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JLN

## John Lothian Newsletter

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"Irreverent, but never irrelevant"



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*John Lothian News*

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#### Looking Ahead

Don Wilson, CEO, DRW Holdings, this week's guest editor



As we close the week, I'll pick back up on ideas I shared in Monday's newsletter. Regulation designed to reduce the risk of another financial crisis is being phased in. I would summarize the primary tenets as (1) reduce leverage and risk and (2) ensure that most derivatives are cleared. There is good logic to both thoughts - less leverage is less risky, and futures markets performed flawlessly through the crisis.

Of course it's never easy to go from well-intentioned concepts to practical implementation, but I will highlight a few concrete effects we have observed on the market. On the deleveraging and de-risking front, it's very clear that banks take less risk and hold smaller inventories. Because balance sheets are constrained, even near risk-free assets such as U.S. Treasuries trade differently. Off-the-runs have become far less liquid, and swap spreads are negative; in other words, U.S. taxpayers pay more to borrow, while large investors in U.S. debt pay more to transact. The effects can be seen in other markets as well. It's readily apparent that aggregate risk capital in the marketplace has been significantly reduced. Highly correlated products can have sudden and surprising breakdowns in their relationships. Expect greater dislocations, and more frequent pockets of illiquidity going forward. Is this what was intended?

As far as derivatives moving into clearing houses, we certainly have seen a lot of that. However, some of the rules will actually make it challenging for markets to continue to operate smoothly. Take options portfolios, especially commodities options. Last fall, DRW joined a group of exchanges and firms in [sharing our](#)



[concerns with the Basel Committee](#) about the unintended consequences of the leverage ratio computations. The current method will lead to burdensome capital requirements for clearing members whose customers carry even risk-free portfolios of commodities options, with fewer [FCMs](#) willing to clear that business as a result. This, in turn, leads to less diversification and decreased risk capacity - all contrary to well-functioning markets. The end result? Near prohibitive costs to clear in some cases and greater systemic risk - exactly the opposite of what the rules were intended to accomplish.

However, it's not all doom and gloom. Change - whether well thought out or not - inevitably leads to opportunities for innovation. Let me highlight a few ideas that DRW has been behind, all with the same theme:

-Eris Exchange [www.erisfutures.com](http://www.erisfutures.com), which through its proprietary interest rate swap futures (traded on Eris and cleared on CME), provides a more efficient alternative to OTC swaps. It also offers Eris credit default swap index futures on ICE, which are starting to trade regularly.

-Digital Asset Holdings [digitalasset.com](http://digitalasset.com), which leverages the blockchain and distributed ledgers generally to make the settlement of traditional financial instruments more efficient, thereby enabling market participants to operate in a more capital efficient manner.

-Variance swap futures contracts [traderivet.com/](http://traderivet.com/) on the SPX and Eurostoxx, listed to the [CBOE Futures Exchange](#) and [Eurex](#) respectively

-And most recently, an idea for a Libor solution, which we are just starting to discuss with the marketplace.

Of course many new ideas fail, but hopefully some of these - as well as ventures sponsored by others - will be viable solutions for the challenges the markets are facing.

We see how poorly conceived or implemented regulation inadvertently creates adverse consequences. Clearly, today's adversarial approach to regulation and enforcement is counterproductive. In a rapidly changing industry like ours, regulators must keep pace and engage with market participants to fully understand how the processes, technology and players are evolving and what the impact of new laws and rules will be throughout the ecosystem. Our doors are always open.

Thank you again to John and the JLN team for extending the invitation. I've really enjoyed my role as guest editor - maybe I'll be back for another round. I hope JLN readers benefitted as well; I appreciate the feedback many of you have shared about what I had to say this week. It's important that we continue to have thoughtful and candid dialogue about the issues shaping our industry.

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#### **A Note from John Lothian**

John J. Lothian, Publisher

I want to personally thank Don Wilson for subbing for me this week as I recover from my recent back surgery. Don, you did a great job and I really appreciated your sharing so much about your life and career with our readers. I have had some great comments from readers on how much they enjoyed learning more about him.

The reports from my team have been correct. My surgery went well and my recovery is progressing. In fact, it is progressing so well I have decided to go ahead and attend the FIA's Boca Raton International Conference in a week. I told my wife I think I could recover faster in Florida than in Illinois and she bought it. So I hope to see you there if you are also attending.



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#### **John Lothian News Editorial Staff:**

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[Jim Kharouf](#)  
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Our apologies to Melinda Schramm of the NIBA for misidentifying her in our recent video about the NIBA. She is now correctly identified as Melinda, not Linda.

[Read the rest of the note, including a scoop regarding ABN AMRO Clearing Chicago, at JohnLothianNews.com](#)

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**Hong Kong 'Dark-Pool' Trading Volume Sinks After New Rules Rolled Out**  
WSJ

Trading volume in Hong Kong's opaque privately owned exchanges, known as "dark pools," has plunged since the implementation of new regulations forcing greater transparency in the industry, the latest exchange data show.

