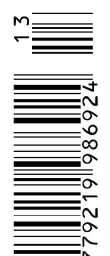
News in Depth: U.S. courts former warlords in its bid for Afghan stability



THE WALL STREET JOURNAL.

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Markets cheer U.S. bank plan

DJIA soars 6.8% after Europe rises 3.6% and Japan gains 3.4%; sigh of relief from investors

Stocks surged world-wide after the White House formally unveiled its latest plan to clean the banks' balance sheets, with a heavy emphasis on luring private investors to buy as much as $1 trillion in toxic assets that are choking U.S. credit markets.

By Peter Lattman, David Enrich and Jenny Strasburg

Europe's Dow Jones Stoxx 50 index closed up 3.6%, Japan's Nikkei Stock Average of 225 companies rose 3.4%, and in the U.S., the Dow Jones Industrial Average soared 6.8% as of 4 p.m., heading for its highest close since Feb. 13. U.S. banks rose on hopes the three-pronged plan will rid them of much of the bad debt weighing on their balance sheets. **Citigroup** and **Bank of America** each surged more than 19%. (See related articles on pages 19, 20, 24 and 30.)

Among stock investors, the reaction was as more a sigh of relief after months of waiting for the plan to come together than an overwhelming endorsement of the plan, announced Monday by Treasury Secretary Timothy Geithner. Much of the fine print is still to be spelled out and many potential participants said they would need to see details before jumping on board.

"The market was looking for anything that was more definitive from Treasury than what we had," said Bud Haslett, chief executive of Miller Tabak Capital Management. "There are still are lot of unknowns, but it is more clear."

Associated Press

President Barack Obama speaks in the Roosevelt Room of the White House in Washington on Monday. From the left are Treasury Secretary Timothy Geithner, the president, Federal Reserve Chairman Ben Bernanke and Federal Deposit Insurance Corp. Chair Sheila Bair.

The current Public-Private Investment Program calls for the government to provide financing for as much as $1 trillion in purchases of real-estate assets, using up to $100 billion of bank-rescue funds from the Treasury, as well as financial guarantees from the Federal Reserve and the Federal Deposit Insurance Corp.

Part of the rally was driven by the view that, at some point, the slew of government stimulus programs will succeed in bringing in private money and driving prices of some assets higher. Even though he views the plan as a work in progress, Thomas Barrack, chief executive of Colony Capital LLC, a Los Angeles-based distressed investor with $36 billion in assets under management, said his firm plans to participate.

"We all have to get on the train and help rather than get on the sidelines and criticize," he said. "My view is that you have to be a participant with the government and go through the agony of missteps and false starts. This program will be the precursor of something that will ultimately be successful."

The high level of populist outrage toward Wall Street makes the recruitment of private capital even more crucial for the Obama administration, because returning to Congress for more funds would be untenable in the current environment, said Stephen Myrow, a former senior Treasury official under Secretary Henry Paulson.

"The question is how to design a plan enough that's palatable to both Wall Street and Main Street," Mr. Myrow said. "Wall Street needs a subsidy to come off the sidelines, but Main Street sees any subsidy as a windfall for who they perceive as the evil doers who got us into this mess."

Still, many private fund managers said they still need to hear more specifics on exactly how the program will function, and whether clearing bank balance sheets of troubled assets will have the hoped-for effect of jump-starting lending more broadly.

Big questions include how the bank-asset auctions will

Please turn to page 30

AIG deals helped banks reduce taxes

Some of the same banks that got government-funded payouts to settle contracts with **American International Group** Inc. also turned to the insurer for help cutting their income taxes in the U.S. and Europe, according to court records and people familiar with the business.

By Jesse Drucker in New York and Carrick Mollenkamp in London

The U.S. Internal Revenue Service is challenging some of the tax deals structured by AIG Financial Products Corp., the same unit of the New York company that has caused political ire over $165 million in employee bonuses.

The company paid $61 million last year in disputed taxes stemming from the deals but sued the U.S. government last month in federal court in New York, seeking a refund, according to filings in the case.

Banks that worked with AIG on tax deals include **Crédit Agricole** SA of France, **Bank of Ireland** PLC and **Bank of America** Corp., according to AIG's lawsuit. The banks declined to comment.

In general, AIG's tax deals permitted U.S. companies and foreign banks to effectively claim credit in their home country for a single tax payment, partly through the use of an offshore AIG subsidiary. In its lawsuit against the government, the insurer said it was told by the IRS that AIG

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What's News

China called for a new international reserve currency to eventually replace the dollar, proposing a sweeping overhaul of global finance that reflects developing nations' discontent with the U.S. role in the world economy. Page 3

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- **Swiss drug company** Nycomed is looking for potential buyers in a deal that could be valued at as much as $13.57 billion. Page 19
- **The WTO is forecasting** a drop of 9% or more in global trade this year, the most pessimistic prediction in its 62-year history. WSJ.com
- **Sales of previously owned** homes rose 5.1% in the U.S. last month, as first-time buyers flooded the market. Page 2
- **Germany's economy could** shrink 6% to 7% this year as its exports fall sharply, Commerzbank forecast. Page 2
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- **BG Group gained** majority control of takeover target Pure Energy Resources. Page 7
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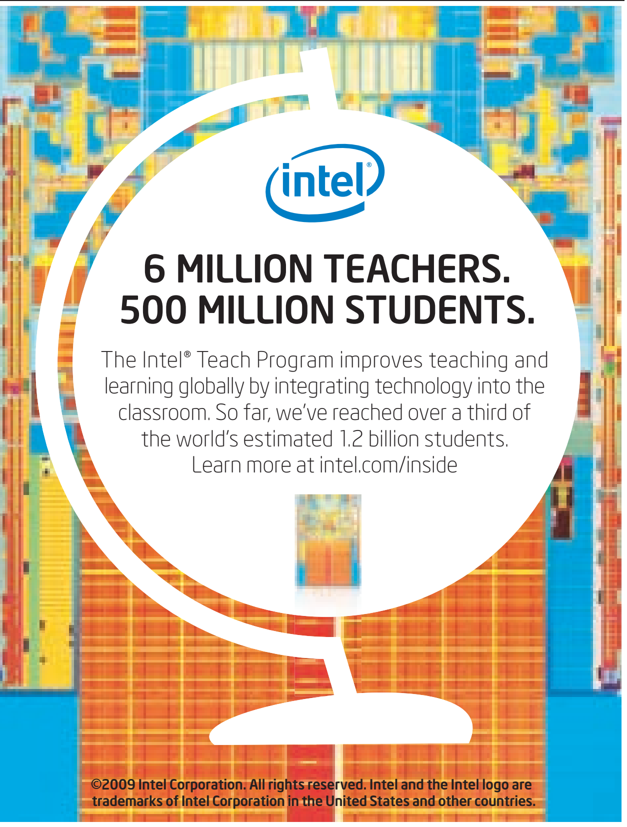
Nasdaq	1555.77	+6.76
DJ Stoxx 600	177.73	+2.98
FTSE 100	3952.81	+2.86
DAX	4176.37	+2.65
CAC 40	2869.57	+2.81
Euro	$1.3570	+0.06
Nymex crude	$53.80	+5.37



LEADING THE NEWS

German forecasts worsen

GDP will shrink 6% as exports suffer, Commerzbank says

By Marcus Walker

BERLIN—The German economy could shrink 6% to 7% this year, Commerzbank forecast on Monday. That would make the country's recession the worst in any major European economy this year.

The government's current forecast says 2009 gross domestic product will fall only 2.25%. But a deluge of gloomy data from German industry is prompting more analysts to cut their expectations, adding fuel to the debate over whether the country should adopt a more aggressive fiscal-stimulus policy.

As of last week, the median forecast among economists was for a 3.5% decline in GDP this year in Europe's largest economy. But on Monday, economists at BNP Paribas predicted a 5.4% contraction in German GDP, joining pessimists including Deutsche Bank, which forecast a decline of 5%, and German economic think tank DIW, which predicted a 4% to 5% drop.

The government isn't scheduled to update its own forecast until April 29.

Germany didn't suffer from the housing bubbles or excessive consumer debts that helped to trigger the financial crisis in the U.S. and in European countries such as the U.K. and Spain. But financial prudence couldn't protect the country from a meltdown in exports, which account for more than 40% of GDP. Germany is particularly reliant on exports of investment goods, such as machine tools, demand for which is more volatile than global demand for consumer goods.

"If the whole world were like Germany, there wouldn't be any recession," says Jörg Krämer, chief economist at Commerzbank in Frankfurt. "Germany has stable house prices and a high household savings rate, and German companies have reduced their debts in recent years."

Among the evidence that Germany is in economic free fall: Industrial output in January slid 19% from a year earlier, while exports dropped 20%. New manufacturing orders in January were down 35% from a year earlier, and orders from abroad fell even harder, by 40%.

New manufacturing orders in January were down 35% from a year earlier.

"The numbers we're seeing in German manufacturing are just mind-boggling," says Ken Wattret, European economist at BNP Paribas in London.

Japan, which also relies on exports for growth and has a large capital-goods industry, is faring even worse. In the fourth quarter of last year, Japanese GDP fell at an annualized rate of over 12%, while German GDP fell at a rate of over 8%. Commerzbank expects Japan's economy to shrink 7% this year, about the same as its forecast for Germany. By contrast, Commerzbank's Mr. Krämer says, the U.S. economy will contract by a mere 4%.

Forecasts for other European countries are generally better than for Germany. Mr. Wattret predicts France's GDP will fall 2.8% this year. The French economy is less dependent than Germany's on exports and on manufacturing. It also grew more slowly than Germany's during the upturn in recent years.

Germany's specialization in exporting capital goods could help it bounce back faster than other countries when the global economy stabilizes, many analysts believe. Industrializing countries world-wide still need to invest and modernize, and the current financial crisis has delayed, but not abolished, such plans.

"When the recession is over, emerging markets' demand for capital goods will come back rather spectacularly," says Willem Buiter, professor of political economy at the London School of Economics. "I would rather be in Germany's position, and have valuable capital goods to export, than in the position of the U.K., where there is overspecialization in financial services that nobody wants."

The next upturn isn't in sight yet, however. The labor market is starting to feel the impact now, and national elections in September could take place amid mass layoffs. That would put pressure on Chancellor Angela Merkel to push through further fiscal-stimulus measures—which thus far she has insisted are neither necessary nor desirable. Germany also has continued to rebuff U.S. calls for a bigger European stimulus effort.

Since last fall, Germany has passed a series of spending increases and tax cuts totaling some €88 billion ($120 billion), or about 3.5% of GDP. That is bigger than most other European countries' stimulus packages, but many economists say that given the severity of the downturn, it isn't enough.

"My feeling is we'll have another round of stimulus for the economy, because it will be impossible to ignore an accelerating loss of jobs," says BNP Paribas's Mr. Wattret.

A house in Stockton, Calif., is advertised for less than $80,000 earlier this month. At $165,400, the U.S. median home price is down more than a quarter from its peak.

Associated Press

U.S. housing sales jump as new buyers rush in

By Kelly Evans

First-time home buyers flooded the U.S. real-estate market last month, seizing on increased affordability and driving home sales to their biggest monthly gain in five years.

"The big complaint during the housing-market boom years was that middle-class home buyers were priced out," said Lawrence Yun, chief economist at the National Association of Realtors. "Now that prices are declining, it's giving them a chance to enter the market."

The group said its gauge of previously owned home sales, which make up about 85% to 90% of the total market, rose in February after a sharp decline in January. Sales jumped a seasonally adjusted 5.1%, the biggest one-month gain since late 2003, to a 4.7 million annual sales pace. Condominium sales were particularly strong, while sales of single-family homes rose 4.4%.

Buying activity was strongest in places such as Southern California, Las Vegas, Arizona and Florida, which have a glut of foreclosures. So-called "distressed" properties, which are typically priced about 20% below normal market prices, made up nearly half of home sales last month. That is helping to push down home prices overall. The national median home price was $165,400 last month—down more than a quarter from its peak.

Historically low mortgage rates of around 5%, which are also helping to boost affordability, are expected to stay down as the Federal Reserve continues to focus on interest rates. The Realtors' group keeps a separate index of housing affordability that jumped in January to its highest since tracking began in 1970.

Those conditions are helping to attract first-time home buyers to the market, a sign that confidence in the housing market is stabilizing. First-time buyers accounted for half of last month's home sales, based on a survey of Realtors, and activity was seen mostly in the lower price ranges.

The flood of distressed properties into the market is expected to continue through next year, which will likely keep prices low and also means rising inventories. Inventories jumped in February to 3.8 million homes available for sale, compared with 3.6 million in January, a 9.7 months' supply at the current sales pace. Inventory levels in a healthy market are usually around five to six months' supply.

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LEADING THE NEWS

China calls for new world reserve currency

Beijing plan reflects developing nations' discontent with U.S.

By Andrew Batson

BEIJING—China called for the creation of a new international reserve currency to eventually replace the dollar, proposing a sweeping overhaul of global finance that reflects developing nations' growing unhappiness with the U.S. role in the world economy.

The unusual public proposal, made by central bank governor Zhou Xiaochuan in an essay released Monday in Beijing, is part of China's increasingly assertive approach to shaping the global response to the financial crisis.

China's proposal follows a similar one by Russia made earlier this month during Group of 20 preparations. Like China, Russia also recommended that the International Monetary Fund might issue the currency, and emphasized the need to update "the obsolescent unipolar world economic order."

The leaders of China and other emerging economies such as Russia and India are making it clear they want a global economic order less dominated by the U.S. and other wealthy nations. Chinese officials are frustrated at their financial dependence on the U.S., with Premier Wen Jiabao this month publicly expressing "worries" over China's significant holdings of U.S. government bonds.

Mr. Zhou's proposal comes amid preparations for a summit of the world's industrial and developing nations, the Group of 20, in London next week. At past meetings, developed nations often have criticized China's economic and currency policies. This time, China is on the offensive.

In his paper, published in Chinese and English on the central bank's Web site, Mr. Zhou argued for reducing the dominance of a few individual currencies, such as the dollar, euro and yen, in international trade and finance. Most nations concentrate their assets in those reserve currencies, which exaggerates the size of flows and makes financial systems overall more volatile, he said. Moving to a reserve currency that belongs to no individual nation would make it easier for all nations to manage their economies better. It could also be the basis for a more equitable way of financing the IMF, he said. China is among a number of nations that have come under pressure to pony up extra cash to help the IMF.

"Nobody believes that this is the perfect solution, but by putting this on the table the Chinese have redefined the debate," said Eswar Prasad, a professor of trade policy at Cornell University and former IMF official. "It represents a very strong pushback by China on a number of fronts where they feel themselves being pushed around by the advanced countries."

The technical and political hurdles to implementing the Chinese proposal are enormous, so even if backed by other nations, the proposal is unlikely to change the dollar's role in the short term.

"The re-establishment of a new and widely accepted reserve currency with a stable valuation benchmark may take a long time," Mr. Zhou said. In remarks earlier Monday, one of Mr. Zhou's deputies, Hu Xiaolian, also said the dollar's dominant position in international trade and investment is unlikely to change soon. Ms. Hu is in charge of reserve management as the head of China's State Administration of Foreign Exchange.

Zhou Xiaochuan

A spokeswoman for the U.S. Treasury declined to comment on Mr. Zhou's views. In recent weeks, senior Obama administration officials have sought to reassure Beijing that the current U.S. spending spree is a short-term effort to restart the stalled American economy, not evidence of long-term U.S. profligacy.

Mr. Zhou's comments—coming on the heels of Mr. Wen's musings about the safety of China's dollar holdings—appear to be a warning to the U.S. that it can't expect China to finance its spending indefinitely.

The central banker's proposal clearly reflects both China's desire to hold its $1.95 trillion in reserves in something other than U.S. dollars—and how few alternatives the country now has. With more U.S. dollars continuing to pour into China from trade and investment, Beijing has no realistic option other than storing them in U.S. debt.

Mr. Zhou argued—without mentioning the dollar by name—that the loss of the dollar's de facto reserve status would also benefit the U.S. by avoiding future crises. Because other nations continued to park their money in the U.S. dollars, the argument goes, the Federal Reserve was able to pursue an irresponsible policy in recent years, keeping interest rates too low for too long and thereby helping to inflate a bubble in the housing market.

"The outbreak of the crisis and its spillover to the entire world reflected the inherent vulnerabilities and systemic risks in the existing international monetary system," Mr. Zhou said. The increasing number and intensity of financial crises suggests "the costs of such a system to the world may have exceeded its benefits."

Mr. Zhou isn't the first to make that argument. "The dollar reserve system is part of the problem," Joseph Stiglitz, the Columbia University economist, said in a speech in Shanghai last week, because it meant so much of the world's cash was funneled into the U.S. "We need a global reserve system," he said in the speech.

Mr. Zhou's idea for creating such a system is to expand use of "special drawing rights," or SDRs—a kind of synthetic currency created by the IMF in the 1960s. Its value is determined by a basket of major currencies. Originally, the SDR was intended to serve as a shared currency for international reserves, though that aspect never really got off the ground. These days, the SDR is mainly used in the IMF's accounting for its transactions with member nations. Mr. Zhou suggested countries could increase their contributions to the IMF in exchange for greater access to a pool of reserves in SDRs.

