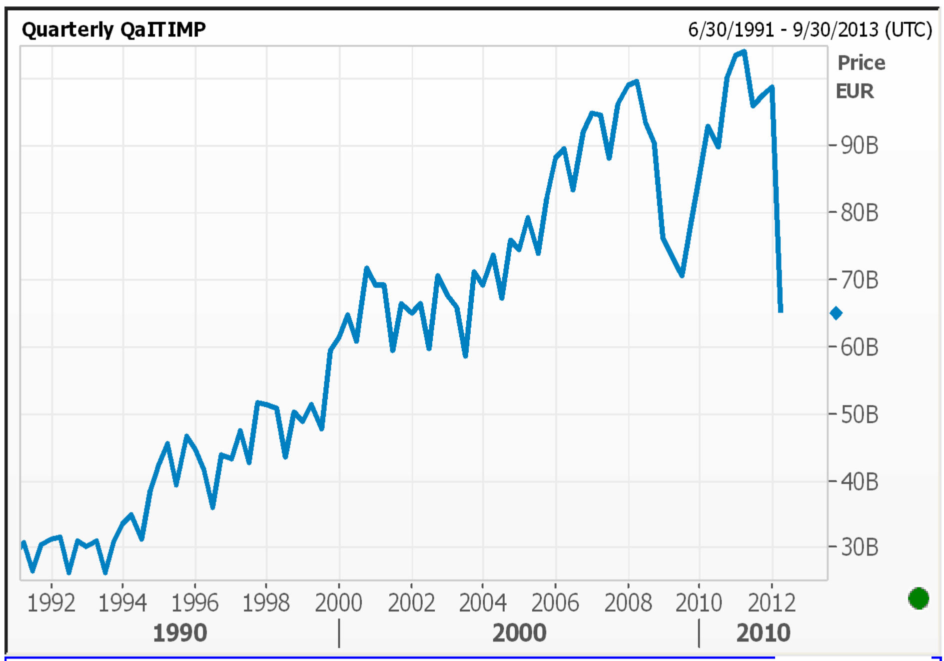
Graph 3: Total exports in euros quarterly since January 1992 until September 2011.
Source: Thomson Reuters EIKON

Sources: International Monetary Fund, Selected Issues June 20 2011; Economic Bulletin Banca D`Italia; Thomson Reuters Eikon.

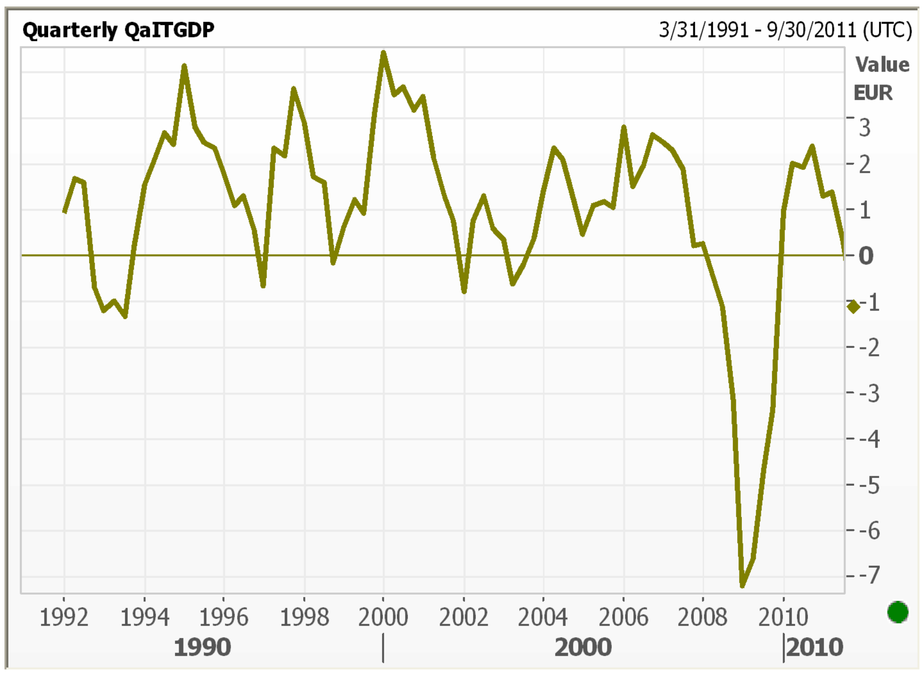
ITALY

While the imports of goods and services decreased by 2.3 per cent in volume terms. This decrease involved only imports from outside the European Union except for the imports from China. The increase was more pronounced for the goods component (2.5 per cent) especially in the electronic products.