[jne.ws/1oUF2TQ](http://jne.ws/1oUF2TQ)

\*\*\*DRW: Transparency and dark pools don't mix.

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**New Jersey pastor indicted for bribery in case tied to JPMorgan hacking**  
Reuters

A New Jersey pastor was indicted on Thursday for an alleged bribery scheme involving a bitcoin exchange owned by an Israeli man linked to cyber attacks on JPMorgan Chase & Co and other companies. Trevon Gross, the pastor and former chairman of the Helping Other People Excel Federal Credit Union of Jackson, New Jersey, was charged with receiving payments to let operators of an illegal bitcoin exchange gain control of the credit union.

[jne.ws/1VUedtN](http://jne.ws/1VUedtN)

\*\*\*DRW: Sounds like the basis for a good movie.

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**Americans' Distrust May Be Hurting Job Market, Fed Paper Says**  
Bloomberg Business

In U.S. states where the share of people who said their trust in strangers fell more steeply, labor mobility registered greater declines, according to the paper. The drop in social trust "may have increased the cost of job search or made both parties in the hiring process more risk averse," it said.

[jne.ws/1VUgvsN](http://jne.ws/1VUgvsN)

\*\*\*DRW: I'm surprised by these results. Isn't that why LinkedIn exists?

\*\*\*DA: And MarketsWiki.

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**Goldman Sachs to Cut More Than 5% of Fixed-Income Workers**  
Bloomberg Business

Goldman Sachs Group Inc. plans to eliminate more than 5 percent of traders and salespeople in its fixed-income business, cutting deeper into those operations than an annual companywide cull that has already begun, according to a person briefed on the matter.

[jne.ws/1VUqwNg](http://jne.ws/1VUqwNg)

[Jeff Bergstrom](#)  
*Editor*

[Spencer Doar](#)  
*Editor*

[Doug Ashburn](#)  
*Editor-at-Large*

\*\*\*DRW: I agree with Lloyd - FICC at banks isn't going away, but as highlighted in my opening comments, it is shrinking.

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### **Families of victim and suspect in shock after fatal high-rise shooting**

Chicago Tribune

Kenneth Joss is struggling through the worst day of his life. "I went into shock," Joss said when he learned his son Darrin was fatally shot Wednesday while working out at a Near West Side high-rise gym, allegedly by a man who later surrendered. Joss received the call about 9 p.m. Wednesday from another son, who explained that Darrin, 45, was working out in the gym of his building on the 500 block of West Kinzie Street when he was shot. An autopsy determined the financial trader died of multiple gunshot wounds.

[jline.ws/1oUOkz7](http://jline.ws/1oUOkz7)

\*\*\*DA: Statement from [Chris Hehmeyer](#), CEO of HTG Capital Partners: "HTG had a relationship with Darrin for many years including with GH Traders before the formation of HTG. Most recently Darrin managed a trading account for HTG through his own company - the Joss Trading Group. This is a tragic and horrible loss, I was fond of Darrin. Our thoughts and deepest condolences go out to Darrin's family and his employees."

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### **Banks could learn a lot from Spider-Man**

The Telegraph

Like many walks of life, the danger is that without clear personal responsibility, you can often get collective irresponsibility. When things go wrong, everyone points to everyone else (or to quote another saying, failure is an orphan).

[jline.ws/1Rshqgg](http://jline.ws/1Rshqgg)

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### **Thursday's Top Three**

One of the benefits of this daily click count exercise is we can see when something is out of spec. Yesterday we had not one but two stories that had outsized click-counts. On top was [A Goldman Sachs partner sent a memo to the bank's junior staff, and every young person on Wall Street should read it](#). It looks like it was read by both young and "seasoned." Coming in respectably second was the Crain's article [Why Chicago's CME would want London Stock Exchange Group](#). In third place, also with a respectable click count, was [The Myth of the Barter Economy](#) from the Atlantic. If you have not had time to read it, perhaps you should bookmark it for the weekend.

## **MarketsWiki Spotlight**

### **The World Federation of Exchanges**

The [World Federation of Exchanges](#) represents 64 regulated exchanges across the world, and acts on behalf of a total of 99 organizations including affiliate members and clearinghouses.



Since its foundation 54 years ago, the WFE has organized committees, meetings, general assemblies, conferences, and workshops for its members to transfer knowledge and share expertise. As an industry trade organisation, the WFE has discussed virtually every aspect of the capital market: the technical, the commercial, the legal and the economic. In the past four decades we have published studies and reports on issues such as self-regulation, cross border trading, HFT, cyber security and many others besides. For more on the WFE, visit its page in MarketsWiki [HERE](#)

*"Company Spotlight"  
is brought to you by:*



## Lead Stories

### **CFTC, SEC Inch Closer to Full Strength With Nominations Moves**

WSJ

Two top U.S. markets regulators, the Commodity Futures Trading Commission and the Securities and Exchange Commission, could soon be back to full strength with complete rosters for their governing boards. President Barack Obama intends to nominate an academic and a former congressional aide to serve as members of the CFTC, the top U.S. regulator of derivatives, the White House said Thursday. Mr. Obama tapped Chris Brummer, a professor at Georgetown University Law Center, and Brian Quintenz, who had worked as a senior policy aide to former Rep. Deborah Pryce (R., Ohio).