Holding more international reserves in SDRs would mean a big increase in the role and powers of the IMF. That indicates China and other developing nations aren't hostile to international financial institutions—they just want to have more of a voice in running them. China has resisted the U.S. push to make an immediate loan to the IMF because that wouldn't give China a bigger vote. Ms. Hu said Monday that China encourages the IMF to explore other fund-raising options, and would consider buying into a bond issue.

—Terence Poon in Beijing, James T. Areddy in Shanghai, and Michael Phillips in Washington contributed to this article.

Hungary's new leader will face big challenges

By Edith Balazs

BUDAPEST—Hungary's incoming prime minister will inherit an acute economic crisis, a deeply dissatisfied electorate, and mounting pressure from markets to implement painful spending cuts and economic changes within the next year.

Socialist Prime Minister Ferenc Gyurcsány unexpectedly announced this weekend that he is ready to step down to make way for a new government to steer the country out of crisis. The move adds heightened political uncertainty to the combination of an economy in deepening recession, a battered currency and a nonfunctioning government-debt market.

Relying on an International Monetary Fund-led credit line of $25.1 billion to finance its deficits, Hungary is seen by many as one of the worst-hit countries in Central and Eastern Europe, and in dire need of decisive fiscal measures.

"Given that it was more than clear that the Gyurcsány government was unable to address the pending structural issues of the budget, the fact that Gyurcsány offered to step aside is definitively not a negative development," said Gabor Ambrus, analyst at 4castweb in London. "Yet, only time will tell whether this change brings Hungary any improvement—there are too many pitfalls and no room for any mistakes."

The Fitch Ratings agency said Monday that Mr. Gyurcsány's resignation highlights the risks to Hungary's creditworthiness. Pressure on Hungary's balance of payments and currency increases the chance that Hungary's external and public debt will worsen by more than anticipated when Fitch last downgraded the sovereign ratings in November, it said.

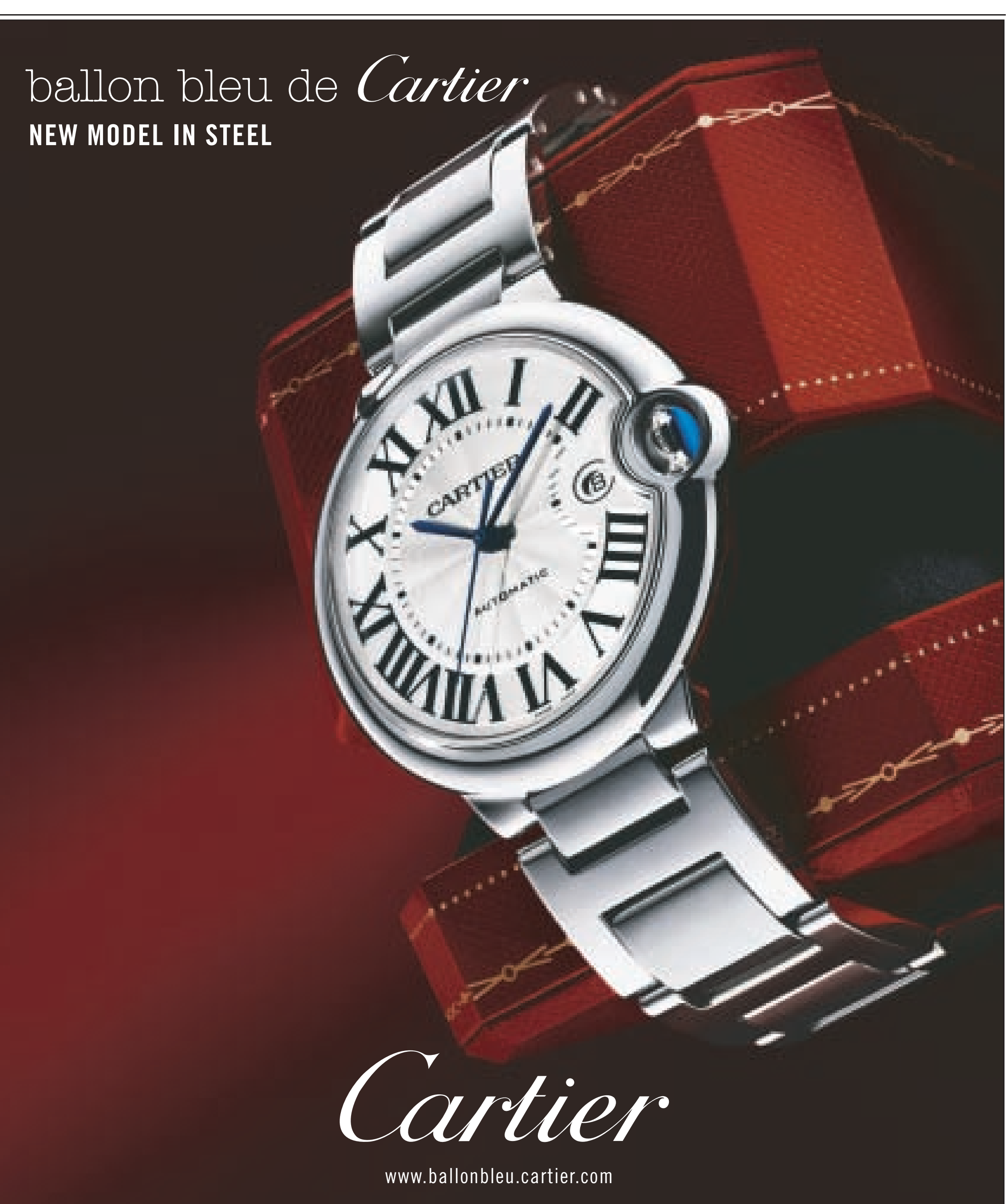
"A failure to elect a prime minister with sufficient ambition and political support to continue with the fiscal-austerity measures necessary to maintain access to international financial support would be negative for Hungary's sovereign ratings" said David Heslam, director in Fitch's sovereign team.

Mr. Gyurcsány offered to resign Saturday, saying a new government and a new premier with a wider political and social backing would be better positioned to lead Hungary out of the crisis. Although many analysts voiced doubts that Mr. Gyurcsány would actually step down, in the end the premier stressed his decision to resign was final and irreversible. He has no obvious successor.

The ruling Socialist Party is expected to name a candidate at an extraordinary Party Congress on April 5, and Parliament is to vote on the new prime minister in a no-confidence vote April 14. A simple majority in Parliament will be enough for the new prime minister to be elected.

The new government, which could come into power in the second half of April at the earliest, must address immediately this year's budget deficit by cutting spending further to keep the shortfall under the 3% of gross domestic product expected by the IMF.

Since the government's projection of a 3.5% contraction of GDP for 2009 increasingly seems overoptimistic, as Mr. Gyurcsány indicated over the weekend, further fiscal belt-tightening is unavoidable.



CORPORATE NEWS

Clarins puts on different face in U.S.

Skin-care company revamps its classic French image in a bid to gain ground against Estée Lauder, L'Oréal

BY ELLEN BYRON

Clarins Group is trying to remake its American face.

Next month, the upscale French beauty brand will begin opening spas inside department stores, eventually reaching locations across the U.S.

New products, counters and services are also in the works, and Clarins will increase its efforts to woo Hispanic women—all part of an effort to revamp Clarins's classic French image in the U.S.

In Europe, Clarins is the top-selling luxury skin-care brand. But it ranks fourth—behind **Estée Lauder** Cos.' Clinique and Estée Lauder brands and **L'Oréal** SA's Lancôme—in the U.S., where Clarins is better known for sunscreen and self-tanners than its primary specialty and biggest seller: facial products.

"We're famous in the U.S. for only a small part of our business," says Jonathan Zrihen, the Clarins U.S. president charged with retooling the brand's reputation among Americans. "I'm changing our image to be seen as the total expert in skin care, not just one part of it."

Clarins

Clarins, the top-selling luxury skin-care brand in Europe, is pushing for wider recognition in the U.S., where it ranks fourth.

Clarins plans to be more hands-on, opening treatment rooms inside department stores, including **Macy's** Inc.'s Bloomingdale's. To catch shoppers' notice, new images used at counters will portray fewer "classic French women" and more women with "makeup that's more sexy," Mr. Zrihen says.

French notions of what is sensual don't always align with American sensibilities, Clarins executives have found. New counter photos promoting Clarins "Body Lift" skin cream, for instance, were deemed too revealing, and the model's shorts were retouched to make them longer.

In September, Clarins will relaunch its Line Prevention Multi-Active skin-care products, which are popular in Europe but haven't reached the same heights in the U.S. The new formula includes a name change to Multi-Active Early Wrinkle Correction.

"I think the message about prevention didn't go over as strong in the U.S. as in Europe," Mr. Zrihen says. American consumers are "much more results-oriented in their skin-care usage than Europeans, who also look at the pleasure," he says. In the U.S., "you have to communicate the efficiency of your product, and it has to be fast and easy to use."

Clarins is also going after a particularly lucrative group of U.S. beauty shoppers: Hispanics. Over the past few years, it has hired more Spanish-speaking beauty advisers at U.S. counters and increased the product information available in Spanish. In January, Clarins retained an agency specializing in Hispanic marketing. This week, Clarins is gathering beauty editors from leading Hispanic magazines at its New York spa to tout its products.

Latino women are an important target consumer because "they grew up in a culture where you spend a lot of money on your appearance," says Candace Corlett, president of the consultancy WSL Strategic Retail. "And Clarins has the European heritage that Latino women aspire to in their beauty brands."

Clarins's new efforts come amid difficult times for prestige beauty products in the U.S., where sales fell 3% to $8.38 billion last year, according to market researcher NPD Group. Meanwhile, U.S. department stores are eager to find new ways to bring consumers into their stores. "The spa opportunity is something we're trying to go after," says Bloomingdale's Executive Vice President Francine Klein, noting that in-store treatments help increase store loyalty and the frequency of shopping trips.

But luring women to invest in high-end skin-care regimens is challenging when shoppers are cutting back, says Euromonitor International Inc. analyst Virginia Lee. Splurging on a new lipstick is an easy and inexpensive way to spruce up your look, she says, "but to convince someone to spend $80 or more on skin-care products takes a lot more education and selling."

The new Clarins department-store skin spas will offer 45-minute and 60-minute facials for $50 and $75, respectively. Clarins products generally range in price from $35 to $155.

Among other efforts to boost that business, Clarins is training its U.S. beauty advisers to offer free, 20-minute facials at counters, allowing shoppers to test skin-type-appropriate products and learn application techniques.The new consultation chairs have also gotten lots of attention. "You have to think about places where people like to have personal conversations, where they will open up," says Gene Fina, Clarins senior vice president of global design and merchandising. Americans are most comfortable talking in coffee shops and bars, he says, so chair heights will be in between the heights found there.

The desire for more personal space in the U.S. also mandates high backs on the chairs. And strong, long arms are preferred. American women tend to carry big handbags and need to hang them, Mr. Fina says.

Vodafone, Telefónica join forces

BY MICHAEL CAROLAN

LONDON—**Vodafone Group** PLC and **Telefónica** SA Monday agreed to share mobile-phone network infrastructure in several countries, in a collaboration expected to save hundreds of millions of pounds for the companies over the coming decade.

Under the agreement, the companies said they will jointly build new sites and consolidate existing ones, allowing them to roll out enhanced services more quickly and to deliver mobile broadband to a wider population. The deal covers Germany, Spain, Ireland and the U.K.

The agreement is the latest evidence of a rising tide of network-sharing and outsourcing deals, as operators take a closer look at spending as revenue growth slows.

Spain's Telefónica has been forced to lower mobile and high-speed Internet rates because of stiffer competition and regulatory pressure, and as consumers look for less-expensive alternatives.

To adjust to the new economic picture, Telefónica is scaling back capital spending to €7.5 billion ($10.18 billion) this year from €8.6 billion last year.

Vodafone, which faces similar challenges, in January warned that its full-year revenue would fall short of its forecasts and unveiled plans to cut £1 billion ($1.44 billion) in costs. Sunday, the U.K.-based company said it had frozen all salaries at its U.K. subsidiary. Last month it said it would cut 500 jobs in the country.

Telefónica Europe Chief Executive Matthew Key on Monday said that while Telefónica and Vodafone would continue to compete strongly against each other in local markets, the collaboration agreement would enable enhanced mobile coverage in more locations, using fewer mast sites.

"We are actively exploring additional areas for cooperation and, by reducing our costs in areas of the business that customers don't see, we can ensure that we invest in areas they truly value," he said.

The companies also are in talks about collaborating in the Czech Republic, Michel Combes, chief executive of Vodafone Europe, said during a conference call.

Mr. Combes said he didn't expect any competition or regulatory issues to arise from the deal.

Vodafone already has formed a joint venture with **France Télécom** SA's Orange in a move to generate savings through infrastructure. **Deutsche Telekom** AG's T-Mobile and **Hutchison Whampoa** Ltd.'s mobile operator, 3, also share infrastructure.

—Erica Herrero-Martinez contributed to this article.

Network connection

The U.K.'s Vodafone Group and Spain's Telefonica announced plans to share network equipment to cut costs and cope with competitive and regulatory pressures. Under the details of the plan they will:

- Jointly build new infrastructure to quickly expand mobile broadband services
- Share masts, antennas, sites, cabinets and power supply in the U.K. and Ireland
- Share masts, cabinets and power supply in Germany and Spain, but allow core radio network infrastructure to remain independent
- Discuss collaborating in the Czech Republic

Source: the companies

Time Warner to invest in Central European TV

BY SHIRA OVIDE

Time Warner Inc. agreed to pay $241.5 million for a 31% stake in a Central European television company controlled by cosmetics heir Ronald Lauder, giving the New York media giant a foothold for expansion in the region.

In the deal, announced Monday, Time Warner will gain significant influence in Mr. Lauder's struggling **Central European Media Enterprises** Ltd., which operates television stations in Romania, the Czech Republic, Ukraine and Bulgaria. The region's television market has been growing quickly, but suffered a serious slowdown as the economy and currencies sank.

Time Warner will also sell programming to air on stations owned by CME, and it will collaborate with CME on new television channels, which the two companies will jointly own.

The deal puts Time Warner in a strong position if it wants to buy CME down the road, said Olaf Olafsson, Time Warner's executive vice president overseeing international investments and corporate strategy.

The investment gives CME a dose of much-needed liquidity, while allowing Mr. Lauder to retain his controlling interest. Time Warner is letting Mr. Lauder, whose mother founded **Estee Lauder** Cos., to vote the company's shares for at least four years, in most cases.

A spokeswoman for CME said the company may use the money from Time Warner's investment to buy back debt. CME issued first-quarter guidance Monday that was short of expectations, and analysts say the company is close to tripping some debt covenants.

The deal is a 20% premium to the $10 closing price Friday of CME class A shares. Shares of CME rose 45% on the Nasdaq Stock Market Monday to $14.50. A year ago, CME shares were trading above $85. Time Warner shares rose 9.7% to $8.62 in a buoyant day for the U.S. stock market.

Time Warner will have two representatives on the CME board, although one of them won't have voting power. Time Warner said there's a commitment to ensure both of its board representatives have voting power next year.

Mr. Olafsson said Time Warner began discussions about a CME investment nearly a year ago. While Time Warner doesn't believe growth in the region's television market will approach the 40% rate of prior years, he said the company believes in its long term prospects. People familiar with the matter say the partnership also keeps other companies from circling CME.

—Ellen Byron and Aaron O. Patrick contributed to this article.

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FOCUS ON AUTOMOBILES

Industry's big hopes sputter for small cars

Fuel-thrifty autos pile up unsold on lots after fuel price drops

By Matthew Dolan

Last summer, when gas cost $4 a gallon, buyers snapped up small cars so fast that dealers couldn't keep them in stock. Now, with gasoline prices at about half that level, almost 500,000 fuel-thrifty models are piled up unsold around the U.S..

The turnabout comes at a bad time for the struggling U.S. car industry, which has revamped factories and shifted product plans to produce more small cars in coming years. The moves are prompted by coming stricter federal fuel-economy standards and the Obama administration's car-bailout plan, which encourages auto makers to boost their vehicles' mileage.

At the end of February, **Honda Motor** Co. had 22,191 Fits on dealer lots—enough to last 125 days at the current sales rate, according to Autodata Corp. In July, it had a nine-day supply, while the industry generally considers a supply of 55 to 60 days healthy.

For other models, the supply situation is worse. **Toyota Motor** Corp. has enough Yaris subcompacts to last 175 days. **Chrysler** LLC has a 205-day supply of the Dodge Caliber. And Chevrolet dealers have 427 days' worth of Aveo subcompacts. At the current sales rate, **General Motors** Corp. could stop making the Aveo and wouldn't run out until May 24, 2010.

"I don't think Americans really like small cars," said Beau Boeckmann, whose family's Galpin Ford in southern California is the country's largest Ford dealer. "They drive them when they think they have to, when gas prices are high. But we're big people, and we like big cars."

The logjam of small cars is caused in part by the recession, which has sapped sales of all types of vehicles. But it also underscores how badly gasoline prices have whipsawed the industry. A year ago, car companies rushed to react when Americans practically stopped buying large vehicles and flocked to hybrids and small cars.

Ford decided to convert some truck plants to make small cars. GM added an extra shift at its Lordstown, Ohio, plant that makes the Chevy Cobalt, a diminutive sedan. Import brands also pumped up their production of small models.

"There was a big overreaction on small-car production when oil prices spiked," said IHS Global Insight analyst Haig Stoddard. "And they are still feeling how wrong they were."

