

The **PREYMA**



Report

The G20 and Global Capital Markets

Critical Issues and Analysis

VOL. 2, NO. 3 • JANUARY 2011

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Introduction

The New Year brought several new beginnings: the 17th member of the European Union — Estonia — and three European supervisory authorities to oversee the banking, insurance and securities sectors.

Now that the sovereign debt crisis in Europe is abating, attention has turned to managing contagion as speculation continues about whether bailouts will be needed for Portugal and Spain. Italy, Portugal and Spain held successful bond auctions with Spain also raising money through a syndicate offering. For the first time, bonds were issued by the European Financial Stability Facility (EFSF). The issuance, which raised money for Ireland's financial assistance, was nine times oversubscribed and raised €5 billion at a yield of 2.89%. Spain's finance minister Elena Salgado also reported that its savings banks would need no more than €20 billion in capital injections, although most analysts believe the number is higher. Due to the successful bond issuances, EU finance ministers feel a reduced sense of urgency to reach an agreement on whether to increase the amount of money in the bailout fund.

Fitch became the last of the rating agencies to downgrade Greece to junk status. For the first time

in almost a decade Standard & Poor's downgraded Japan's sovereign debt to AA- due to its enormous deficit and inability to implement reforms.

At the annual World Economic Forum on January 26-29, 2011, bankers and regulators met several times behind closed doors to talk openly about policies and responsibilities to the overall global economic health, which was this year's theme. Russian president Dmitry Medvedev attended briefly to show his support for his country and to reassure the world that the January 25 terrorist attack at Moscow's Domodedovo Airport would not succeed in its intended goal of keeping Russia away from the forum.

China approved banking joint ventures for JP Morgan and Morgan Stanley with local securities firms. This brings them one step closer to operating a securities business in China that would include mergers and acquisitions and initial public offerings.

Egyptian financial markets have been hit hard by the political demonstrations that erupted on January 25 calling for the resignation of President Hosni Mubarak, who assumed power in 1981.



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