[jline.ws/1VUfEbE](http://jline.ws/1VUfEbE)

\*\*\*DRW: I wonder how long the confirmation process will take?

**Intercontinental Exchange - Cybersecurity, economic volatility and political uncertainty top list of concerns for corporate boards in 2016**

ICE

NYSE Governance Services, a leading provider of corporate governance, risk, ethics, and compliance services for public and privately held companies, along with Spencer Stuart, a global, senior executive search and leadership consulting firm, today released the results of the 13th annual What Directors Think survey, which reflects the opinions of nearly 400 directors.

[jline.ws/1Y5x8Df](http://jline.ws/1Y5x8Df)

### **Nasdaq could be next after LSE deal, says Credit Suisse**

The Trade News

Nasdaq could become the next exchange group to be acquired if the planned merger talks with the London Stock Exchange (LSE) and Deutsche Boerse go ahead, according to an analyst note from Credit Suisse. According to research analysts Ashely Serraro and Marcus Carney at the bank, the note says Nasdaq would be a good strategic fit for the combined LSE-Deutsche Boerse group for a number of reasons.

[jline.ws/1oUzRDc](http://jline.ws/1oUzRDc)

### **Info services pushes LSE to major revenue growth in 2015**

The Trade News

London Stock Exchange Group (LSEG) increased revenues by almost 80% in 2015, the first full year of inclusion of the Russell Indexes business. Total revenue including Russell increased 78% to £2.29 billion from £1.28 billion in 2014, while income increased 72% to £2.38 billion. On a continuing operations basis, revenue increased 11%.

[jline.ws/1oUBzoi](http://jline.ws/1oUBzoi)

### **Diamond eyes Barclays Africa assets**

Financial Times

Bob Diamond, the forceful former Barclays chief executive, is approaching investors to back a takeover bid for a swath of the UK bank's African empire that he helped to construct.

His audacious move comes after Barclays announced plans this week to sell its African operations, which date back almost a century. The retreat has raised concerns among customers and regulators about the future of one of the continent's biggest lenders.

[jline.ws/1RsiKQk](http://jline.ws/1RsiKQk)

### **Singapore Banking Secrecy Makes Ripe Target for IRS**

Bloomberg Business

The Internal Revenue Service sought to make UBS Group AG turn over records on an account in Singapore held by a U.S. citizen, setting up a showdown with the city-state over its bank-secrecy laws and potentially opening a new front against offshore tax evasion beyond Switzerland.

[jline.ws/1VUfReX](http://jline.ws/1VUfReX)

### **UBS France probed on suspicion of interfering with tax witness**

FT.com

Wealth management has been the financial saviour of Switzerland's biggest banks but it can also be a perpetual thorn in their side, as the latest French investigation into UBS's private bank shows. UBS France said on Thursday that it was being officially investigated on suspicion of interfering with a witness in a tax evasion case, the latest twist in a saga that dates back more than a decade.

[jline.ws/1VUepJA](http://jline.ws/1VUepJA)

### **Aubrey McClendon Changed the World**

Bloomberg View

When entrepreneurs upend the business world with new products or ways of doing things, they're often widely celebrated. This is the case even if they have rough edges or follow ruthless business practices (Steve Jobs being a classic example of the former, Bill Gates of the latter).

[jline.ws/1VUqdCh](http://jline.ws/1VUqdCh)

### **MPs push back against UK bankers' complaints over fines**

FT.com

If City of London bankers thought they had entered a new political climate of understanding towards their industry, then the Barclays chairman seems to have proved them wrong this week. John McFarlane provoked a volley of criticism from MPs and academics by complaining that "outsized" fines for past misconduct at Barclays are having "a societal cost" by forcing it to sell assets and curtailing its support for the economy.

[jline.ws/1oUFocY](http://jline.ws/1oUFocY)

#### **ForexClear pioneer steps down amid fall-out**

Euromoney magazine

Gavin Wells, the pioneer of LCH.Clearnet's ForexClear offering, and his right-hand man Basu Choudhury have stepped down amid talk of a fall-out with the clearing house over returns, bringing into question the future direction of ForexClear.

[jline.ws/1oUFHEG](http://jline.ws/1oUFHEG)

#### **Swiss National Bank confirms 23.3 bln Sfr loss for 2015**

Reuters

The loss was largely due to losses on the SNB's foreign currency holdings given the franc's surge in value when the Swiss National Bank ended its cap against the euro on Jan. 15 last year. The franc's appreciation forced the SNB into losses of 19.9 billion francs on its foreign currency positions. The full-year earnings follow preliminary numbers on Jan. 8.