AutoWay Honda in Clearwater, Fla., last summer could hardly keep fuel-efficient models like the Civic sedan and Fit on the lot. "When one would come in, it'd be out the door the same day practically," said Brian Speas, the dealership's general manager.

Now, Mr. Speas is struggling to get customers to give them a look. He has a whole row of Civic hybrids that draw little interest, and a half-dozen Fits that have been sitting unsold for more than three months.

Jim Stem for The Wall Street Journal

AutoWay's Brian Speas stands next to a Honda Fit that has been on the Clearwater, Fla., lot for more than 140 days.

Yet despite the glut of small cars, many auto makers remain convinced the spike in gas prices sparked a long-term shift toward fuel-efficient models. Ford's top sales analyst, George Pipas, said that over the five months ended in February, industrywide sales of small cars totaled 718,000. That was down 28% over the same period in 2008, but small cars grew to 18.4% of the total market, up 2.1 points from the year-earlier period.

"In a period when gas prices were more than $1 lower than a year ago, small cars gained share of industry," Mr. Pipas said."Our view is we are seeing a number of social, demographic and economic factors that will drive small and midsize cars in the future," Mr. Pipas said.

For now, though, dealers have to find a way to move the fuel sippers that are gathering dust. Mr. Speas, the Honda dealer in Florida, just launched a radio campaign offering Civic hybrid leases at the same price as the model's traditional gas-engine counterpart. Last summer, the hybrid fetched a $130-a-month premium over the standard Civic.

Tata will sell minicar by lottery

By Eric Bellman

MUMBAI—**Tata Motors** Ltd. will sell the world's cheapest car through a lottery, as production in India gears up for anticipated demand at home and overseas.

Executives at Tata Motors, India's largest automobile company, said they would start accepting order forms and deposits next month for the snub-nosed Nano. From the millions of orders expected, it will use a computer to randomly choose who in India gets the first 100,000 cars. Beginning at around 100,000 rupees, or about $2,000, the Nano is the cheapest mass-produced car in the world. Extras like air conditioning and power windows, among other things, can raise the price to about $3,700.

In the weeks ahead, Tata will send hundreds of minicars for customers to view and test drive in Indian showrooms. The first deliveries to lottery winning-customers will start in July, executives said Monday at the launch of a vehicle the company has called a "people's car."

Associated Press

Tata expects to start delivering the Nano to customers in India in July.

"We are at the gates of offering a new form of transport to the people of India and later I hope to the other people of the world," Tata Motors Chairman Ratan Tata told a news conference Monday.

Mr. Tata said the company's engineers were already developing a U.S. version of the Nano. But that version, which must pass stricter safety requirements, won't be ready for another two and a half years. A European version is expected in 2011, he said. The current global slowdown has convinced the company there is a market for a cheap car even in rich countries.

"The present economic situation makes [the Nano] more relevant for the buying public," in India as well as Europe and the U.S., Mr. Tata said.

The Indian version of the 623cc vehicle aims at a customer who prefers economy over engine power. The Nano has a maximum speed of only 107 kilometers an hour. It advertises gasoline mileage of 23.6 kilometers a liter.

With profit margins possibly as low as 5%, analysts say, the project could take years to turn a profit.

Ravi Kant, Tata Motors' managing director, said that the total cost of developing the car was around $400 million and that in the long run he expects it to be a profitable, high-volume business. Tata will start producing less than 5,000 units a month in its factory in the northern state of Uttarakhand. Its new plant in Gujarat is expected to start production by early next year with an annual capacity of 250,000 units, which can be expanded to 500,000 units, Mr. Kant said.

In October Tata Motors was forced to shift production of the car to the western state of Gujarat from its nearly completed facility in the eastern state of West Bengal after sometimes violent opposition from dispossessed farmers who demanded a return of their land.

In December Tata Motor's new share sale met with cold response from the markets. Meanwhile, it is unclear how the company will get the $2 billion it needs in June to pay off the bridge loan it took to buy the Jaguar and Land Rover brands last year.

The Nano project has captured consumers' attention, but analysts say the the slump in sales of Jaguar and Land Rover cars and the debt issue are more important to Tata Motors. "Jaguar Land Rover and the debt are what is key for the stock," said Abhishek Singhal, analyst at Macquarie Research in Mumbai. "The uncertainty regarding these is still tremendous."

Marketplace

Pilot programs

Airlines no longer fly blind when it comes to tracking customer data > **Page 29**

Valeo appoints new CEO after Morin steps down

By Geraldine Amiel

PARIS—French auto-parts maker **Valeo** SA Monday announced that its chairman and chief executive, Thierry Morin, stepped down, a move that comes after a long-running dispute with key board members and shareholders over strategy.

Valeo used the opportunity to split the roles of chairman and chief executive, which Mr. Morin had resisted.

Jacques Aschenbroich, 54 years old, former deputy chief executive and president of the glass division at French building-materials company Cie. de **Saint-Gobain** SA, succeeds Mr. Morin, 56, as CEO, the company said. Mr. Morin had been at Valeo since 1989 and chief executive since 2001.

Valeo named Pascal Colombani, 63, senior adviser at consultancy A.T. Kearney, as acting chairman.

Messrs. Morin, Aschenbroich and Colombani couldn't be reached for comment. Valeo said a decision on the executive changes had been reached at a board meeting Friday.

People familiar with the matter said some board members disagreed with Mr. Morin's expansion plans and wanted the company to refocus on its core business. Valeo posted a 2008 loss of €207 million ($280.8 million) and said it expects to remain in the red at the operating level in the first half of this year.

Mr. Morin's leadership had come under intense scrutiny in recent months. He had been at odds with Valeo's largest shareholder, U.S.-based investment fund **Pardus Capital Management** LP. He also had been criticized for the slow pace of asset sales and for his salary.

Pardus, which holds a 19.75% stake in Valeo's capital and 18.99% of the voting rights, is also the biggest shareholder in one of Valeo's U.S. competitors, **Visteon** Corp., and has said that a merger of the two companies would make sense.

Mr. Morin and Pardus appeared to reach a truce in May when Pardus agreed that it wouldn't seek management positions in any company with activities similar to or in competition with Valeo, and, in particular, in Visteon and fellow U.S. auto-parts maker **Delphi** Corp.

Pardus declined to comment Monday.

A person close to Valeo said Mr. Morin had been criticized for taking too long to sell off operations. The company had pledged last year to sell €2 billion in assets and so far has sold only half that amount.

In December, Valeo announced a 10% cut in its global work force. And after some resistance, Mr. Morin, under pressure from the board and amid public outcry, accepted a reduction in his salary to around €1.1 million a year from €1.5 million in 2007.

Mr. Aschenbroich left Saint-Gobain in December, taking responsibility after the company was fined €896 million by the European Commission for cartel practices in the automotive-glass sector.

—Nathalie Boschat contributed to this article.

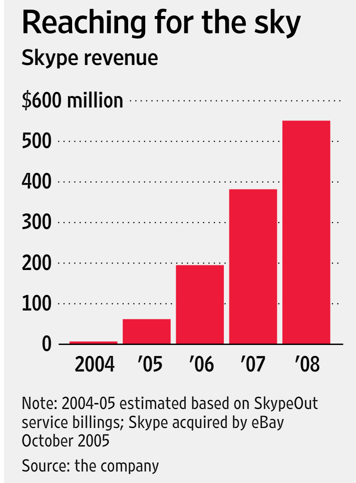
Skype looks to ring up business customers

Internet-phone unit of eBay starts test of corporate software

BY GEOFFREY A. FOWLER

EBay Inc.'s Skype Internet-phone unit, on the hunt for new sources of revenue, is making a push into the corporate market.

On Monday, Skype announced a version of its Internet-calling software that connects to corporate phone systems. The new software is expected to allow employees to make domestic and international calls using regular office telephones, instead of a headset plugged into a personal computer. Initially, the company will charge about 2.1 cents a minute for calls to cellphones and fixed lines, but calls from computers to phone systems using the Skype software will be free, similar to what it now charges for its consumer service.



Note: 2004-05 estimated based on SkypeOut service billings; Skype acquired by eBay October 2005

Source: the company

The company is known for allowing users to make free voice and video calls between computers, using a technology called VOIP, for voice over Internet protocol. Though the majority of users are consumers, the company says about 35% of its customers use the service for business purposes.

Now the company is hoping to appeal more directly to small and midsize businesses, which may be particularly receptive to lowering their phone bills during the recession. "Businesses want more than what we have been able to offer so far," said Stefan Oberg, Skype's general manager for business.

Its new product is called Skype for SIP. The acronym stands for Session Initiation Protocol, a technology used by many business-phone networks. Skype planned to begin a test with a limited number of companies Monday, with the service available commercially later this year. The company is also planning to start a program to certify third parties to sell and service Skype offerings for businesses but didn't offer further details.

Skype's announcement comes as eBay—which bought Skype for $2.6 billion in cash and stock in 2005—faces pressure from investors to make more money from Skype or sell it. The company brought in $550 million in revenue last year, mostly from services such as paid calls to regular phone lines and voice mail.

Its new effort faces plenty of competition in what some analysts estimate is a $200 billion business-communications market. Traditional phone companies have many offerings for businesses. Rivals include **Microsoft** Corp., which offers software that connects phone calls to its Office suite. **Google** Inc. this month unveiled a version of software that lets users link multiple phones to a single phone number and access voice-mail messages online.

Skype argues that its 405 million users world-wide give it a leg up in the business market.

Gartner analyst Lawrence Orans warns that mitigating potential security risks posed by the software, since it involves the Internet and often requires software updates, "involves operational and support costs." Skype says that its software is secure and has developed tools to make sure all the computers at a company are using the same version of its program.

BG Group takes majority control of Pure Energy

BY ALEX WILSON

MELBOURNE—**BG Group** PLC said Monday it has majority control of its takeover target **Pure Energy Resources** Ltd., raising its stake to 70% and extending the period of its offer.

The U.K. oil-and-gas company outbid **Arrow Energy** Ltd. to win control of the coal-seam gas producer with an all-cash offer of 1.03 billion Australian dollars (US$706.5 million) pitched at A$8.25 a share.

BG said that as a result of it becoming a majority shareholder, its offer period has automatically been extended to April 6. In a previous bid, BG had offered A$8 cash for each Pure share. Its A$8.25-a-share offer is conditional on it acquiring 90% of Pure, so shareholders are guaranteed at least A$8 a share.

Rival bidder Arrow Energy, which is **Royal Dutch Shell**'s Australian joint-venture partner, holds about 20% of Pure and hasn't said whether it will sell its stake into BG's bid.

BG became the firm favorite to take control of Pure early in March when Shell said it would surrender its 11% stake in Pure into BG's A$8.25-a-share bid.

BG is planning to build one of five liquefied-natural-gas processing plants at Gladstone in Queensland state.

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CORPORATE NEWS

FedEx plane crashes in Tokyo

Fatal accident renews questions over safety of MD-11 aircraft

By Andy Pasztor
And John Murphy

A **FedEx** Corp. cargo plane slammed into the runway and burst into flames Monday morning while landing at Tokyo's main international airport, killing the American pilot and co-pilot and raising new questions about the safety of the MD-11, a popular cargo plane built by McDonnell Douglas.

Aviation experts believe wind shear or perhaps high winds may have been to blame for the crash.

The MD-11, a wide-body airliner built by **Boeing** Co.'s McDonnell Douglas and based on the DC-10, is infamous in aviation circles for being hard to control in high winds such as those reported at the time of Monday's crash.

Police officials said FedEx Flight 80, which had taken off from Guangzhou in southern China, burst into flames as it touched down at Narita International Airport just before 7 a.m. Video footage showed the plane's rear wheels hitting the tarmac before the aircraft became airborne briefly and then slammed nose-first into the runway and rolled onto its left wing. The 1980s-era jet immediately exploded into flames and skidded at high speed while spewing black smoke, before sliding to a halt off the side of the runway.

Associated Press

Wreckage of a FedEx cargo plane lays on the ground at New Tokyo International Airport. The crash Monday killed the pilot and co-pilot.

Firefighters and rescuers quickly swarmed the MD-11 plane, but the two-man crew couldn't be saved. The Associated Press identified the pilot as Kevin Kyle Mosley, 54, from Hillsboro, Ore., and the co-pilot as Anthony Stephen Pino, 49, from San Antonio, Texas.

Initial media accounts said that weather reports indicated winds were blowing about 65 kilometers an hour, and that airlines had been warned about a risk of wind shear at the time of the accident.

Aviation-safety experts in the U.S. said the MD-11's long history of problematic, highly sensitive flight-control systems was bound to be one of the major issues examined by crash investigators.

FedEx and other carriers around the world experienced a string of accidents and incidents over the years attributed to the MD-11's particular flight-control software. Nearly a decade ago, the U.S. Federal Aviation Administration was worried enough about the issue to prod the plane's manufacturer to redesign such control systems to reduce the chances of sudden nose-up or nose-down maneuvers. Afterward, FedEx and other operators said the changes significantly enhanced safety by making the plane easier to control, particularly just before landings.

With the twisted wreckage still smoldering hours after firefighters doused the intense fire, U.S. and Japanese crash investigators began the task of finding out why the cockpit crew of the three-engine jet apparently lost control on landing.

Among the issues investigators are expected to delve into are the speed of the landing and what commands the pilots executed as the nose initially dropped and then pointed downward again before impact. MD-11 pilots over the years reported that the plane's flight-control systems tend to exaggerate cockpit commands to vertically change the orientation of the nose.

U.S. and most international carriers phased out MD-11s from passenger operations partly because of their high fuel consumption. But some carriers, including Delta Air Lines Inc., became disenchanted with the plane's handling.

After the MD-11 had some software and other modifications, FedEx and other cargo carriers have come to depend heavily on the aircraft.

Before Monday's crash, FedEx had never lost one of its pilots in a crash, spokesman Maury Lane said. In the past, pilots carrying FedEx freight for subcontracting airlines have been killed. The company employs about 4,700 pilots. The downed plane was carrying 45,897 kilograms of freight.

—Akane Ichikawa and Alex Roth contributed to this article.

For Asia's ad industry, politics offers a lift

By Tom Wright
And Yayu Yuniar

Spending on political campaigns in the run-up to elections in several Asian nations this year is expected to boost the region's advertising industry, even as the global economic slump saps other ad revenues.

ADVERTISING

India and Indonesia, two of the world's largest democracies, are holding elections in 2009. By contrast with the U.S. and Europe, ad spending in both countries is expected to grow,helped by election-related business. Even in Asian nations suffering big falloffs in other types of ad spending, such as Japan, elections offer a rare bright spot.

In Indonesia, spending on political ads has jumped in recent years as politicians woo an increasingly sophisticated electorate. Government and political party ad spending hit 2.2 trillion rupiah ($187 million) in 2008, according to Nielsen, as parties contested a series of local elections. That was up roughly two-thirds from the year before. Such spending is expected to jump again in 2009 ahead of legislative elections in April and presidential polls in July, Nielsen says.

Indian parties paid for 1.6 million seconds of TV ad time in 2008, up 30% from a year earlier, according to India's Tam Media Research. And general elections in April and May are likely to provide a further boost.

The jump in Asian political-ad outlays offers an opportunity for big multinational agencies, but not one they are always willing to take. JWT, a unit of Dublin-based **WPP**, is creating an ad campaign for India's Congress party, which leads the country's governing coalition. It's the first time JWT has worked on an Indian election campaign, says Rohit Ohri, managing partner at JWT India. "Congress has a very professional approach to managing the campaign," he said. "This is what convinced us to venture in to political campaigning."

Other foreign ad agencies in the region are still giving politics a wide berth, wary of being seen as siding with one party. "Our stand is rather politically neutral," says Joseph Tan, an adviser in Indonesia to Lowe Worldwide, a unit of the New York-based **Interpublic Group**. "It's about principle, and it's not all about money."

A spokeswoman for Paris-based ad holding company **Publicis Groupe** SA said it was against corporate policy to undertake political advertising.

Japan's ad spending contracted 4.7% last year, according to Tokyo-based ad giant **Dentsu**. But analysts expect a smaller decline in 2009, with some support coming from ad spending ahead of legislative elections that must be held by September.

India's ad spending is set to grow a modest 2% this year to $4.1 billion, according to a recent report by Indian media firm Madison World. Without election-related spending, the forecast for 2009 would have been even weaker, the report said.

Ipang Wahid, a prominent TV-ad director in Indonesia, says that country's parties have to spend heavily on ads in what is a crowded election field. "We are talking about 30% undecided voters out there. They have to grab their attention," he says.

Mr. Wahid's largest client, the Prosperous Justice Party is an Islamist party that did well in the 2004 elections but has been slipping in the polls as voters turn away from religious-based groups. To appeal to mainstream voters, Mr. Wahid has cast young people speaking slang in some of his ads, aiming for the feel of "a hip and cool MTV spot." One ad features a young woman wearing a Muslim headdress and trendy clothes, surrounded by people from all over Indonesia, including Papuan tribes.

The Democrat Party of President Susilo Bambang Yudhoyono, the front-runner ahead of the July presidential vote—has snapped up billboards across Jakarta, the capital. Mr. Yudhoyono, popular due to falling fuel prices and an anticorruption drive, has positioned himself through advertising as a defender of Indonesia's secular traditions.

THE WALL STREET JOURNAL.
EUROPE

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Czech flag carrier attracts four bids

By Leos Rousek

PRAGUE—Four bidders, including three airlines, have submitted bids for state-owned Czech flagship carrier Ceske Aerolinie AS, or CSA Czech Airlines, the Czech Finance Ministry said Monday.