According to Banca D`Italia, the deficit on current account increased to €35.5 billions in the first seven months of the year compared with €29.6 billions in the same period of 2010 except for the energy products. The foreign direct investment grows during the first seven months of the year to €27.1 billions, compared with €4.3 billions during the same period of 2010. Italian residents reduced their purchases of foreign equity from €31.7 billions in 2010 to €15.4 billion in 2011. While non-residents reduced their purchase of Italian securities, especially government securities, in fact there was a net inflow of €14.1 billion from January through July in 2011.



Graph 4: Total imports in euros quarterly since January 1992 until September 2011.
Source: Thomson Reuters EIKON



Graph 5: Gross Domestic Product as a percentage change quarterly since January 1992 until September 2011.
Source: Thomson Reuters EIKON

Italy`s balance of payments (1)
(billions of euros)

	2009	2010	Jan– July 2010	Jan– July 2011
Current Account	**-30.1**	**-54.1**	**-29.6**	**-35.5**
Goods	0.8	-20.4	-8.5	-14
Non-energy products (2)	41.5	30.9	20.4	22.3
Energy products (2)	-40.7	-51.3	-28.9	-36.3
Services	-8.4	-9	-4	-4.4
Income	-10.4	-8.8	-6.1	-6.9
Current transfers	-12.1	-15.9	-11	-10.2
Capital account	**-0.1**	**-0.6**	**-0.6**	**-1.1**
Financial account	**37.3**	**86.7**	**49.6**	**15.9**
Direct investment	-0.9	-17.7	0.2	-14.6
Portfolio investment	28.1	38.5	24.2	13.8
Financial derivatives	4.3	-4.7	-1.1	3.6
Other investment	5.7	71.8	27.1	13.3
Change in official reserves	0.1	-1	-0.8	-0.2
Errors and omissions	-7.2	-32.1	-19.3	20.8

(1) Provisional data for July 2011

(2) Based on Istat foreign data.

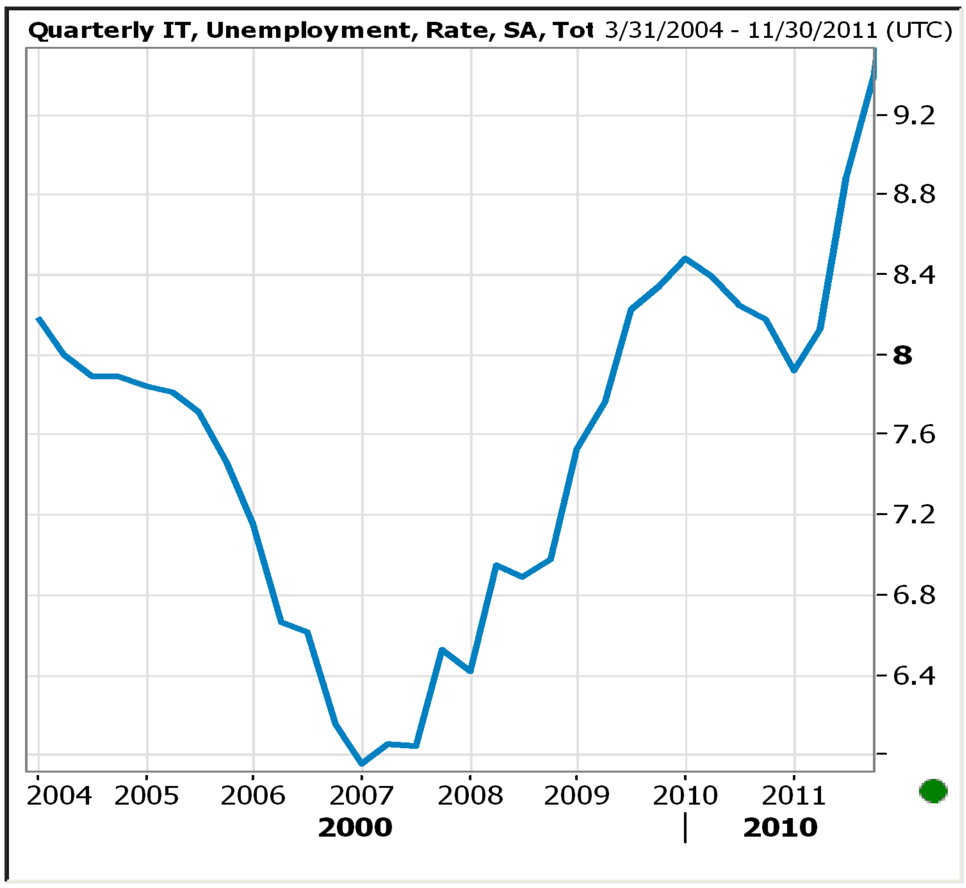
Source Economic Bulletin October 2011

ITALY

THE EMPLOYMENT MARKET

The employment rate has declined from 9.1 in March of 2010 to 7.6 in September 2011. In its October Economic Bulletin the central bank of Italy explained that the major contraction was in the construction sector, a loss of 56,000 jobs, while the services sector added 133,000 jobs. But the negative environment in the EU economies is affecting the expectations of the industries. According to the business surveys conducted in September by Istat and the Central Bank of Italy, companies expect a large decrease in staffing levels over the next few months, therefore firms continue to opt for flexible contract forms. But they increased their demand for skilled staff and decreased demand for manual workers.