[jline.ws/1oUH9a7](http://jline.ws/1oUH9a7)

## **Regulatory**

For more regulatory, visit [MarketsReformWiki](#), our website focused on current market reform efforts.

#### **Brokers Brace for Tighter Standard on Retirement Accounts**

WSJ

Thousands of small brokerages are bracing for a tighter rule governing investments they recommend to retirement savers, a change they say will drive up compliance costs and could force them to drop middle-class clients. The idea of the regulation, which could be released this month by the Labor Department, seems unobjectionable enough—that brokers would follow a "fiduciary" standard when making investment recommendations.

[jline.ws/1VUfbpM](http://jline.ws/1VUfbpM)

#### **Fed Plans Second Effort at Limiting Banks' Ties to One Another**

Bloomberg

The Federal Reserve is set to re-propose long-delayed rules for limiting business ties between Wall Street firms such as JPMorgan Chase & Co., Goldman Sachs Group Inc. and Citigroup Inc., aiming to ensure megabanks won't take others with them if they fail.

[jline.ws/1VVo3eU](http://jline.ws/1VVo3eU)

#### **Fed's Tarullo Talked With Senators During Regulatory Bill Negotiations**

WSJ

Federal Reserve governor Daniel Tarullo spoke frequently with members of the Senate Banking Committee during lawmakers' negotiations on a regulatory relief bill last year, a copy of his schedule released Thursday by the central bank shows.

[jline.ws/1VUfpqx](http://jline.ws/1VUfpqx)

#### **Cetip's Board Rejects Second Takeover Bid From BM&FBovespa**



Bloomberg Business

Cetip SA, Brazil's largest clearing house, rejected a second takeover bid from BM&FBovespa SA, which runs the country's stocks and derivatives exchange, prompting shares to decline for first time in four days.

[jline.ws/1oUMHRU](http://jline.ws/1oUMHRU)

### **Statement of Commissioner Sharon Y. Bowen Regarding Regulation of Residual Interest**

CFTC

When we released this rule in 2013, we initially required that FCMs must post this residual interest to the customers' accounts in need of it by 6 PM on the day of settlement.<sup>2</sup> We expected that more research would be needed about whether this was the right deadline, and so we promised to release a report on that subject, and that we would hold a roundtable prior to publishing that report. Today is, of course, that roundtable, and I am looking forward to hearing your views on whether 6 PM is the right time to set as the deadline for posting.

[jline.ws/1p24B65](http://jline.ws/1p24B65)

### **European Central Bank Faces Questions Over Which Bonds to Buy**

WSJ

The European Central Bank faces a dilemma as it considers boosting its roughly EUR1.5 trillion (\$1.6 trillion) bond-purchase program next week: how to ensure it has enough bonds to buy without sparking legal tussles.

[jline.ws/1oUA3T5](http://jline.ws/1oUA3T5)

### **Canadian regulators implement passport expansion and automatic cease trade orders in multiple jurisdictions**

AMF Quebec

The Canadian Securities Administrators (CSA) announced today the implementation of amendments that will expand the passport system to allow issuers to file a single application with their principal regulator to cease to be a reporting issuer in all jurisdictions where they have this status. The CSA is also implementing a new rule that will allow the automatic application in multiple jurisdictions of cease trade orders resulting from the failure to file continuous disclosure documents.

[jline.ws/1VUeKfe](http://jline.ws/1VUeKfe)

## **Exchanges & Trading Facilities**

### **Aluminum: In Search of an Asian Trading Hub**

CME Group

China and euro zone economic woes have been headline news recently. In the United States, attention has been focused on interest rates. Should the Federal Reserve raise U.S. interest rates this year, the expected appreciation of the U.S. dollar (USD) could lead to a rise in the cost of commodity imports for the construction and manufacturing industries in China.

The Chinese economy is maturing, and investments are gradually shifting away from fixed asset industries towards the service sector. Sentiment across all commodity markets has been weak, particularly for base metals.

[jline.ws/1p23Qtl](http://jline.ws/1p23Qtl)

### **CME Group Expands Base Metals Offering with New Aluminium European Premium Duty-Paid (Metal Bulletin) Futures**

CME Group

CME Group, the world's leading and most diverse derivatives marketplace, today announced it will expand its base metals offering with the introduction of a new Aluminium European Premium Duty-Paid (Metal Bulletin) futures contract to begin trading on 21 March, 2016. Pending relevant regulatory review periods, the new contract will be available for trading on CME Globex, for submission for clearing through CME ClearPort, and



will be listed with and subject to the rules and regulations of COMEX.

[jline.ws/1oUFZLM](http://jline.ws/1oUFZLM)

### **London Stock Exchange underlines its appeal with profit jump**

FT.com

The London Stock Exchange Group underlined its appeal to suitors by revealing a sharp jump in profits as the UK company continues to press ahead with plans for an agreed £20bn takeover by Deutsche Börse.