Air France-KLM SA, Russian airline OJSC **Aeroflot** and a Czech privately held consortium including the country's major charter airline have submitted bids at the tender. The fourth bid is from Odien AV III AS, a private-equity fund of Odien Group, a financial firm active in the region.

The Czech state expects to get some $270 million for a 91.5% stake in Czech Airlines, a member of the Air France-KLM-led Sky Team alliance.

The winning bidder will be required to maintain the Czech carrier's national-airline status and keep its base at Prague Ruzyne international airport. No bidder released any financial details of their offers.

The government plans to complete the sale by September and a short list of bidders should be announced by the summer, said a spokesman for the Czech Finance Ministry, which oversees the sale.

Before then, a government-appointed state-safety committee will check whether "any of bidders is directly or indirectly owned by state-owned entities of countries whose foreign and internal policies pose security risks for the Czech Republic," the ministry said.

GLOBAL BUSINESS BRIEFS

Daily Mail & General Trust PLC

More jobs to be eliminated amid declining ad revenue

Daily Mail & General Trust PLC announced further job cuts and said it expects advertising revenue at its Associated Newspapers Ltd. subsidiary, the publisher of the Daily Mail tabloid, to fall 24% in its fiscal second quarter. At its regional-newspaper division, Northcliffe Media, ad revenue is likely to be down 37% for the three months ending March 31, the company said Monday. In light of this downturn, Daily Mail & General Trust said it would make further "substantial cost reductions" and now expects about 1,000 staff to go at Northcliffe Media, doubling its previous job-cut target. The job cuts represent about 20% of Northcliffe's work force at the start of the year.

AkzoNobel NV

The European Commission said it has sent a charge sheet of alleged antitrust violations to a number of companies involved in the manufacture of heat stabilizers. The companies are suspected of being involved in a cartel, the European Union's executive arm said, but it didn't name the companies. Dutch chemicals company **AkzoNobel** NV said it had received charges from the EU. These relate to activities at its former heat-stabilizers business before 2001, it said, adding that it is analyzing the statement and will prepare its defense. Heat stabilizers are additives used in plastics and PVC manufacturing that help products withstand heat exposure.

Ranbaxy Laboratories Ltd.

Ranbaxy Laboratories Ltd. said the manufacturing practice at its Paonta Sahib plant has been approved by drug regulatory authorities in the U.K. and Australia. The announcement eased concerns that more countries would adopt U.S. restrictions on products made at the plant. Monday, the company's shares jumped 11%. Ranbaxy, majority-owned by **Daiichi Sankyo** Co. of Japan, was banned by the U.S. Food and Drug Administration from importing more than 30 generic drugs into the U.S. in September. The FDA found manufacturing violations at two company plants in India, including Paonta Sahib. The approval by the U.K. regulatory agency extends to the European Union as well, Ranbaxy said.

Holcim Ltd.

Swiss cement maker **Holcim** Ltd. said Monday it has gone to court over the failure of Venezuela's government to compensate it for nationalizing its plants in the country last year. Holcim said it has taken the matter to the International Center for the Settlement of Investment Disputes in Washington. It now aims to get the equivalent of the fair-market value of all assets at the time of the nationalization, an amount it said is substantially greater than the original compensation of $550 million the Venezuelan government agreed on. The company didn't specify the amount it seeks. The conflict started in 2008, when Venezuela nationalized its cement industry.

—Compiled from staff and wire service reports.

U.S. message to Iran takes a new tack

In a break from past strategies, Obama reaches out to government leaders, citizens and America's allies

BY GERALD F. SEIB

When U.S. President Barack Obama sent a video message to Iran marking the Persian New Year last week, it ran to just 556 words. But that message spoke volumes about the strategy that lies behind his oft-repeated pledge to reach out to Tehran.

The odds of success here may not be great—the quick dismissal of the overture by Iran's supreme clerical leader, Ayatollah Ali Khamenei, underscored that—but the overture will be far more than a simple repeat of past American attempts at outreach to Iran. The audience Mr. Obama is seeking to reach, the aim of the outreach, the content of his message and the plans for a follow-up all will be different from past approaches spanning administrations of both parties.

CAPITAL JOURNAL

Consider these differences in turn:

■ **Audience.** When the Bush administration reached out to Iran, it sought consciously to go around its leaders and speak directly to the Iranian people, hoping to drive a wedge between the two.

Mr. Obama's message, delivered via the Internet, was consciously aimed at government leaders as well as the Iranian people. At the outset he said: "I would like to speak directly to the people and leaders of the Islamic Republic of Iran."

Later, he was even more explicit: "So in this season of new beginnings I would like to speak clearly to Iran's leaders. We have serious differences that have grown over time. My administration is now committed to diplomacy that addresses the full range of issues before us, and to pursuing constructive ties among the United States, Iran and the international community."

Beyond Iran's people and leaders, there was another audience: America's allies. The Obama administration knows that if it wants their help later in cracking down on Iran, it will get more cooperation if it has demonstrated first that it genuinely tried diplomacy.

■ **Aims.** Because the president was talking to Iran's leaders, he was effectively saying the U.S. recognizes their legitimacy and isn't overtly seeking a regime change.

In the past, American messages have been fairly obviously designed to say to the Iranian people: "We admire you, but we can't deal with your leaders. Get rid of those guys and we can do business."

This time, the message didn't even overtly try to influence the outcome of Iran's elections in June, when the future of bombastic President Mahmoud Ahmadinejad will be decided. Certainly the administration would be happy if a reasonable message prompted Iranian voters to produce more reasonable leaders. But the long search for Iranian "moderates" has proved so futile that the administration is prepared to deal with what it gets, not what it wishes it had.

■ **Content.** The message was designed to give the Iranians what they always complain they don't get: respect. Twice Mr. Obama referred to Iran by the title its leaders use, the Islamic Republic of Iran.

In the past, the U.S. has avoided that title, because using it would grant legitimacy to the country's clerical regime. Mr. Obama is turning that approach on its head, saying essentially that legitimacy, now recognized, comes with obligations.

Iran, Mr. Obama said, should "take its rightful place in the community of nations." But that position "comes with real responsibilities, and that place cannot be reached through terror or arms."

Associated Press (top); Reuters/The White House

An Iranian woman, at top, watches President Obama's videotaped message, above. The message Friday coincided with the Persian holiday signaling the start of spring.

■ **Follow-up.** It isn't definite yet, but the administration is considering following the president's public overture with a private message directed not to Iran's civilian leader, Mr. Ahmadinejad, but to its clerical leader, Ayatollah Khamenei.

That would illustrate what figures to be another hallmark of Obama diplomacy toward Iran: recognizing where the real power in Iran lies and going there.

Obviously, the principal goal of any outreach, however structured, is to stop Iran's nuclear program. America's friends in Israel fear time is running out for that, because Iran within a year will have accumulated enough low-enriched uranium to provide the material for a nuclear weapon. American leaders think the difficulty of further enriching that uranium and turning it into a weapon gives diplomacy and pressure more time.

The deeper question is whether outreach has any real chance to make a difference. Privately, senior administration officials harbor real doubts. Ayatollah Khamenei's blustery response to Mr. Obama's message, which demanded actions rather than words from the U.S., may have been a simple rejection, though it also may have been a sign that the bargaining is beginning.

If there is hope, it may lie in an observation offered by former national-security adviser Zbigniew Brzezinski before the Senate Foreign Relations Committee earlier this month. Mr. Brzezinski noted that there is a significant difference between North Korea, which loudly proclaims its intention and its right to develop nuclear weapons, and Iran, which just as loudly proclaims that it doesn't want or need nuclear weapons, and that its religion actually forbids them. Whether those words are credible or not, Mr. Brzezinski said, they offer the U.S. an opening for negotiation.

That may be what the Obama team calculates. If the very Islamic nature of Iran is supposed to bar it from developing nuclear weapons, acknowledge that Islamic nature—and then use it to call Iran on its claims. Oh, and meanwhile, seize the moral high ground in case that doesn't work.

Geithner aides worked with AIG for months on bonuses

BY MICHAEL M. PHILLIPS AND SUDEEP REDDY

WASHINGTON—Since the fall, senior aides to Timothy Geithner have closely dealt with **American International Group** Inc. on compensation issues including bonuses, both from his time as president of the Federal Reserve Bank of New York and as U.S. Treasury secretary.

The extent of their involvement, which wasn't widely known, raises fresh questions about whether Mr. Geithner could have known earlier about AIG's $165 million in bonus payments. When the bonuses sparked a political firestorm last week, Mr. Geithner said he learned about their full scope in early March, just days before they were paid.

Mr. Geithner and Federal Reserve Chairman Ben Bernanke will be grilled by Congress on Tuesday in a hearing that is likely to focus heavily on AIG. The flap has prompted lawmakers to seek curbs on an array of bonuses, tested the Obama administration and undermined Mr. Geithner's standing as he attempts to implement measures to stabilize the financial system.

Treasury officials say the department's staff kept Mr. Geithner in the dark until March 10. "Secretary Geithner, who has been actively engaged in shaping and executing the president's broad economic agenda, takes full responsibility for not being aware of these programs" before that date, Treasury spokesman Isaac Baker said Sunday in a written response to questions.

This account of how Mr. Geithner and his aides were apprised of the AIG bonuses was based on interviews with government officials, lawmakers and congressional testimony.

As New York Fed president, Mr. Geithner was central to AIG's initial $85 billion bailout in September.

After Edward Liddy took over as AIG chief executive, the company hired consultants to look at its payment plans around the world. One of Mr. Geithner's top bank supervisors at the New York Fed, Sarah Dahlgren, became the government's lead overseer of AIG. She sat in on AIG board meetings, joined at times by other top Fed staffers, and also participated in compensation-committee meetings. It isn't clear whether the issue rose to the board level until this month.

AIG received an expanded government rescue in early October and another in November, bringing the total to about $150 billion, including $40 billion in Treasury funds.

In November, the Fed, outside auditor Ernst & Young and AIG officials began examining through a committee the bonuses set to be paid to AIG's financial-products division, including those that sparked last week's furor. The committee concluded that the bonuses, which were in contracts signed before the government takeover, couldn't be legally blocked, according to a person familiar with the matter. The Obama administration has since agreed with that legal interpretation.

AIG cited the retention plan in a public filing in early November, and Fed officials were aware AIG planned to pay $55 million in bonuses to financial-products employees the next month. Mr. Geithner remained involved in major AIG matters, seeking updates from Ms. Dahlgren and other top Fed staffers. He recused himself from dealing with aid to specific companies around the time of his Nov. 24 nomination as Treasury secretary.

Fed officials declined to make Ms. Dahlgren available to comment on the bonus issue.

Lawmakers were also scrutinizing AIG's operations. Some raised the matter of the AIG bonuses at a hearing in December where they grilled Neel Kashkari, a Bush Treasury official who remains at the department.

In late January, news outlets reported that AIG planned a total of $450 million in bonuses to help retain employees winding down the complex trades in the unit at the heart of the company's collapse. In the weeks that followed, Mr. Liddy and other AIG officials briefed some lawmakers about the retention payments and other aspects of the AIG rescue.

On Feb. 28, as government officials worked on a fourth AIG bailout, the New York Federal Reserve Bank emailed Stephen Albrecht, a Treasury lawyer, laying out the AIG bonus issues and promising further detail, according to two people familiar with the email. Mr. Albrecht didn't return a call seeking comment.

It was an intense weekend, as Treasury and Fed officials frantically prepared to close the AIG deal. "When we heard there was this executive compensation thing floating out there, we thought, 'We'll deal with this later,' " said one Treasury official.

On March 2, AIG announced both record losses and $30 billion in fresh Treasury aid.

The following day, Mr. Geithner appeared at a hearing of the House Ways and Means Committee. Rep. Joseph Crowley, a New York Democrat, asked the secretary about more than $160 million in bonuses that AIG would be paying to financial-products employees "in the coming weeks."

Treasury officials say the AIG problem didn't register with Mr. Geithner at the hearing amid the other issues he faced. Mr. Baker, the Treasury spokesman, acknowledged that information about the financial-products bonuses was "in the public arena…for many months." But, he said, it wasn't until March 10—five days before the big batch of retention payments were due—that department staff spelled out the situation for the secretary.

The following day, March 11, Mr. Geithner, alert to the potential political fallout, called Mr. Liddy to protest the bonus payouts. At a congressional hearing last week, Mr. Liddy described the call as "open and frank."

According to Mr. Liddy's sworn testimony from that hearing, Mr. Geithner indicated on the call that he had learned about the bonus "situation about a week" earlier.

A Treasury spokeswoman said Mr. Liddy was "wrong." An AIG spokeswoman said the CEO was passing on his impression from the conversation. "If that impression was incorrect, he certainly defers to the Treasury secretary," she said.

—Liam Pleven, Matthew Karnitschnig and Laura Meckler contributed to this article.

ECONOMY & POLITICS

Fed pumps money in—and looks for way out

Central bank ponders exit strategy for when U.S. economy recovers

By Sudeep Reddy

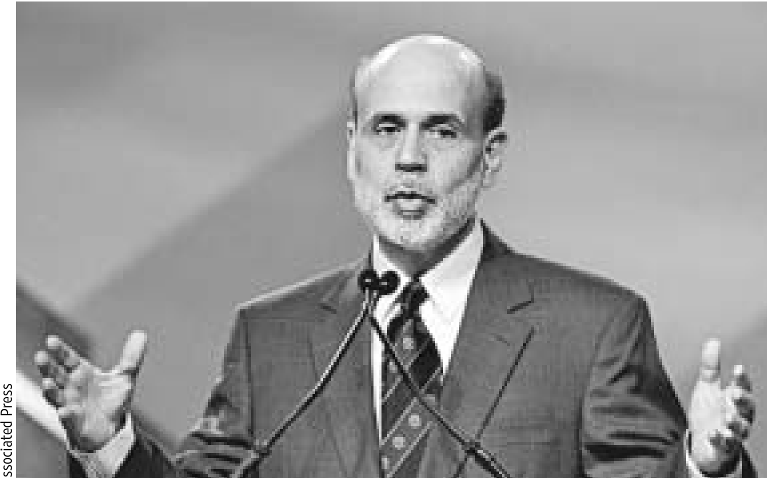
The Federal Reserve, aiming to pull the U.S. out of its recession, is in the early stages of pumping money into the economy. But the central bank is increasingly being forced to confront what happens at the end stages, when it must unwind its programs as the economy recovers.

The Fed last week announced it would pump up to $1.15 trillion more into the financial system by buying Treasury bonds and expanding its purchases of mortgage debt. But the huge injections of money into the economy, if left in place, threatens to spur a bout of inflation as spending picks up and unemployment falls.

Fed Chairman Ben Bernanke told community bankers in Phoenix Friday that the central bank's support would "taper off" once the economy and housing market recover.

"We are very much aware that we don't want to be in the credit markets forever," he said. "We need to help them now, but we want to have an exit strategy, and allow those markets to recover and become again fully private sector."

Part of the Fed's exit should take care of itself by design. More than $1 trillion of the central bank's loans are for three months or less, such as liquidity programs and currency swaps with other central banks. The Fed also established rates for many programs that wouldn't be attractive to markets in normal times, forcing the programs to unwind on their own. When markets pull back from the programs, that would be a signal for the Fed to shrink other elements of its balance sheet, before turning to raising interest rates from their current level near zero.


Associated Press

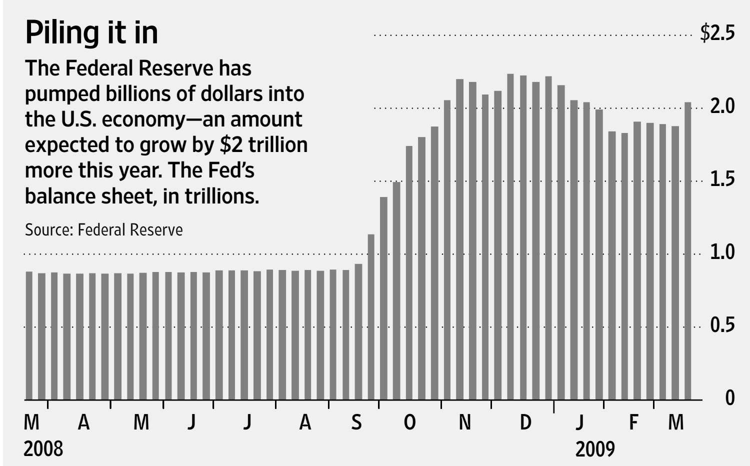
Fed Chairman Ben Bernanke said Friday at a bankers conference in Arizona that the U.S. central bank doesn't 'want to be in the credit markets forever.'

The Fed's purchase of $300 billion in longer-dated Treasurys, slated to begin this week, would be its first since the 1960s. While the government debt will be easy to unload when the time comes, it still could disrupt markets and push some borrowing costs back up more quickly.

Ending the Fed purchases of Treasurys, when the economy is recovering, "could result in the mother of all bond bear markets," said Alan Ruskin, a strategist at RBS Greenwich Capital. The result "is another example where ameliorating the extent of the downturn is paid for with a weaker eventual recovery," he said.

The central bank's other interventions, geared toward specific sectors, will prove more difficult to unwind. The Fed has committed to buying up to $1.25 trillion of mortgage-backed securities, enough to satisfy half the nation's home-loan demand this year. Selling that off, even years after an epic housing bust, would likely come against strong opposition from the real-estate industry, which wants low mortgage rates.