According with the IMF there are large regional disparities in terms of labor market performance. Italy`s coefficient of variation for the regional employment rate is the highest in the E.U. The Gini index for regional labor participation in Italy shows one of the largest regional disparities among OECD countries. This is mainly by differences across region in educational attainment and the student´s performance varies among regions.



Graph 6: Unemployment rate quarterly since January 2004
Source: Thomson Reuters EIKON

The south region employment is concentrated in public administration, education, construction, and agriculture and in the Center North, in manufacturing and financial services.

Finally, a rising share of workers faces high employment risk but little income insurance.

BANKS AND FINANCIAL MARKETS

In accordance with the IMF, Italian bank`s liquidity remained adequate during 2007 and 2008 crisis, herby they used limited government support.

Although according to the IMF Italy selected issue, Italian banks CDS spreads have moved closely with Italy`s sovereign CDS and bond spreads since the beginning of the global financial crisis.

The correlation between banks` CDS and sovereign spreads movements could be due to different reasons. The IMF explains three of them: first, following the start of the economic crisis (that is when almost all the financial prices and quotations get a sequential collapse)[1] many institutions from the financial sector became weak and many governments committed large public resources to support and guarantee those financial institutions. This could be one of the reasons why the investors` appreciation of the market changed negatively and massively in the EU sovereign debt driving spreads with German bunds.

Second, the shocks to sovereign bond yields and spreads could have an impact on bank`s risk profile through different channels. When the rating agencies downgrade the risk of one country sovereign debt its government bond prices decreases cutting down its value in the bank`s trading book, and even in the banking book if the bank needs to sell part of the papers before maturity to obtain liquidity. Even, the cost of funding in the market rises when the government bond price decreases.

[1] Monroy Julián Colombian Stock Market bubble (2007): risk management and behavioral finance.

Fuente: Reuters EIKON

ITALY

A third possible explanation is that risk repricing may have contributed to the widening of both bank`s and sovereign risk premium differentials at the same time, in a sign of discrimination among different classes of default risk.

According to the Bank of Italy, fund – raising by Italian banks, excluding domestic interbank deposits and liabilities towards the Eurosystem and central counterparties, grew by 0.6 percent over the twelve months ending in August. Bond issues, excluding those on the interbank market, recorded twelve – month growth of 4.2 per cent in August, in July and August issues on the wholesale markets dried up almost completely. As a consequence of the difficulties encountered in raising funds on the wholesale markets, Italian banks` recourse to Eurosystem refinancing increased to about €89 billion at the end of August, from €34 billion at the end of May.

Graph 7:

Five years Credit Default Swap on Italian sovereign debt.

Five years Credit Default Swap on Intensa San Paolo Bank.

The changed monetary conditions and the recent tensions on the sovereign debt market have pushed up the cost of bank`s funds. Getting into the details, a negative consequence of this rise cost of funding is reflected in the worsening conditions which banks supply credit to the public. In Italy, according with the Central Bank of Italy, excluding repos and bad debts, the growth of lending to the entire economy slowed, reflecting the decline in the growth of lending by the five largest banking groups.

As well the increase in the cost of funding has begun to push up lending rates. If the yields on government securities remain at their present levels, there is the risk that a further increase in the cost of bank loans will follow.

Graph 8: Italian Stock Exchange Index daily since January 2007.

Source: Thomson Reuters EIKON

In the government bond market, from 8 August, the European Central Bank´s purchases under the Securities Market Programme helped to bring the yield of the Italian Government bonds BTP to around five per cent and greatly improved the liquidity of their markets, as indicated by the pronounced narrowing of the bid/ask spread. But at the beginning of September the yield on ten-year BTP rose back to around 5.5. Between mid-September and the first ten days in October the three leading rating agencies (Standard and Poor´s Moody´s and Fitch Ratings) downgraded Italy´s debt, with a negative outlook.

The Italian stock market was also affected by the downgrade and the negative outlook given by the rating agencies. The general fell 19 percent in July. The banking sector was strongly affected as well as the automotive and commodity sectors.

Sources: International Monetary Fund, Selected Issues June 20 2011; Economic Bulletin Banca D`Italia; Thomson Reuters Eikon.