[jline.ws/1oUA0qp](http://jline.ws/1oUA0qp)

### **SGX reports market statistics for February 2016**

Total Securities market turnover value was up 4% month on month and up 14% year on year to S\$24.1 billion, during 19 trading days compared to 20 in January 2016 and 18 in February 2015. Total Derivatives volume was 13.9 million, down 22% month on month and up 43% year on year. SGX Commodities Derivatives volume was 1.2 million, down 6% month on month and up 194% year on year.

[jline.ws/1oUBj8l](http://jline.ws/1oUBj8l)

### **TMX Group Consolidated Trading Statistics**

Mondovisione

TMX Group Limited today announced February 2016 trading statistics for its marketplaces - Toronto Stock Exchange, TSX Venture Exchange, TSX Alpha Exchange (Alpha), Montreal Exchange (MX) and NGX.

[jline.ws/1VUeltk](http://jline.ws/1VUeltk)

### **HKEx Monthly Market Highlights - February 2016**

Mondovisione

The average daily turnover for the first two months of 2016 was \$74.4 billion, a decrease of 12 per cent when compared with \$84.3 billion for the same period last year. The average daily turnover of futures and options for the first two months of 2016 was 841,367 contracts, an increase of 24 per cent when compared with the 677,583 contracts for the same period last year.

[jline.ws/1oUBVuW](http://jline.ws/1oUBVuW)

### **HKEX: Stock Exchange Of Hong Kong Launches Revamped ESG Webpage On HKEX Website**

Mondovisione

The Stock Exchange of Hong Kong Limited (the Exchange), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEX), today launched a revamped Environmental, Social and Governance (ESG) webpage on the HKEX website to give listed issuers updated guidance on ESG reporting.

[jline.ws/1oUBNvs](http://jline.ws/1oUBNvs)

### **ASX: T+2 Settlement Begins In Australia On Monday 7 March 2016**

Mondovisione

Share market trades conducted from next Monday 7 March 2016 in Australia will settle one business day earlier - two days after the trading day, known as T+2. Reducing the settlement period from the current T+3 cycle creates capital and margin savings for industry, and a faster settlement of transactions for investors, meaning they receive their cash or securities sooner. <http://jline.ws/1oUC55H>

### **National online trading in agri commodities to begin from April**

Business Standard News

The proposed National Agriculture Market is to come about by electronically linking 585 major wholesale markets (mandis) in the country, termed Agricultural Produce Market Committees

[jline.ws/1VUdUz5](http://jline.ws/1VUdUz5)

### **Nasdaq February 2016 Volumes**

Press Release

Nasdaq (Nasdaq:NDAQ) today reported monthly volumes for February 2016, on its investor relations website. A data sheet showing the monthly volumes and quarterly capture rates can be found here.

[jln.ws/1oUD9Xh](http://jln.ws/1oUD9Xh)

## Politics

### Markets Make Their Statement About a President Trump

WSJ

Love him or hate him, few can ignore Donald Trump. Except for investors. Markets are showing no sign of concern about the potential election of a protectionist president who already has a poisonous relationship with the U.S.'s third-largest trading partner, Mexico. The reasons traders are unruffled about a possible President Trump tell us a lot about how markets assess political risk.

[jln.ws/1oUAoF6](http://jln.ws/1oUAoF6)

## Hedge Funds & Managed Futures

For more, subscribe to the **JLN Managed Futures** newsletter or visit the Managed Futures section on **JohnLothianNews.com**.

### Morgan Stanley raises \$3.6 billion for second infrastructure fund

Reuters

Morgan Stanley said on Thursday it had raised \$3.6 billion for its second infrastructure fund, North Haven Infrastructure Partners II, making it the latest Wall Street firm to target the sector. Investors are increasingly looking to infrastructure as an alternative to low-yielding fixed income products with more stable returns than traditional private equity.

[jln.ws/1VUePiX](http://jln.ws/1VUePiX)

### Bill Gross: Negative Rates Are Finance Economy's Last, Dying Gasp

MoneyBeat - WSJ

Much like the sun, the financialization of the economy has provided an endless stream of fuel for growth, Janus Capital Bill Gross said in his latest outlook letter. Unlike the sun, though, which has a good five billion years left in it, the finance economy's fuel is just about spent. The move into the black hole of negative rates might just be the final act, Mr. Gross added

[jln.ws/1VUeZqK](http://jln.ws/1VUeZqK)

\*\*\*DRW: Bill Gross makes a very good point. Negative rates are a tax on savings which actually makes people less willing to spend.

### Aubrey McClendon, Restless and Reckless Wildcatter, Was Deal-Making to the End

The New York Times

In the days leading up to Aubrey McClendon's death in a car crash on Wednesday, the pressure on him had become unrelenting. He knew only too well, friends said, that he was facing federal bid-rigging charges over oil and gas leases; the indictment came on Tuesday. And like other executives in the industry, he was coming under severe financial stress because of the plunge in commodity prices.