Among other programs, the central bank is rolling out up to $1 trillion of credit through its Term Asset-Backed Securities Loan Facility to support consumer and business lending. It also is holding assets from individual firms, such as Bear Stearns Cos. and American International Group Inc.



Each of the portfolios will have its own constituencies—in markets and governments across the country—that could pressure the Fed not to pull back too quickly, or ever. With each of those programs, the Fed faces the risk of becoming more entangled with political authorities—undermining its role in setting interest rates.

The Fed's new authority to pay interest on banks' reserves gives it a lever to raise interest rates even with an asset-packed balance sheet. But some officials still want more flexibility.

In a recent speech, Federal Reserve Bank of Philadelphia President Charles Plosser proposed eventually handing over the central bank's assets from targeted credit programs to the Treasury Department to separate itself from fiscal policy. The Fed would get liquid government securities, and officials in the Treasury and Congress would be left to make political decisions. That would allow the Fed to maintain independence in monetary policy as it raises rates.

In an interview this month, Mr. Plosser said he hopes the Fed could outline the conditions under which it would shrink its balance sheet to promote transparency to markets. "What that does is it reduces uncertainty for the markets to speculate as to when we'll intervene or when we'll pull back," he said.

But planning too far ahead can carry risks. During its 1990s turmoil, Japan moved too quickly to prevent a resurgence of inflation—even though the economy remained weak. That forced officials to backtrack several times, pushing monetary and fiscal stimulus soon after they had tried to pull it back.

"The Japanese record is marked by several false starts," said Vincent Reinhart, a former top Fed staffer now at the American Enterprise Institute. "That's the risk if you talk too much about exit strategy—you could create the event where markets test you and you wind up removing policy accommodation prematurely."

Obama has doubts about bonus tax

By Laura Meckler

WASHINGTON—U.S. President Barack Obama expressed doubt about the constitutionality of a House bill that would impose heavy new taxes on certain Wall Street bonuses, clouding the measure's future.

His comments came in a wide-ranging interview on the CBS program "60 Minutes." The president also advised people on Wall Street who are upset about limits on executive compensation to "spend a little time outside New York" where people "would be thrilled to be making $75,000 a year—without a bonus."

Responding to growing voter anger over bonuses paid out at **American International Group** Inc., the House overwhelmingly passed legislation last week that would impose a bonus surtax of 90% on workers earning more than $250,000 annually at large firms receiving federal bailout money. The Senate is expected to consider a similar measure that would impose a 35% excise tax on a broader group of workers.

Neither the president nor his aides have said whether Mr. Obama would sign either bill.

Asked about the constitutionality of the House bill, Mr. Obama, a former constitutional-law professor, said on "60 Minutes" that he has concerns.

"As a general proposition, you don't want to be passing laws that are just targeting a handful of individuals. You want to pass laws that have some broad applicability," he said in an interview broadcast Sunday. "And as a general proposition, I think you certainly don't want to use the tax code...to punish people."

Associated Press

Steve Kroft of CBS's '60 Minutes' interviews U.S. President Barack Obama on Friday. The president said he thinks the financial sector is 'out of balance.'

He said he hoped to find a way to address the AIG situation, which he called "pretty egregious," in a way that is constitutional and that upholds basic principles of fairness but that doesn't hamper the government from "getting the banking system back on track."

AIG's financial-products unit has acknowledged paying out $165 million in bonuses in March; the firm has received $182 billion in federal bailout money.

In the interview, as he has on the stump, the president said he believes in the private market but said the financial sector is "out of balance."

"You look at how finance used to operate just 20 years ago, or 25 years ago," he said. "If you went into investment banking, you were making 20 times what a teacher made. You weren't making 200 times what a teacher made."

He also said that he is starting to see "flickers of hope" that the economy is getting better, with refinancings significantly increasing and the interest rates at historic lows.

Mr. Obama also said the administration has offered top Treasury jobs, which remain vacant, to people who have turned them down because of the scrutiny surrounding the confirmation process. These people don't want to go through "some of the scrutiny, embarrassment, in addition to taking huge cuts in pay."

U.S. calls CO_2 a threat, a prelude to regulation

By Ian Talley

WASHINGTON—The Environmental Protection Agency has sent a proposed finding to the White House that carbon dioxide is a danger to public health, in a step that could trigger the enforcement of stringent emissions rules under the Clean Air Act.

If approved by the White House Office of Management and Budget, the endangerment finding could make regulations of greenhouse gases across the economy tougher than those prepared but not approved by the Bush administration. The EPA submitted the proposed rule to the White House on Friday, according to federal records published Monday.

A finding that CO_2, which is believed to contribute to global warming, is a threat to public health and welfare also would ratchet up pressure on Congress to enact a system that caps greenhouse-gas emissions and creates a market for businesses to buy and sell the right to emit them, as President Barack Obama has proposed.

Earlier this month, the EPA proposed a national system for reporting CO_2 and other greenhouse-gas emissions. The EPA has said that about 13,000 facilities, accounting for about 85% to 90% of greenhouse gases emitted in the U.S., would be covered under the EPA proposal.

Business groups such as the U.S. Chamber of Commerce and the National Association of Manufacturers warn that if the EPA moves forward on regulation of CO_2 under the Clean Air Act—instead of seeking new legislation—it could hobble the already-weak economy.

The move would boost pressure for caps on greenhouse-gas emissions.

Coal-fired power plants, oil refineries and energy-intensive industries—such as paper, cement, fertilizer, steel and glass manufacturers—are worried that the increased cost burdens imposed by climate-change laws will put them at a competitive disadvantage with international peers who aren't bound by similar environmental rules.

Environmentalists, however, have called for the endangerment finding, and say action by Congress or the Obama administration to curb greenhouse gases is necessary to halt the ill effects of climate change.

Study's oversight faulted

Regulator ties lapses to death in drug trial sponsored by Wyeth

Supervisory shortcomings, rather than problems with a vaccine itself, led to the death of a baby girl in India last fall during a **Wyeth** clinical trial, according to an official investigation by India's top drug regulator.

*By **Geeta Anand** in New Delhi and **Shirley Wang** in New York*

The findings by the Drugs Controller General of India are likely to add to concerns about how well Western pharmaceutical companies oversee human testing of potential new medicines in developing countries.

The 3½-month-old infant received the approved version of Prevnar now in use—not an experimental version, Wyeth said. But she was sick with a cough and diarrhea and had an underlying heart problem. Her illnesses meant the baby should have been excluded from the clinical trial, which was studying a new version of Prevnar, a vaccine against the bacteria that causes pneumonia and ear infections among other ailments.

The trial, in which 250 infants were enrolled, was halted in India in November after the girl died.

The Indian government, for the most part, has welcomed trials by international drug companies as a business opportunity and because they can provide cheap health care for the needy and give access to experimental medicines sought by some dying patients.

"We're very supportive of what Wyeth is doing," said Surinder Singh, the drugs controller general of India, in an interview. But he expressed concern after the infant's death that "if one of the best multinational companies in the world following the best ethical practices has these problems, what is going on down the line?"

Drug makers increasingly are conducting trials outside of the U.S., especially in developing countries where it is often cheaper and quicker to perform testing with humans. Some 700 clinical trials were being conducted in India, China and Russia last year, up from fewer than a total of 50 in those three countries in 2003, according to U.S. National Institutes of Health figures.

Critics have complained that patients in poorer countries are exploited, serving as guinea pigs to test medicines they may never be able to afford. Some also question whether the trials can be conducted safely and correctly by medical personnel who haven't yet developed expertise in testing potential new medicines in human beings.

Big drug makers say they take concerns about conducting ethical clinical trials seriously and use one global standard for trials. For instance, **Pfizer** Inc., which in February agreed to buy Wyeth for $68 billion, says it conducts trials only in countries where it plans to market the new drug and doesn't pay patients to enroll in trials. It monitors sites around the world, conducting 69,000 visits of 14,000 sites last year, according to a position paper on global clinical trials the company published this month.

Wyeth declined to comment on the specifics of the Indian investigative report, which hasn't yet been released. But a spokesman said the company is "taking steps to address the issues that have been raised" and was working with regulators to resume the halted Indian trial.

In a Feb. 28 letter to regulators, Wyeth asked to restart the trial at 11 Indian sites where research was being done apart from the Bangalore hospital where the baby died. The company also offered a detailed plan to correct problems identified at the Bangalore hospital, which administered the trial, ensuring that records of all medical exams were placed in patients' files.

India authorities haven't yet decided whether to allow Wyeth to resume testing at any site for the new version of Prevnar.

A political frenzy over drug testing erupted in India last year when there were media reports of the death of 46 children in clinical trials at New Delhi's All India Institute of Medical Sciences. A later investigation by the hospital—reviewed by regulators—said the deaths were due to the patients' underlying diseases and weren't related to the trial.

Still, the political outcry led India's regulatory body for clinical trials to pull back from a plan to relax regulations to allow even more clinical trials in the country. At present, drugs discovered outside the country can be tested in India after the first human trials are performed elsewhere.

Supporters say research trials offer many benefits—with proper oversight. "There's a business opportunity we don't want to lose, but the safety and quality standards need to be met and we can only do that if capacity building is done on a large scale," says D.G. Shah, general secretary of the Indian Pharmaceutical Alliance, an industry trade group.

Because of a shortage of experienced personnel to run the drug trials, Indian officials have ramped up training, setting up partnerships with the U.S. Food and Drug Administration, Health Canada and the World Health Organization, among others.

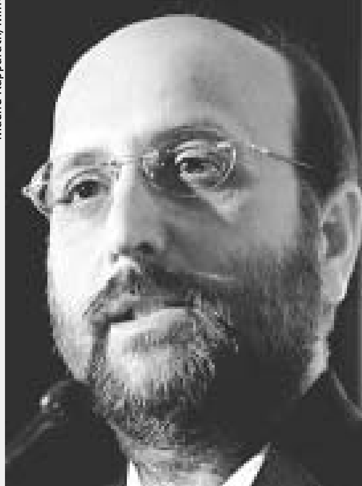
The FDA, which opened an office in India in January, has scheduled another clinical trial workshop in June.

Developing tests

Drug-maker filings to conduct trials, by number of studies

Note: Number of new studies registered during the year on clinicaltrials.gov

Source: clinicaltrials.gov



Drug Controller General of India Dr. Surinder Singh

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Malaysian leader tightens grip

Rivals are sidelined as incoming premier faces economic woes

BY JAMES HOOKWAY

The Malaysian government suspended two opposition newspapers without explanation Monday, fueling charges that Deputy Prime Minister Najib Abdul Razak is trying to silence the fledgling opposition movement as he prepares to become prime minister next month.

Opposition politicians and some political analysts say Mr. Najib has been working to sideline potential rivals, including those within his own party, as Malaysia—an important U.S. trading partner—begins to feel the full brunt of the global economic crisis.

Mr. Najib, the 55-year-old British-educated son of Malaysia's second prime minister, is running unopposed for his party's presidency at a party assembly this week, and in that role is expected to become prime minister in early April. Since June, when current Prime Minister Abdullah Ahmad Badawi declared his intention to step down, Mr. Najib has emerged as Malaysia's most powerful politician.

Opposition leader Anwar Ibrahim, whose party's publication was one of those suspended, says the closures were designed to silence criticism of Mr. Najib's premiership, which is expected to begin in early April. The suspensions "are part of a disturbing trend which reflect what Mr. Najib is all about," he says.

Mr. Anwar, a former deputy prime minister, says he believes the three-month shutdown of the newspapers was partially intended to stop reporting of allegations of corruption in weapons purchases for Malaysia's armed forces while Mr. Najib was defense minister.

Mr. Najib, who didn't respond to requests to be interviewed for this article, has previously said there was no corruption in the purchases.

Opposition members have also accused Mr. Najib of involvement in the 2006 murder of a Mongolian woman, Altantuya Shaariibuu, who had been having an affair with one of Mr. Najib's aides. Ms. Shaariibuu was shot to death and her body was then blown up with plastic explosives in a forest clearing outside Kuala Lumpur.

Mr. Najib has denied having anything to do with the death of Ms. Shaariibuu. His aide was acquitted in October of charges of abetting the murder.

A court is scheduled to decide next month whether to convict two police officers on charges that they killed Ms. Shaariibuu.

Opponents say the leadership of Malaysia's dominant party, the United Malays National Organization, or UMNO, is steering the country back into its authoritarian past to thwart any public backlash against the ruling coalition as the nation's economy slows.

"We believe we are in for more punitive measures" when Mr. Najib takes power, Mr. Anwar said after the newspaper suspensions. "The antidemocratic forces in this country are now in full flow."

Monday evening, riot police fired tear gas to break up a political rally led by Mr. Anwar in northern Malaysia, according to Malaysia-based media and Mr. Anwar's aides. It wasn't immediately clear why the police acted.

UMNO is the main party in the National Front Coalition, which has run Malaysia since independence from Britain in 1957. Mr. Najib and his allies last year pushed Mr. Abdullah, widely seen as a comparatively moderate reformer, to promise to cede power after the opposition alliance broke the National Front's customary two-thirds majority in parliament in national elections.

A number of politicians whom analysts perceive as loyal to Prime Minister Abdullah were banned from contesting senior party posts at this week's annual UMNO assembly because of allegations of corruption.

Mr. Anwar, who leads the opposition alliance, has been distracted by legal issues after a former aide accused him of sodomy, which is a crime in the conservative, predominantly Muslim society. Mr. Anwar, who was convicted and then acquitted of the same crime as he gained power in 1998, says he is innocent and is being framed by Mr. Najib's operatives.

Mr. Najib has said he had nothing to do with Mr. Anwar's case, which was recently sent for trial in Malaysia's top court.

The shift in Malaysia's political climate comes at a critical juncture for this racially divided country. Malaysia's economy could contract by as much as 4% this year, according to projections by some economists, including the independent Malaysian Institute of Economic Research.

The global economic crisis is sapping foreign demand for the country's exports of electronic components and mineral resources.

The slump threatens to further polarize a country that, historically, has depended on growth rates of 5% or more a year to create enough jobs and wealth to damp longstanding tensions between its majority ethnic Malay population and its ethnic Chinese and Indian minorities.

Mr. Najib has said he plans to continue to strengthen the affirmative-action policies designed to ensure economic power for Malaysia's Malays. Mr. Anwar says the policies hurt Malaysia's competitiveness.

Reuters (left), Bloomberg News (right)

Malaysia's Deputy Prime Minister Najib Razak, left, Anwar Ibrahim, Malaysia's former deputy prime and finance ministers.

Turbulent Malaysia

- **March 8, 2008:** Prime Minister Abdullah Ahmad Badawi's National Front coalition fails to secure a two-thirds majority in parliament in an election upset. It loses five of the 13 states to the opposition in its worst election performance since independence from Britain more than 50 years ago.
- **June:** Abdullah says he has agreed succession plan with his deputy Najib Abdul Razak over leadership change.
- **June:** Accused of sodomy, main opposition leader Anwar Ibrahim seeks refuge in Turkish embassy in almost a repeat of a 1998 scandal which led to the former deputy premier being jailed on charges of sodomy and corruption.
- **July:** Anwar arrested on a sodomy complaint lodged by former aide.
- **October:** Abdullah announces he will step down in March, paving the way for Najib to take over as prime minister.
- **February, 2009:** Opposition government in Perak state collapses after key members say they are now independent and voting with the pro-government party.
- **March 10:** Najib, who is also Finance Minister, announces a $16.7 billion stimulus plan for Malaysia's sagging economy.
- Malaysia's Home Ministry bans two opposition-run newspapers for three months with no explanation.
- **March 24:** United Malays National Organization is scheduled to begin its annual assembly, where Najib is running unopposed for president of the main party in the National Front coalition. He is expected to take over as prime minister in early April.

Source: WSJ reporting

Associated Press

Boris Nemtsov served twice as deputy prime minister in the 1990s.

Kremlin critic in Olympic city hit by ammonia

ASSOCIATED PRESS

MOSCOW — A Kremlin critic running for mayor of the city hosting the 2014 Winter Olympics said he was doused with ammonia Monday in an attack he blamed on the government.

Boris Nemtsov told Ekho Moskvy radio he suspects Kremlin-backed activists carried out the attack in response to his criticism of Russia's plans for the Winter Games in the Black Sea resort city of Sochi. A Kremlin spokesman said he couldn't immediately comment on the allegation.

The incident coincided with the publication of an open letter to President Dmitry Medvedev in which Mr. Nemtsov said preparations for the Olympics will strain Sochi to the breaking point and suggested many events be held elsewhere in Russia.

Mr. Nemstov said the Olympics would strain Sochi to the breaking point.

Mr. Nemtsov was attacked outside his campaign headquarters in Sochi, spokeswoman Olga Shorina said by telephone. She said a person with long hair, women's clothes and a deep voice approached him with a bouquet of flowers while an assailant splashed him with ammonia.

Some got in his eyes, but he apparently suffered no lasting injury and went ahead with a scheduled news conference after a delay, said Ms. Shorina. Police were called immediately, but more than an hour later they had yet to arrive, she said.

Mr. Nemtsov, a Sochi native, is a liberal politician who served in Russia's government in the 1990s—including two stints as a deputy prime minister. He became an increasingly vocal critic of Vladimir Putin, now prime minister, during his eight-year presidency.

His mayoral bid will increase attention on the election April 26 election in Sochi. The vote comes amid Russia's worst economic crisis in at least a decade, which has raised concerns about the ambitious and costly plans for the Olympics.

According to Russian radio station Echo Moskvy, Mr. Nemtsov said he suspects he was attacked by members of the pro-Kremlin youth group Nashi. Phone calls to the group went unanswered.

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REVIEW & OUTLOOK

A Smoot-Hawley Moment?

When does a single policy blunder herald much larger economic damage? Sometimes it's hard to know ahead of time. Few in the U.S. Congress thought the Smoot-Hawley tariff was a disaster in 1930, but it led to retaliation and a collapse of world trade. The question amid Washington's AIG bonus panic is whether Congress's war on private contracts and the financial system is a similarly destructive moment.

It is certainly one of the more amazing and senseless acts of political retribution in American history. In its bipartisan rage, the House saw fit last week not merely to punish the employees of AIG's Financial Products unit that the company still needs to safely unwind credit default swaps. The Members voted, 328-93, to slap a 90% tax on the bonuses of anyone at *every* bank receiving $5 billion in TARP money who earns more than $250,000 a year. A draft Senate version is even broader. Never mind if the bonus was earned last year or earlier, or under a legally binding employment contract. The confiscatory tax will apply *ex post facto*.

Never mind, too, that such punitive laws were expressly deplored by America's Founders. In Federalist 44, James Madison warned that "Bills of attainder, *ex post facto* laws, and laws impairing the obligation of contracts, are contrary to the first principles of the social compact, and to every principle of sound legislation."

In 1827 in *Ogden v. Saunders*, the U.S. Supreme Court issued a similar warning about legislative limits under Article I, Section 10 of the Constitution: "The states are forbidden to pass any bill of attainder or *ex post facto* law, by which a man shall be punished criminally or penally by loss of life of his liberty, property, or reputation for an act which, at the time of its commission, violated no existing law of the land," wrote Justice Bushrod Washington.

"Why did the authors of the Constitution turn their attention to this subject, which, at the first blush, would appear to be peculiarly fit to be left to the discretion of those who have the police and good government of the state under their management and control? The only answer to be given is because laws of this character are oppressive, unjust, and tyrannical, and as such are condemned by the universal sentence of civilized man."

> Congress on AIG and banks: 'Oppressive, unjust and tyrannical.'

Yes, Article I, Section 10 applies to the states, and this is a federal law. Congress may also figure it avoids the "bill of attainder" objection by applying the law to individuals at several companies receiving TARP money. But Congress's willingness to wreak such vengeance against a specific class of Americans is still as offensive as a matter of principle as Justice Washington and the Federalist Papers noted. The Founders feared the punitive whim of the legislative mob as much as they did the tyranny of a King.

The House legislation may also be unconstitutional on equal protection grounds given that it treats a homogeneous group of individuals differently depending on which companies they work for. It is one thing to treat the *companies* that receive federal funds differently from those that don't. But the individuals receiving bonuses may have nothing to do with the decision to receive TARP money. The House's 90% tax on some bankers but not others is only a step away from deciding to impose a higher tax rate on employees of any company out of political favor—say, tobacco companies, or in the next Republican Congress, the New York Times Co.

* * *

Which brings us to the Smoot-Hawley analogy. With such a sweeping assault on contracts and punitive taxation, Congress is introducing an element of political risk to economic decisions that is typical of Argentina or Russia. The sanctity of U.S. contracts has long been one of America's competitive advantages in luring capital, a counterpoint to its lottery tort system and costly regulation. Meanwhile, the 90% tax rate marks a return to the pre-Reagan era when Congress and the political class behaved as if taxes didn't matter to growth or incentives. It is a revival of the philosophy of redistributionist "justice" of the 1930s, when capital went on strike for an entire decade.

The financial system will suffer in particular, just when the Obama Administration is desperately seeking more private capital to ride out future losses. Facing such limits on the ability to reward talent, every bank CEO will try to pay off the TARP as soon as possible, whether or not this leaves the bank with a weaker capital base. Hedge funds and other investors that Treasury needs for its new Public-Private Investment Program, or for the Federal Reserve's TALF, will also be warier, if they'll play at all. Treasury may promise nothing punitive for these programs, but that's also what it said about the TARP.

The other Smoot-Hawley comparison relates to America's new President. Herbert Hoover sent mixed signals about the tariff until he finally bent to a panicked GOP Congress. President Barack Obama has behaved in the past week as if he can appease and "channel" Congressional anger without being run over himself. So not only did he incite the Members last Monday, he welcomed the House bill on Thursday. By the weekend, cooler White House heads were whispering that the mob had gone too far, but it will take more than words to kill this terrible legislation. Mr. Obama will have to fire a gun in the air—which means threatening a veto.

At his Inauguration, we wrote that the young President has a first-class intellect and temperament. Our question was whether he is tough enough. So far the answer is no. He has failed to stand up to a Congress of his own party on anything difficult—from stimulus priorities, to earmarks, to protectionism against Mexican trucks. Mr. Obama needs to face down the AIG mob, or his Presidency may be its next victim.

Obama Sticker Shock

U.S. President Barack Obama's 2010 budget looks more astounding by the day, especially when someone other than the White House budget office is analyzing it. The latest case of epic sticker shock came Friday when the Congressional Budget Office published its assessment, which found that the proposals would increase the federal deficit by $2.3 trillion more over 10 years than the White House had claimed.

Hey, what's a little rounding error among friends?

Mr. Obama keeps saying he has "inherited a trillion dollar deficit," which is true. But he's hardly an innocent bystander. CBO shows that the President is seeing that $1 trillion and raising it again and again, as far as the eye can see. In only two months, since the last CBO budget review in January, Democrats have passed laws that increase spending by $134 billion in the last six months of this fiscal year alone, and $1.2 trillion over the next 10 years. And that's all *before* his 2010 budget proposals.

The White House responded that CBO, which is also now run by Democrats, has a more pessimistic economic forecast than do White House economists. But not by much. CBO expects growth this year to decline by 3%, while the White House's rosy scenario has it falling by only 1.2%. Both predict roughly the same growth rates in 2010 (2.9% for CBO vs. 3.2% for the White House) and 2011 (both 4%).

The big difference between the two guesstimates is in spending, with CBO calculating that Mr. Obama's proposals will increase federal outlays by $1.7 trillion more than the White House projects. Entitlement spending—Medicare, Medicaid, and so on—will increase by $1.1 trillion. In 2009 and 2010 alone, CBO estimates that Mr. Obama's budget will increase spending by $347 billion more than the White House claims.

As a share of GDP, CBO says this means spending will hit an astounding 28.5% in fiscal 2009, which ends this September, and still be at 25.5% next year, staying at close to 23% to 24% of the economy for the next decade. As CBO dryly notes, this is "above the average of 20.7 percent over the past 40 years." Even CBO's estimate is conservative because it assumes that most of the spending in the stimulus bill will be temporary, though Democrats are already planning to make much of it a permanent part of the budget baseline.

Up, Up and Away

CBO's estimate of federal debt held by the public as a share of GDP if President Obama's 2010 budget becomes law.

Source: Congressional Budget Office

Where does this take the Obama budget deficit? Up into the great beyond. This year's deficit will hit 13.1% of GDP and next year's will still be at 9.6%, assuming a healthy recovery, and then never get below 4.1% for the entire decade. These deficits assume the passage of Mr. Obama's enormous tax increases in 2011 and $629 billion in new cap-and-tax carbon revenues. The share of debt held by the public will double—to 82.4% in 2019 from 40.8% in 2008 (see nearby chart).

And by the way, all of this is without including the costs of Mr. Obama's plan to offer "free" health care for the middle class. The White House budget includes only a "down payment" on health care, with every serious person figuring it will cost at least $1.2 trillion, and probably more. Incredibly, Democrats on Capitol Hill are, with White House encouragement, talking about jamming health care through Congress with a special procedure that requires only 50 Senate votes.

At least after World War II, spending could, and did, decline rapidly when the U.S. demobilized. In this case, with the bulk of federal spending geared toward income maintenance and transfer payments that have political constituencies, that won't happen. And that is part of Mr. Obama's plan. One unstated but clearly implicit goal of his budget is to put in place spending programs that make evermore Americans dependent on government and that will require a permanently higher level of taxation to finance. All of this is being done in the name of addressing income inequality.

Republicans have an obligation to slow down this express train to a European welfare state, and to educate Americans so that they put pressure on Democrats who claim to be deficit hawks. If this budget passes in anything close to Mr. Obama's form, Republicans will spend the next two or three generations doing little more than collecting higher taxes from the middle class to finance the Obama revolution.

Pepper . . . and Salt

THE WALL STREET JOURNAL

"Psst! Wanna buy a credit default swap?"

State of the Union / *By Michael Heise*

Europe Can Only Lead By Example

The financial crisis has plunged Europe, and the rest of the world, into what looks like the most savage recession since 1929. Germany is being hit particularly hard, with its former strength, exports, now proving to be a major weakness as global trade is collapsing.

The focus at present is understandably still very much on short-term crisis management—fixing the mess on the financial markets—and on revitalizing economies with demand management. EU leaders met last week to thrash out a joint approach to the G-20 summit in London on April 2. The size of the stimulus packages, the unprecedented low interest-rate environment and, most importantly, tumbling commodity and energy prices make a recovery likely in due course. But at the same time formidable challenges loom.

The greatest task right now is to find the right balance between the state and financial markets, guaranteeing stability while strengthening the forces of market growth in the long term. Europe can make a major contribution to this global effort by working for the extension of regulation to sectors that have so far hardly been covered at all, such as “shadow banks” (structured investment vehicles and conduits), hedge funds and rating agencies. In order to limit regulatory arbitrage, the world’s financial centers need to harmonize international standards and improve international supervision.

Given the European Union’s experience with financial market integration, it has a good chance to shape this new global financial order. But to seize that opportunity, it needs to accelerate its own financial market reform.

The proposals to the European Commission earlier this month in the “High-Level Report on Financial Supervision” headed by Jacques de Larosière point the way. Specifically, the report recommends the establishment of two new bodies: a European System Risk Council to focus on macroprudential issues like credit bubbles and asset-price inflation, and a European System of Financial Supervisors—a decentralized network of national supervisors that will be more powerful than the current grouping.

> Financial market reform must begin at home.

The stability of economic development, though, requires not only better regulators but also better regulation. The pro-cyclicality of accounting standards and capital requirements for banks was a key contributing factor in this financial crisis. The current rules have led to the availability of large amounts of excess capital during the boom, nourishing exuberance. Now, as recession bites, financial institutions are compelled to take massive impairments on their lending and security assets. At the same time, they are forced to hold much more capital in relation to their assets as the ratings for companies and securities are downgraded en masse. But this only exacerbates the economic problem, prompting further downgrades of credit quality.

Despite lending cuts, risk-weighted assets continue to rise. In a knee-jerk reaction, lending policies become even more restrictive, escalating the downward spiral. In the upcoming revision of the rules, these pro-cyclical effects must be curbed—for example by the inclusion of anticyclical provisions like those used in Spain, where the regulator demands that banks increase their capital in boom periods to create a risk buffer against times of recession.

What is more, at times of extreme market illiquidity, accounting should be based more on actual and expected payment streams from assets rather than on “market prices” that merely reflect isolated fire sales.

As necessary as a revision of the regulatory framework may be, we must not lose sight of the other aspects of our economy. Public coffers are stretched to the limit, unemployment is rising across our continent, and private-sector investment is plummeting. We urgently need to lay the foundation on which we can build tomorrow’s growth, employment and prosperity.

With a shrinking and aging population, as well as substantial “deleveraging” needs in the private sector, this really is a challenge. Even more than in the past, future growth will hinge on the pace of innovation and productivity. Investment conditions in Europe need to be improved, as physical capital is a carrier of technology and know-how.

Open markets are still the best guarantee for the efficient allocation of resources and hence of higher growth. The principles of competitive markets, the free movement of capital, freedom of establishment and the equal treatment of national and foreign-owned financial institutions must continue to apply. Backsliding into an era of nationally fragmented markets would be a disaster. If the EU wants to assume global responsibility at this time of crisis, it must ensure that such policies are shunned.

Mr. Heise is chief economist at Allianz SE.

The Poorest Nations Need Help in This Crisis

By Bimal Ghosh

The world’s worst economic crisis in decades is still unfolding, but one thing is already clear. Those who thought the impact of the crisis would remain confined to the rich countries where it originated were completely wrong. The unprecedented speed of the contagion’s spread has taken developing countries by surprise, and they are feeling extremely vulnerable.

Even some of the erstwhile fast-growing countries like Brazil, China and India now face severe economic difficulties, with ominous social consequences. In China, an official agency has raised alarm that 20 million jobless rural migrants—joined by perhaps seven million new entrants to the itinerant work force—would soon start their long march to the coastal cities for jobs. In India, food retailers and warehouses have been vandalized after a lack of credit left them unable to pay security agencies and staff.

> The case for a ‘vulnerability fund’ from the G-20.

The countries set to suffer most from the meltdown are the migrant-sending poor nations whose economies are heavily dependent on migrants’ remittances. Few of them are able to launch robust stimulus plans of their own due to both financial and institutional constraints. In the absence of adequate social safety nets, their poorest people will be the hardest hit.

The flow of rich countries’ regular development aid promised by 2010 has slowed down, leaving a gap of some $30 billion, and private capital flows have nearly collapsed. Most private foundations, too, are planning to spend less on aid than they had previously envisaged. Humanitarian organizations are pondering cuts in staff and projects as they brace themselves for the slashing of aid.

Over the past few years migrant remittances to developing countries jumped sharply, reaching about $300 billion in 2008—more than double the amount received in 2002. In countries like Bangladesh and Senegal, remittances were the main source of income for recipient families. In Latin America and the Caribbean, more than 50 million people depended critically on remittances. They have lifted many out of poverty, reduced child labor and improved children’s education. Now that migrant-receiving countries are closing their doors, a vital lifeline for these economies is being suddenly cut off.

The World Bank recently estimated that, compared to 2008, global remittances to developing countries could decline by up to 5% this year. But even this looks like an underestimate, since the growth rates providing the basis of that forecast are now being revised downward. The decline in remittances that started in the third quarter of 2008 is unlikely to be reversed soon. This is not just because new migration is slowing down, but also because some of the existing ones are returning home—in some cases, as in Spain, coaxed by the host government with both incentives and pressure. The trend is likely to continue, depleting the stock of migrants and decelerating the remittance flows. Making the deceleration worse, those migrants who are more settled and less likely to return to their home countries are also less interested than new or temporary migrants in sending family-related remittances.

Although consumption-related family remittances are generally countercyclical, this time the situation is different because the deepening crisis in rich countries is making migrants fearful of their future. A recent Pew Hispanic Center survey shows that remittances declined in 2008 for seven in 10 of the Hispanic immigrants in the U.S. who sent money in the last two years. For 83% of those who sent less money, the reason was economic decline and uncertainty.

As long as the decline was limited to rich countries, some migrants decided to return home. But now the world-wide recession is posing threats to livelihoods and stability in the poor countries to which these migrants might return. The World Bank’s rough estimate suggests that each 1% decline in developing-country growth would trap 20 million more people in poverty. An additional 100 million have been driven to poverty since last year’s spike in food and fuel prices.

David G. Klein

So, many poor people will seek escape in rich countries—and without opportunities for legal entry, they will try illegal channels. If this happens, human trafficking will flourish.

To help avert the potential dangers facing the poor nations and their fallout effects, World Bank President Robert Zoellick recently called for a new “vulnerability fund,” using 0.7% of the money being earmarked by rich countries for their own stability plans. He has urged that, at next month’s Group of 20 summit in London, President Barack Obama take the initiative of announcing a U.S. pledge along these lines and encouraging other rich countries to do the same.

As part of the new global solidarity, some of the relatively advanced developing countries, especially those that have adequate foreign-exchange reserves and are planning their own stimulus packages, might be induced to join in. Their target contributions could be fixed at less than 0.7%.

In the past some aid funds, though not all, have gone down rat holes. This time things ought to be different, for several reasons. First, the pitfalls and limitations of aid are now better understood by both donors and recipients than in the past. There is increased public vigilance over the planning and use of aid, and active participation of the private sector and NGOs in the whole process.

Second, the present global crisis has sharpened political sensitivity in almost every country to any misuse of taxpayers’ money, especially though corrupt practices or ostentatious projects. Even so, special mechanisms and guidelines will be needed to ensure that the delivery of aid is fast and flexible, and the money well spent. Mr. Zoellick has already mentioned some of these guidelines and priorities, but these will need to be further refined and strengthened.

A vulnerability fund would allow timely help to the poor nations, including in particular those that are heavily dependent on remittances. It is a thoughtful proposal deserving careful consideration by the G-20.

Mr. Ghosh is an international consultant on migration, trade and development and a former senior director in the United Nations.

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Iran Has Started a Mideast Arms Race

By Amir Taheri

In the capitals of Western nations, Abdul Qadeer Khan, the man regarded as the father of the Pakistani atom bomb, is regarded as a maverick with a criminal past. In addition to his well-documented role in developing a nuclear device for Pakistan, he helped Iran and North Korea with their nuclear programs.

But since his release from house arrest a month ago, Mr. Khan has entertained a string of official visitors from across the Middle East. All come with messages of sympathy; and some governments in that region are looking to him for the knowledge and advice they need to fast track their own illicit nuclear projects.