[jln.ws/1VUf4e3](http://jln.ws/1VUf4e3)

### World's No. 2 Currency Trader Sees Dollar Surge as Misery Wanes

Bloomberg Business

When misery fades, the dollar rallies. That's the contention of Deutsche Bank AG, the world's second-biggest currency trader according to Euromoney magazine, which expects the greenback to resume its surge this year after slumping in February.

[jline.ws/1RsJC7m](http://jline.ws/1RsJC7m)

### **Australia Housing Shorts are 'Widow-Maker' Trades, JPMorgan Says**

Bloomberg Business

Australian home prices could wind back slowly rather than crashing, according to JPMorgan Chase & Co.'s hedge-fund sales desk, shooting down a report that highlighted risks in the nation's housing market. Home values may drop 5 percent to 10 percent due to an oversupply of apartments and tighter lending by banks, Sujit Dey, the desk's executive director in Sydney, said in a note to clients.

[jline.ws/1VUqEfW](http://jline.ws/1VUqEfW)

\*\*\*DA: I always thought the July-Dec corn spread was the widow-maker.

### **High-yield bond funds draw 'monster' \$5.8 billion, largest inflow ever: BAML**

Reuters

Investors rediscovered their risk appetite with a vengeance in the last week, as high-yield bond funds posted their biggest net inflow on record and government bond funds their highest outflow in four months, Bank of America Merrill Lynch said on Friday.

[jline.ws/1oUzJDS](http://jline.ws/1oUzJDS)

## **Banks & Brokers**

### **Why are banks buying back their own debt?**

FT.com

A number of European banks, including Barclays, Lloyds and Deutsche Bank, have offered to buy back their own bonds this year, as part of their "liability management". Various factors are motivating banks to undertake such action and here's why.

[jline.ws/1VUdkS2](http://jline.ws/1VUdkS2)

### **Mizuho Bank Americas hires chief risk officer from Barclays**

Reuters

Mizuho Bank Americas, part of Japan-based Mizuho Financial Group Inc, appointed Eric Yoss as chief risk officer. He joins from Barclays, where he was head of risk for the Americas and Chief Risk Officer of Barclays Capital.

[jline.ws/1VUdfOa](http://jline.ws/1VUdfOa)

### **Ex-Deutsche Bank broker admits misleading watchdog**

FT.com

A former Deutsche Bank managing director has admitted deliberately misleading the financial watchdog after arrest in his testimony as part of the UK's most high-profile trial of insider trading.

[jline.ws/1VUfJMx](http://jline.ws/1VUfJMx)

## **Clearing & Settlement**

Euromoney Magazine

Gavin Wells, the pioneer of LCH.Clearnet's ForexClear offering, and his right-hand man Basu Choudhury have stepped down amid talk of a fall-out with the clearing house over returns, bringing into question the future direction of ForexClear.

[jline.ws/1oUFHEG](http://jline.ws/1oUFHEG)

### **SWIFT financial messaging service launched in India**

Business Standard News

Financial messaging services provider SWIFT launched its services in India on Thursday, bringing with it a unified messaging protocol that can link banks, financial intermediaries, regulators, and stock exchanges and clearing agencies through one suit that can secure transactions by keeping records in a dematerialised form.

[jline.ws/1VUejBJ](http://jline.ws/1VUejBJ)

### **ISDA Publishes Australian Clearing Classification Letter**

Mondovisione

The International Swaps and Derivatives Association, Inc. (ISDA) has published a new classification letter that will enable counterparties to notify each other of their status for clearing requirements under Australia's mandatory central clearing regime for over-the-counter derivatives.

[jline.ws/1oUCDZ8](http://jline.ws/1oUCDZ8)

### **Commission makes EMIR clearing obligation Delegated Regulation**

Lexology

The Commission has adopted a Delegated Regulation on RTS for the clearing obligation under the European Market Infrastructure Regulation (EMIR). The delegated act determines the classes of the credit default swaps (CDS) over-the-counter (OTC) derivative contracts that are subject to the clearing obligation and four different categories of counterparties for which different phase-in periods apply over three years after the RTS enter into force.

[jline.ws/1VVk2Hp](http://jline.ws/1VVk2Hp)

## **Indexes & Products**

### **News analysis: Indices await A-share overhaul**

FT Adviser

The whipsaw moves in Chinese equity markets seen over the past 12 months may have made investors more wary of plans to include the country's A-shares in emerging market indices. But moves remain afoot.

[jline.ws/1VVn5zq](http://jline.ws/1VVn5zq)

### **Mutual Funds Sour on Startup Investments**

WSJ

Mutual funds that helped fuel the technology boom are cutting the value of their startup investments at an accelerating pace and are making fewer new investments. These are ominous signs for Silicon Valley, where a flood of money into young companies pushed valuations skyward, and subsidized hiring sprees and advertising binges at scores of companies.