Make no mistake: The Middle East may be on the verge of a nuclear arms race triggered by the inability of the West to stop Iran's quest for a bomb. Since Tehran's nuclear ambitions hit the headlines five years ago, 25 countries—10 of them in the greater Middle East—have announced plans to build nuclear power plants for the first time.

The six-nation Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates [UAE] and Oman) set up a nuclear exploratory commission in 2007 to prepare a "strategic report" for submission to the alliance's summit later this year. But Saudi Arabia is not waiting for the report. It opened negotiations with the U.S. in 2008 to obtain "a nuclear capacity," ostensibly for "peaceful purposes."

Egypt also signed a nuclear cooperation agreement, with France, last year. Egyptian leaders make no secret of the fact that the decision to invest in a costly nuclear industry was prompted by fears of Iran. "A nuclear armed Iran with hegemonic ambitions is the greatest threat to Arab nations today," President Hosni Mubarak told the Arab summit in Riyadh, Saudi Arabia, two weeks ago.

States across the region are looking to establish nuclear programs.

Last November, France concluded a similar nuclear cooperation accord with the UAE, promising to offer these oil-rich lands "a complete nuclear industry." According to the foreign ministry in Paris, the French are building a military base close to Abu Dhabi ostensibly to protect the nuclear installations against "hostile action," including the possibility of "sensitive material" being stolen by terrorist groups or smuggled to Iran.

The UAE, to be sure, has signed a cooperation agreement with the U.S. forswearing the right to enrich uranium or produce plutonium in exchange for American nuclear technology and fuel. The problem is that the UAE's commercial hub, the sheikhdom of Dubai, has been the nerve center of illicit trade with Iran for decades, according to Western and Arab intelligence. Through Dubai, stolen U.S. technology and spent fuel needed for producing raw material for nuclear weapons could be smuggled to Iran.

Qatar, the smallest GCC member by population, is also toying with the idea of creating a nuclear capability. According to the Qatari media, it is shopping around in the U.S., France, Germany and China.

Newly liberated Iraq has not been spared by the new nuclear fever. Recall the history. With help from France, Iraq developed a nuclear capacity in the late 1970s to counterbalance its demographic inferiority vis-à-vis Iran. In 1980, Israel destroyed Osirak, the French-built nuclear center close to Baghdad, but Saddam Hussein restored part of that capacity between 1988 and 1991. What he rebuilt was dismantled by the United Nations' inspectors between 1992 and 2003. But with Saddam dead and buried, some Iraqis are calling for a revival of the nation's nuclear program as a means of deterring "bullying and blackmail from the mullahs in Tehran," as parliamentarian Saleh al-Mutlaq has put it.

"A single tactical nuclear attack on Basra and Baghdad could wipe out a third of our population," a senior Iraqi official told me, on condition of anonymity. Since almost 90% of Iraqis live within 90 miles of the Iranian border, the "fear is felt in every town and village," he says.

Tehran, meanwhile, is playing an active part in proliferation. So far, Syria and Sudan have shown interest in its nuclear technology, setting up joint scientific committees with Iran, according to the official Islamic Republic News Agency. Iranian media reports say Tehran is also setting up joint programs with a number of anti-U.S. regimes in Latin America, notably Venezuela, Bolivia, Nicaragua and Ecuador, bringing proliferation to America's backyard.

According to official reports in Tehran, in 2006 and 2007 the Islamic Republic also initialed agreements with China to build 20 nuclear-power stations in Iran. The first of these stations is already under construction at Dar-Khuwayn, in the oil-rich province of Khuzestan close to the Iraqi border.

There is no doubt that the current nuclear race in the Middle East is largely prompted by the fear of a revolutionary Iran using an arsenal as a means of establishing hegemony in the region. Iran's rivals for regional leadership, especially Turkey, Egypt and Saudi Arabia, are aware of the propaganda appeal of the Islamic Republic's claim of being "the first Muslim superpower" capable of defying the West and rivaling it in scientific and technological fields. In that context, Tehran's development of long-range missiles and the Muslim world's first space satellite are considered political coups.

Mohamed al Quwaihis, a member of Saudi Arabia's appointed parliament, the Shura Council, warns of Iran's growing influence. Addressing the Shura Council earlier this month, he described Iranian interferences in Arab affairs as "overt," and claimed that Iran is "endeavoring to seduce the Gulf States, and recruit some of the citizens of these countries to work for its interests."

The Shura devoted a recent session to "the Iranian threat," insisting that unless Tehran abandoned its nuclear program, Saudi Arabia should lead the Arabs in developing their own "nuclear response." The debate came just days after the foreign ministry in Riyadh issued a report identifying the Islamic Republic's nuclear program as the "principal security threat to Arab nations."

A four-nation Arab summit held in the Saudi capital on March 11 endorsed that analysis, giving the green light for a pan-Arab quest for "a complete nuclear industry." Such a project would draw support from Pakistan, whose nuclear industry was built with Arab money. Mr. Khan and his colleagues have an opportunity to repay that debt by helping Arabs step on a ladder that could lead them to the coveted "threshold" to becoming nuclear powers in a few years' time.

Earlier this month, Mohamed ElBaradei, the retiring head of the International Atomic Energy Agency, warned that the Nuclear Nonproliferation Treaty has become a blunt instrument in preventing a nuclear arms race. Meanwhile, the U.S., France, Russia and China are competing for nuclear contracts without developing safeguards to ensure that projects which start as peaceful undertakings are not used as cover for clandestine military activities.

The Obama administration should take the growing threat of nuclear proliferation seriously. It should try to provide leadership in forging a united response by the major powers to what could become the world's No. 1 security concern within the next few years.

Mr. Taheri's new book, "The Persian Night: Iran Under The Khomeinist Revolution," is published by Encounter Books.

Bookshelf / *By Elizabeth Lowry*

Rudyard and the Raj

When asked what he thought of England, Rudyard Kipling had a habit of saying that it was "the most wonderful foreign land I have ever been in." Though he is today associated with the high noon of Britain's Empire, in some ways this apparently most English of writers remained, at heart, an outsider in his own country.

Born in Bombay in 1865, Kipling spent his early years there before being sent at age 6 to England, where he was bitterly unhappy. His return to India at 16 as a fledgling journalist marked the start of his prolific writing career, which was to span half a century. In that time he would enjoy a degree of popularity unrivaled by any other British author since Dickens, only to find himself marginalized by the time of his death in 1936, an embarrassment to a public that had grown disillusioned with the imperial enterprise of which Kipling was the de facto figurehead.

Kipling Sahib
By Charles Allen
Pegasus, 426 pages

"Kipling Sahib" is a curious book, in that it deliberately dismisses the second or "English" half of Kipling's life and career. Contending that, after the turn of the century, "Kipling's extraordinary powers of imagination were already on the wane," Charles Allen prefers to focus exclusively on the glory years preceding Kipling's final return to England in 1900, at age 35, and on the vital Indian experience that provided the raw material for so many of his best-loved works, including the "Jungle Book" short-story collections and the novel "Kim."

Mr. Allen is peculiarly fitted to telling this tale: He is the great-grandson of the owner of the Civil and Military Gazette, the Lahore-based newspaper that gave Kipling his first break in journalism, and he is an established oral historian of the era of British rule in India known as the Raj. "Kipling Sahib" rarely covers ground that other biographers haven't covered before, but it offers a vivid and fully rounded picture of the emotional and physical context of Kipling's apprenticeship as a writer. Mr. Allen is particularly good at conjuring the social and cultural milieu of 19th-century Anglo-India. ("Anglo-Indian" was the term used at the time to describe the British in India.) He ably depicts the rigid hierarchies, the bureaucratic grind, the sexual tensions, the stifling heat.

Though an ardent supporter of empire, Kipling was in many ways an untypical "sahib," an individualist bent on exploring the forbidden, seamier side of the Punjab region for his fiction. He soon became famous for his pithy, precocious pieces about the soldiery, the civil service and the indigenous peoples of the Raj, subjects that he also addressed in verse. The stories he wrote for the Anglo-Indian press succeeded in pulling off the double feat of subtly satirizing the stock figure of the bumptious Anglo-Indian for his readers abroad while still endorsing the imperial ideal. The stories' publication in 1888 as "Plain Tales From the Hills" made the 23-year-old Kipling a household name in both Lahore and London.

Rex USA/Everett Collection

Rudyard Kipling in an 1891 portrait by John Collier.

As far as the English literary establishment was concerned, however, Kipling's fatal mistake as a serious writer was that he allowed his work to become linked with a popular (and later discredited) ideology and mood. And yet, as Mr. Allen notes, Kipling was nothing if not contradictory. For each example of what the writer Robert Buchanan, a contemporary of his, called Kipling's "Hooligan Imperialism," there is usually another story or poem that endorses the opposite point of view. For every tale by Kipling of Bengali cowardice there is one of Sikh bravery; for every assertion that the conquered peoples are childlike there is another, equally strong insistence elsewhere in Kipling's work that they, too, are men.

Kipling himself realized that his lack of a coherent philosophy, of a unified idea about men and women, fitted him uniquely for the plasticity of the short story and poetry but disqualified him for the "long distance race" of the novel. It also put him squarely, after 1900, in the vanguard of the new modern aesthetic. This, contrary to what Mr. Allen alleges, is where Kipling really came into his own as a writer.

It is simply untrue to say that the Kipling who returned to England at the turn of the century had exhausted his creativity and was "all but done for," and that after this date there were "plenty of well-crafted stories but very little that really holds the imagination except in fits and starts." Kipling's sense of displacement in England, that "foreign land," provided the stimulus for a whole new way of working and opened up a fresh tranche of themes—even before the traumatic events of 1914-18 shook the European literary scene.

Kipling's mature work, in collections such as "Traffics and Discoveries," "Debits and Credits," and "Limits and Renewals," deals head-on with some of the most pressing concerns of the modern age: global warfare; new conceptions of the human psyche; the effect of rapid mechanization on the way we live. His methods evolved, too, as the early 20th century saw him moving from the economy of expression typical of his Indian stories to a more complex economy of implication. From 1904 onward he pioneered a new kind of "puzzle" story—"Mrs. Bathurst" and "Dayspring Mishandled" are examples—that invited the reader to piece together a narrative resolution from a number of carefully dispersed clues.

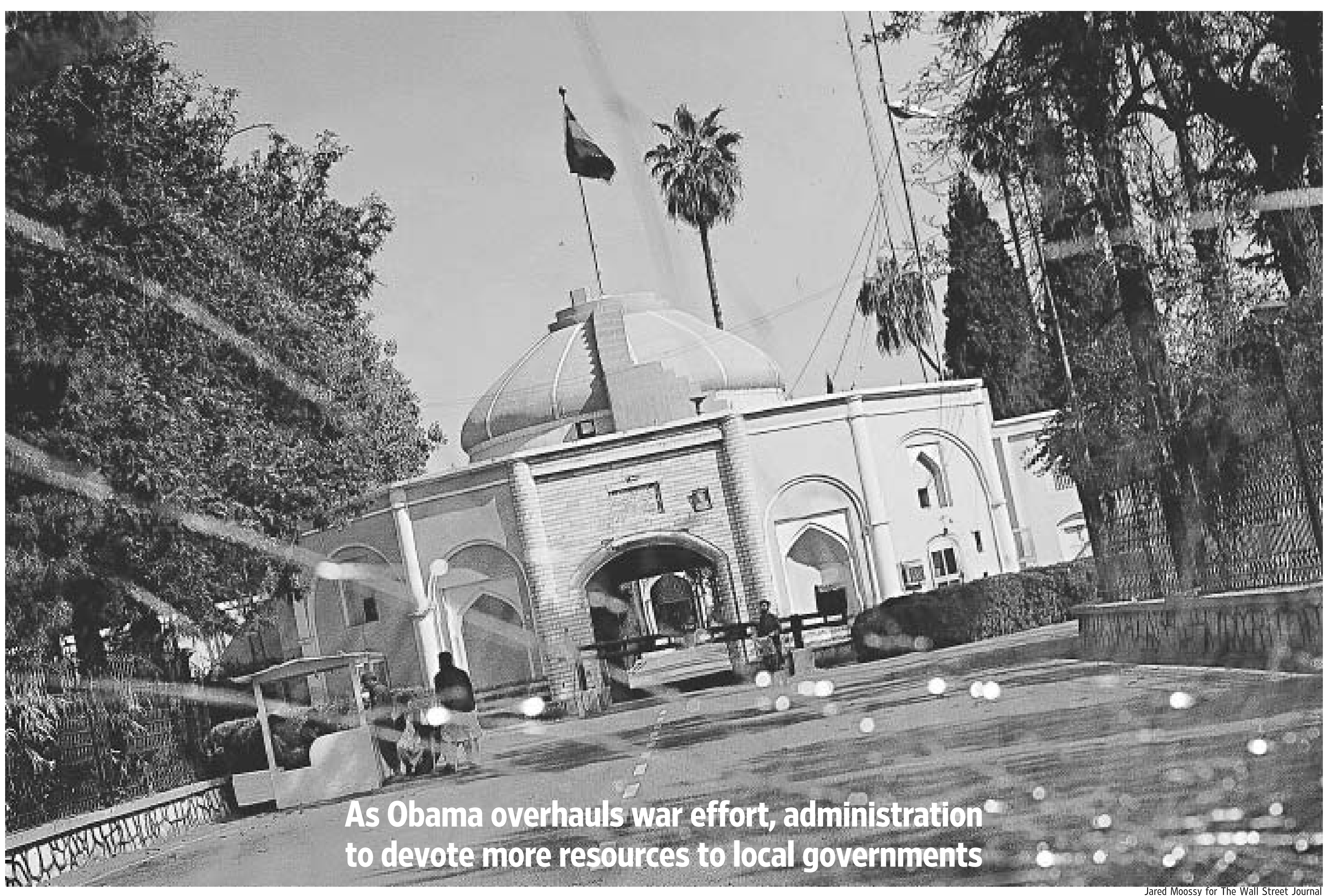
While his critics complained that Kipling's work was becoming ever more obscure, a new movement, spearheaded by James Joyce, Ezra Pound and T.S. Eliot, was poised to sweep these quibbles away. Eliot—who, like Kipling, was a writer much vexed by the meaning of "home"— was a lifelong admirer: Eliot's own "Four Quartets" cycle contains a detailed allusion, in "Burnt Norton," to one of Kipling's late, great ghost stories, "'They.'"

Ironically, despite Kipling's persistent popular image as a recidivist, flag-flapping Victorian imperialist, his most enduring literary legacy has probably been as a proto-modernist. It is a pity that "Kipling Sahib," engaging and colorful though it is, does not at least gesture toward fitting the Indian and the English Kiplings together.

Ms. Lowry's "The Bellini Madonna: A Novel" will be published next month by Farrar, Straus & Giroux.

NEWS IN DEPTH

U.S. courts former warlords in its bid for Afghan stability



As Obama overhauls war effort, administration to devote more resources to local governments

Jared Moossy for The Wall Street Journal

Gul Agha Shirzai, governor of Nangarhar province and a onetime warlord, says he refurbished Jalalabad's governor's mansion, a once-decrepit royal summer palace, at his own expense.

By Matthew Rosenberg in Jalalabad, Afghanistan

GOV. GUL AGHA SHIRZAI, a semiliterate former warlord, has an autocratic style, a reputation for doling out government contracts to family and friends, and a personal fortune allegedly amassed via corruption and the opium trade.

Many in Afghanistan think he might also be the country's best hope for stability.

As the head of one of the country's most peaceful provinces, Mr. Shirzai has ensured that roads get built, opium poppies are plowed under, and the Taliban are held at bay.

That record in Nangarhar province in the country's east has made him a serious presidential contender. It has also brought him praise from the U.S., along with a visit last summer from then-Sen. Barack Obama, who the governor likes to joke is a member of his Pashtun tribe, the Barakzais, because of his first name.

Gov. Shirzai's rising profile is part of a broader shift in America's war-fighting strategy in Afghanistan. When the U.S. led the Afghanistan invasion force in 2001, it courted warlords such as Mr. Shirzai to stabilize the country quickly. But after ousting the Taliban, the U.S. began to rely more on Western-style technocrats in the central government run by President Hamid Karzai. The year of the invasion, the U.S. installed Mr. Shirzai as governor of Kandahar province, his home turf in the south. Three years later, he was removed when his warlord-like ways—such as allowing his personal gunmen to get into shootouts with the city's police force—became an embarrassment.

Now, Mr. Shirzai and a handful of other former warlords are again being seen as useful partners as President Obama undertakes a massive overhaul of the war in Afghanistan. In addition to sending in 17,000 fresh troops, the administration is also finalizing a review of U.S. policy expected to be released early this week. The new plan will likely call for deploying hundreds of diplomats and other civilian officials, devoting more resources to local and provincial governments, and mounting a counter narcotics push in southern Afghanistan, say senior U.S. officials in Washington.

Former warlords with track records of providing for people in their provinces could be critical in the drive to undercut support for the Taliban, say U.S. and Afghan officials.

Opponents say these strongmen also have track records of violence, corruption and a disdain for the rule of law—and thus raise questions about democracy's place in Afghanistan. With Mr. Karzai's administration virtually penned in Kabul, and the Taliban resurgent, there is growing debate among diplomats, Afghan officials and analysts over whether a central government can effectively secure the country. Some say a return to a looser federation of regions might ultimately be more viable, even if some of those regions are led by former warlords.

U.S. officials are "looking at who is able to bring security and eliminate poppy," says Haroun Mir, the co-director of Kabul's Center for Research and Policy Studies. "They're not looking for people with records in terms of human rights and democracy."