[jline.ws/1VUfukD](http://jline.ws/1VUfukD)

### **Moscow Exchange Launches ETF On The RTS Index**

Mondovisione

On 4 March, Moscow Exchange celebrated the launch of trading in the FinEx Russian RTS Equity UCITS ETF (FXRL), the first Russian exchange-traded fund on the RTS Index. The ETF tracks the RTS Index

maintained by Moscow Exchange. The RTS Index comprises the 50 most liquid Russian public companies.  
[jline.ws/1oUAahs](http://jline.ws/1oUAahs)

### **Valueact Capital Master Fund, Sells 390,000 Shares of Msci Inc (MSCI) Stock**

The Hilltop News

Msci Inc (NASDAQ:MSCI) insider Valueact Capital Master Fund, sold 390,000 shares of the company's stock in a transaction that occurred on Tuesday, March 1st. The shares were sold at an average price of \$71.19, for a total value of \$27,764,100.00. The sale was disclosed in a filing with the Securities & Exchange Commission.

[jline.ws/1VVmk9n](http://jline.ws/1VVmk9n)

### **How To Play The Choppy Market With Cheap Smart Beta ETFs**

Seeking Alpha

The global stock market has been shaky, with a series of woes related to China and oil price. While the number of headwinds is raising questions on the health of the global economy, domestic growth seems to be on track with a spate of encouraging data lately.

[jline.ws/1VVnlyc](http://jline.ws/1VVnlyc)

## **Technology**

For more, visit the Tech/HFT section on [JohnLothianNews.com](http://JohnLothianNews.com).

### **Mondo's lightning funding round — Fintech is growing up in Israel — EU-wide retail finance products**

Business Insider

MONDO RAISES £1 MILLION IN LESS THAN TWO MINUTES. Mondo, a mobile-only challenger bank, recently raised £1 million (\$1.4 million) from individual investors via crowdfunding platform Crowdcube in what is being called the fastest equity raise ever.

[jline.ws/1VVofRP](http://jline.ws/1VVofRP)

### **London fintech startup Nutmeg is looking for a new CEO: Report**

Business Insider

Nutmeg, the London-based fintech company that provides investment services online, is reportedly looking for a new CEO.

Financial News reports that Nutmeg has begun a search for a new CEO, citing sources familiar with the matter.

[jline.ws/1VVofNRk](http://jline.ws/1VVofNRk)

### **Fintech startup The Lifehouse looks for beta testers**

Finextra

Former Canaccord Genuity Wealth Management CEO Neil Darke is making it his mission to help millennials, rocked by financial uncertainty (student loans, pensions, house prices), to find the financial path to the life they truly want by launching a fintech start-up called The Lifehouse.Co.

[jline.ws/1VVofUfu](http://jline.ws/1VVofUfu)

### **Bank of Russia Pushes for Fintech**

Payment Week

Yet another central bank of a major nation is touting financial technology as the future of finance.

Earlier in the week, the Bank of Russia announced that it would like to see further advancements and integration in Russia's fintech sector.

[jline.ws/1VVp1rt](http://jline.ws/1VVp1rt)

## Enforcement

### **UBS's French unit placed under formal investigation**

Financial News

French prosecutors are probing whether UBS France, which faces preliminary charges for its alleged complicity in tax fraud, tried to silence Nicolas Forissier, the bank's internal auditor between 2001 and 2009, after he alerted his management and French authorities about the bank's alleged practises.

[jne.ws/1oUDjxP](http://jne.ws/1oUDjxP)

### **Sebi orders four firms to refund money**

Business Standard News

The Securities and Exchange Board of India (Sebi) has ordered four companies to refund the money, which they had raised by issuing securities to investors without complying with the public issue norms.

[jne.ws/1VUdRU2](http://jne.ws/1VUdRU2)

### **Bank of NY Mellon must face lawsuit over \$1.12 billion mortgage loss**

Reuters

Bank of New York Mellon Corp must face a lawsuit seeking to hold it liable for causing \$1.12 billion of investor losses by failing to properly monitor five trusts backed by toxic residential mortgages, a Manhattan federal judge ruled.

[jne.ws/1VUdZ5K](http://jne.ws/1VUdZ5K)

### **Japan's Securities And Exchange Surveillance Commission: Recommendation For Administrative Monetary Penalty Payment Order For Market Manipulation By Blue Sky Capital Management Pty Ltd**

Press Release

This recommendation is based on the findings of the investigation into the market manipulation, whereby the following violation of laws and ordinances was identified.

[jne.ws/1oUCyVo](http://jne.ws/1oUCyVo)

## Environmental & Energy

For more, subscribe to the [JLN Environmental/Energy](#) newsletter or visit the [blog](#).

### **Oil likely to recover to \$55 in 12 months: Report**

Business Standard News

Oil prices are likely to recover after 11-year low to \$55 per barrel from the current \$34 in 12 months, following gains in the latter half of 2016, according to a report.

[jne.ws/1oUB9ye](http://jne.ws/1oUB9ye)

### **Union Leader Urges Trudeau to Create 'One Million Climate Jobs'**

By Mychaylo Prystupa - TheTyee.ca

A serious debate over the energy jobs of the future is underway at a sustainability business conference in Vancouver, with national unions urging Prime Minister Justin Trudeau to create "1 million climate jobs" in new industries that reduce greenhouse gases.

[jne.ws/1WXsAxq](http://jne.ws/1WXsAxq)

### **Berta Cáceres, Honduran environment and human rights activist, murdered**

By Jonathan Watts - The Guardian

Berta Cáceres, the Honduran indigenous and environmental rights campaigner, has been murdered, barely a week after she was threatened for opposing a hydroelectric project.

[jne.ws/1ppk6EW](http://jne.ws/1ppk6EW)

### **The Arctic just set an ominous new record**

By Chris Mooney - The Washington Post

Two weeks ago, I wrote about how the warmth of the Arctic this year — featuring temperature departures many degrees Celsius above normal — had scientists floored.

[jne.ws/1Qo1jTp](http://jne.ws/1Qo1jTp)

## **Asia-Pacific**

### **Millions of job losses have China freaking out for a reason that would never occur to anyone in America**

Yahoo Finance

The Chinese government will lay off 5 million to 6 million workers over the next few years in an effort to free up cash at massive, indebted companies in the country. Its coal and steel sectors alone will fire 1.8 million people. Naturally, this has people within the country worried. One worry, though, provoked an outcry that forced the government to respond.

[jne.ws/1VUdatD](http://jne.ws/1VUdatD)

### **China Said to Intervene in Stocks Ahead of Annual Policy Meeting**

Bloomberg

China intervened to support its stock market on Friday, helping the benchmark index cap its best weekly gain of 2016 before policy makers meet to approve a five-year road map for the economy, according to two people with direct knowledge of the situation.

[jne.ws/1VVnOQR](http://jne.ws/1VVnOQR)

### **Forever blowing bubbles, Chinese investors pump Shanghai property**

Reuters

Frenzied property buying in Shanghai has set alarm bells ringing that a new bubble is forming, just months after China's frothy stock markets crashed, raising fears about a replay of the real estate bust that has hit the country's growth since 2012. Home prices in the city, China's biggest financial hub, climbed 3.6 percent in February from the previous month, according to a survey by CRIC, extending the 17.5 percent annual gain it recorded in January, which was seven times faster than the country as a whole.

[jne.ws/1VUfgKa](http://jne.ws/1VUfgKa)

### **China should avoid FX intervention, capital controls: ex-IMF official**

Reuters

China should not resort to capital controls or currency intervention to counter yuan depreciation, as capital outflows are merely a symptom of structural problems that need to be addressed as its economy slows, a former senior IMF official said on Friday.

[jne.ws/1VVosOh](http://jne.ws/1VVosOh)

### **Japanese monetary firepower misses the mark**

FT.com



There is no easy way to translate the phrase "shoot yourself in the foot" into Japanese. That is a pity. Six months ago the Tokyo government privatised the Japan Post Bank, a financial group with more than Y200tn (\$1.8tn) of assets, by selling Y12tn worth of shares to the public.

[jline.ws/1oUy2Gz](http://jline.ws/1oUy2Gz)

## Frontier Markets

### Is Brexit a threat to foreign direct investment?

FT.com

Among the many uncertainties surrounding the UK's possible exit from the EU is what impact it might have on foreign direct investment. Indications are that Brexit could jeopardise the UK's status as one of the world's top investment destinations.

[jline.ws/1VUeCwb](http://jline.ws/1VUeCwb)

### LSE Business Review - The deceleration of emerging markets needs to be taken seriously

LSE

The helm of global economic and finance punditocracy converged in Davos between 20 and 23 January 2016 for the annual World Economic Forum under the theme 'Mastering the Fourth Industrial Revolution'. The theme would be eclipsed by talk on the volatility roller coaster that had rocked the markets at the start of the year with 'China' being the near default buzzword. Undeniably, China's slowdown has pulled the rug under the globe's feet, jangling investors' nerves and gyrating markets. Given that China stands at a fundamental decoupling point, perhaps we are yet to see the end (and/or the worst) of shockwaves.

[jline.ws/1VVpA4A](http://jline.ws/1VVpA4A)

### Has the gloss come off the Africa rising narrative?

Moneyweb

The historic combination of favourable macro-economic conditions for Africa began to reverse in 2013, with a weakening of most commodity prices as well as the taper tantrum in the global financial markets. Over the course of last year the decline in commodity prices has continued and even accelerated, and in December, the US Federal Reserve finally announced its first increase in interest rates for nearly a decade.

[jline.ws/1VVpMAT](http://jline.ws/1VVpMAT)

### News and events — Moscow Exchange

The Board recommended that the AGM determine the distribution of 2015 profit. The Board also recommended that shareholders approve a dividend for 2015 of RUB 7.11 per share. The total recommended dividend is RUB 16.2 bln, or 58.2% of the company's IFRS net profit for 2015. The proposed dividend record date is 16 May 2016. The dividend is expected to be paid no later than 20 June 2016.

[jline.ws/1VUdLvu](http://jline.ws/1VUdLvu)

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