The U.S. Embassy in Kabul declined to comment on deliberations over Afghan policy or on the relationships with specific governors, including Mr. Shirzai. But a senior U.S. official in Afghanistan said the Americans have worked to improve local governance, and "the cadre of governors, overall, has steadily improved over the last year."

Atta Mohammed Noor, a former warlord and now the governor of Balkh province, has won praise from U.S. officials for moving against opium producers. There is also Ismail Khan, the former head of Herat province. He was removed from office by Mr. Karzai in 2004 amid accusations of human-rights abuses and ignoring the central government, allegations Mr. Khan denies. Since then, the Taliban have made inroads into Herat and crime is flourishing there, prompting Mr. Karzai to consider reinstating Mr. Khan as the province's governor, a senior Afghan official in Kabul says.

It is Mr. Shirzai—last year named "Person of the Year" in a nationwide radio call-in show—who has perhaps garnered the most notice at home and abroad. His story shows both the potential risks and rewards of allying with former warlords. Some American officials who praise Mr. Shirzai also say he acts more like a tribal chieftain than a statesman committed to building democratic institutions.

"As long as security is the No. 1 priority, you can say he's successful," says Lt. Col. William Fitch, a U.S. Army officer and professor who is helping with reconstruction in Nangarhar. "In terms of democracy, I don't think anyone can say for sure that we're going to make much more headway with him in place."

Mr. Shirzai, in an interview, says he listens to tribal elders and others before mak-

NEWS IN DEPTH

ing decisions. He says if he unseats Mr. Karzai in this summer's planned presidential elections, he will use the same formula to solve Afghanistan's wider problems.

"I will go to all the tribal elders, the way I have done it in Nangarhar. And we will negotiate with the tribes who are supporting the Taliban," Mr. Shirzai says, sitting in his bedroom at the governor's mansion in the provincial capital, Jalalabad. "We don't have to rely only on fighting and bombing and jet planes. That we use only for those people who won't talk."

Mr. Karzai has so far remained silent on potential presidential challengers. As for Mr. Shirzai, "the president believes he is an effective governor," says Hamid Elmi, a spokesman for Mr. Karzai.

The 54-year-old Mr. Shirzai—whom some U.S. officials jokingly refer to as "Jabba the Governor" because of his girth—earned a reputation as a fearless, foul-mouthed and often cruel mujahedin commander in the struggle against the Soviet occupation of Afghanistan in the 1980s. Born Shafeeq, he took the

Shirzai says his lack of tribal ties has helped in Nangarhar. 'I can treat everyone equally,' he says.

name "Gul Agha"—"flower" in Pashtun—when he joined the mujahedin. After his father was killed, he added "Shirzai," which means "son of a lion." He has three wives and 18 children. He smokes and tells dirty jokes. His favorite food is steak, a taste he picked up on visits to America.

His first stint as the governor of Kandahar, from 1992 to 1994, was marked by the fighting that followed the collapse of the Soviet-backed communist regime. It ended when the Taliban arrived and drove him out.

Seven years later he was back, this time with U.S. Special Forces that helped reinstall him. He lasted three years before Mr. Karzai, under pressure from U.S. officials, forced him out. By then, Mr. Shirzai had allegedly amassed a fortune, estimated at $300 million, through corrupt business dealings and the opium trade, Western officials say.

Mr. Shirzai denies allegations of any past or present corruption or involvement in the drug trade. He says he earns nothing beyond his government salary of about $36,000 a year.

Months after he was ousted as governor of Kandahar, Mr. Shirzai was named governor of Nangarhar, one of Afghanistan's most troublesome spots at the time. The Taliban were moving back in, and the province was a major opium producer. Few thought Mr. Shirzai, with no tribal connections to the province, would succeed.

Instead, Mr. Shirzai says his lack of tribal ties has helped. "No one comes to me and says, 'I did this for your father or your brother or your cousin.' I can treat everyone equally," he said in the interview.

U.S. and European officials and local businessmen allege that Mr. Shirzai takes a cut of much of the business done in the province. But roads get paved, schools and clinics get built and opium production has dwindled. His personal gunmen are gone, too.

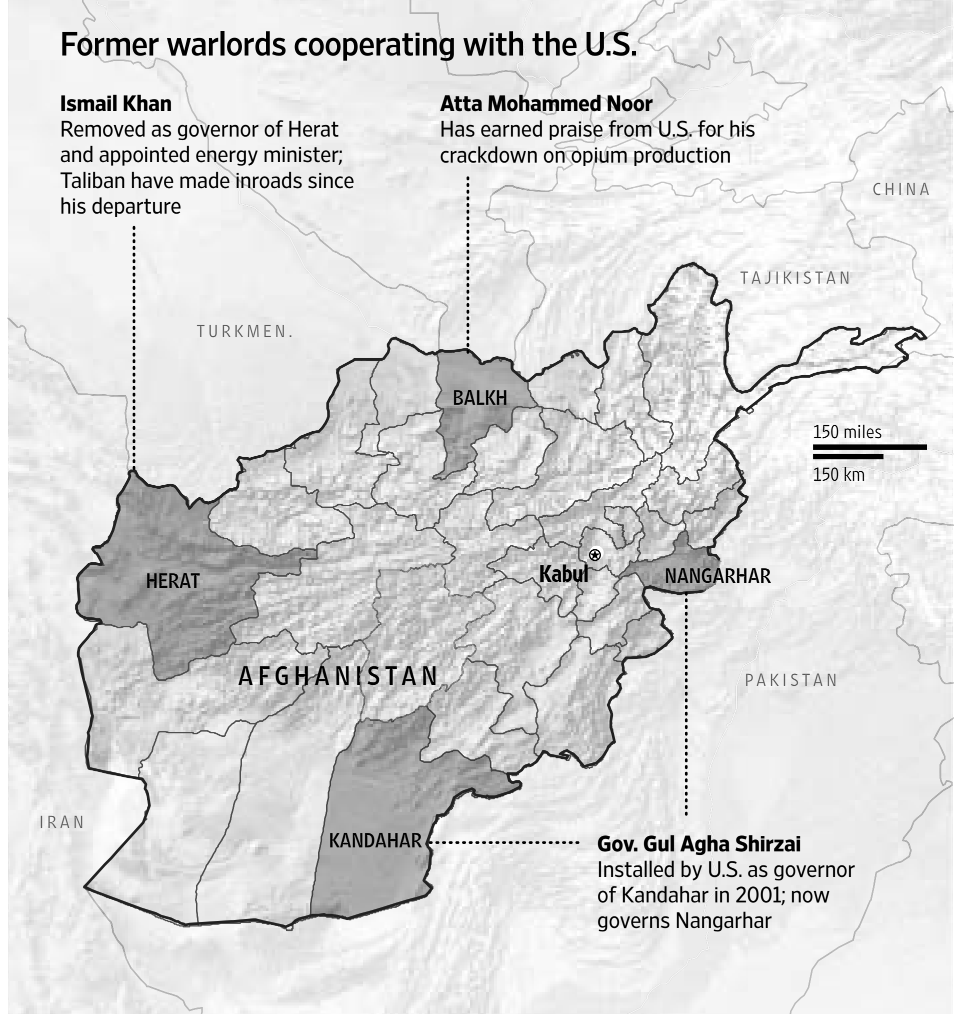
Jalalabad, meanwhile, is considered safe enough for Westerners to stay in hotels and ride in taxis. Insurgent attacks in the province were down 17% last year over 2007, according to the North Atlantic Treaty Organization's force in Afghanistan. The nearby provinces of Kunar and Paktika saw increases of 42% and 15%, respectively.

"How he does it, I'm not exactly sure," says Lt. Col. Steven Cabosky, a U.S. Air Force officer who works with the governor. He says Mr. Shirzai's success is in part accomplished "through force of personality," spreading money around, cajoling reluctant officials and bullying holdouts.

Khalid Pashtoon, an aide to Mr. Shirzai, says of his boss: "If someone is being lazy or

Jared Moossy for The Wall Street Journal

Mr. Shirzai has slashed opium production, fought back the Taliban and rebuilt roads.



incompetent, he'll slap his hands, or worse, and make sure he does his job."

That style was on display at a March 5 security meeting of the province's district subgovernors, police chiefs, tribal elders and U.S. military officers.

"I don't want small change," Mr. Shirzai told the attendees. "If you don't want to do a good job, if you don't want to do your job with bravery and courage, I will not have you for one minute."

The performance was "classic Shirzai," says Lt. Col. Cabosky, the U.S. Air Force officer. "This is a tribal society and he certainly is, in ways, a tribal leader, and that's important here," he says.

Mr. Shirzai says his government has spent millions of dollars on reconstruction projects. He says some of the money came from his own pocket, but most was drawn from a toll of $38 to $57 per ton of cargo levied by his administration on trucks passing into Afghanistan from Pakistan through Nangarhar.

Some businessmen in Jalalabad say Mr. Shirzai is benefiting from the reconstruction efforts in at least one way: They say companies owned by Mr. Shirzai, his family and his associates have been hired to do most of the work. One company named frequently is the Jamal Baba Construction Co., part owned by Mr. Shirzai's son, Jaan Agha. Mr. Agha couldn't be reached for comment.

Mr. Shirzai says his son has done only one project for the provincial government—building a road in the Taliban-infested Tora Bora mountains—that four other contractors had been unable to complete. "He lost money on it," Mr. Shirzai says.

"Every politician in Afghanistan is a thief, but our governor doesn't take all the money for himself. He is building our city," says Shafeeq Azizi, a 37-year-old shop owner in Jalalabad. "Why does it trouble me if he gets rich?"

Mr. Azizi was lounging with friends in one of the Jalalabad parks restored by Mr. Shirzai's administration. Across the street is a park Mr. Shirzai built for women. Several kilometers away stands Shirzai Stadium. There's a new mall, new stoplights and refurbished mosques in many neighborhoods.

Critics say the governor's strengths and weaknesses are often one and the same. "He wants something and he says, 'Build it.' There is no plan," said Haji Wahid, who owns a construction company. He says he sees no long-term vision behind Mr. Shirzai's rebuilding efforts.

Speaking with a handful of American military officers and officials after the March 5 security meeting, the governor said he was considering setting up village militias in districts of his province where the Taliban are strongest. The central government, with U.S. support, is setting up a similar pilot program in another part of the country.

But critics fear the creation of village militias could spawn a new generation of warlords. U.S. and Afghan officials have said they are going to carefully assess the program before deciding whether to expand it to other provinces.

Mr. Shirzai's talk of starting his own program alarmed some Americans at the meeting.

"Have you spoken to President Karzai?" asked a U.S. government official in attendance.

"We are still thinking about it. We haven't spoken to Kabul," the governor replied, speaking through a translator.

The American urged him to speak with the president: "We don't want to be creating our own little system that's not part of the larger system."

Mr. Shirzai nodded. But the following day, in an interview, he highlighted the militias as one of his key plans for the future, saying, "You must make the tribes responsible for securing their own villages."

—Yochi J. Dreazen contributed to this article.

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EUROPEAN MARKETS LINEUP

Moving the markets

At right, Europe's benchmark stock indexes and stocks Monday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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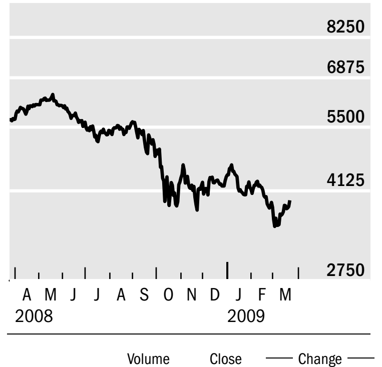
European indexes...

FTSE 100

U.K. 3952.81

▲ **2.86% or 109.96**

Bank stocks led the index higher as a U.S. plan to deal with toxic assets spurred optimism among traders. Lloyds Banking Group rose.



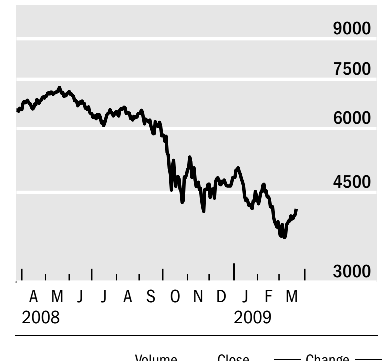
Stock	Volume in millions	Close In pence	Change Net	Change %
HSBC Hldng	**198.93**	417.75	46.75	12.60
VodafoneGp	**186.86**	120.20	0.25	0.21
Barclays	**128.33**	121.50	16.50	15.71
RoyalBnkofScot	**117.77**	25.00	1.00	4.17
Lloyds Banking	**62.22**	61.50	6.20	11.21

DAX

Germany 4176.37

▲ **2.65% or 107.63**

Shares finished higher, inspired by large gains on Wall Street. Deutsche Bank and Infineon Technologies climbed.



Stock	Volume in millions	Close In euro	Change Net	Change %
DeutscheTel	**23.93**	9.30	0.16	1.75
Daimler	**14.37**	21.65	0.31	1.43
E.ON	**12.40**	21.05	0.70	3.44
Commerzbank	**11.68**	3.01	0.26	9.45
DeutscheBk	**11.14**	30.70	2.40	8.48

CAC-40

France 2869.57

▲ **2.81% or 78.43**

The French index followed other major markets in the region higher. Dexia and AXA gained; PPR and LVMH fell on analyst downgrades.

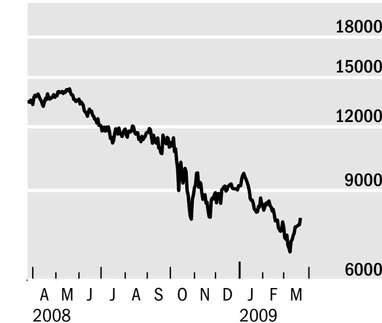
Stock	Volume in millions	Close In euro	Change Net	Change %
Alcatel-Lucent	**18.76**	1.247	0.008	0.65
AXA	**14.68**	9.900	0.538	5.75
Fr Telecom	**10.37**	17.305	0.235	1.38
Credit Agricole	**8.11**	9.175	0.487	5.61
Total	**7.87**	38.350	0.410	1.08

IBEX 35

Spain 7952.30

▲ **3.14% or 242.30**

The index closed up for the 10th consecutive session, with bank and construction stocks gaining. Banco Popular and Obrascón Huarte Lain rose.



Stock	Volume in millions	Close In euro	Change Net	Change %
BancoSantndr	**102.68**	5.44	0.24	4.62
BancoBilbao	**40.44**	6.32	0.39	6.58
Iberdrola	**37.33**	5.65	0.20	3.67
Telefonica	**29.96**	15.11	0.31	2.09
BancoPoplr	**9.56**	4.67	0.34	7.85

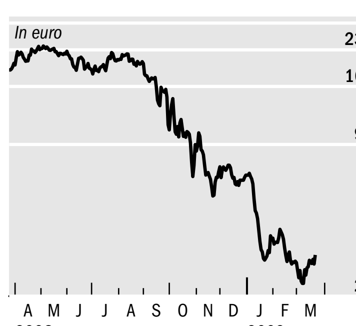
European stocks in the news

Commerzbank

Germany €3.01

▲ **9.5% or €0.26**

The bank's shares gained in an overall higher Frankfurt market.



Price-to-earnings ratio	**n.a.**
Earnings per share, past four quarters	**n.a.**
Dividend yield	**33.22%**

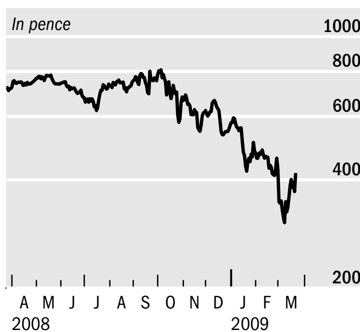
	Daily	1 wk.	52 wks
Banks	**7.7%**	12.7%	-61.0%
Commerzbank	**9.5%**	5.4%	-82.6%

HSBC Hldgs

United Kingdom 417.75 pence

▲ **12.6% or 46.75 pence**

The U.K. company's stock price rose ahead of a rights issue.



Price-to-earnings ratio	**15**
Earnings per share, past four quarters	**27.97**
Dividend yield	**6.07%**

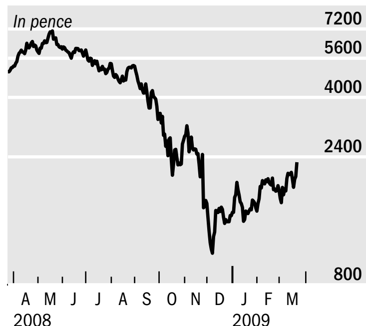
	Daily	1 wk.	52 wks
Banks	**7.7%**	12.7%	-61.0%
HSBC Hldgs	**12.6%**	8.5%	-40.6%

Rio Tinto

United Kingdom 2,292.00 pence

▲ **13.0% or 264.00 pence**

The British concern's shares climbed as mining stocks rallied.



Price-to-earnings ratio	**10**
Earnings per share, past four quarters	**239.85**
Dividend yield	**3.60%**

	Daily	1 wk.	52 wks
Basic Resources	**6.2%**	9.1%	-54.8%
Rio Tinto	**13.0%**	9.1%	-52.3%

UniCredit

Italy €1.40

▲ **15.1% or €0.18**

The financial concern jumped as the banking sector helped boost the Milan market.

Price-to-earnings ratio	**5**
Earnings per share, past four quarters	**0.31**
Dividend yield	**12.83%**

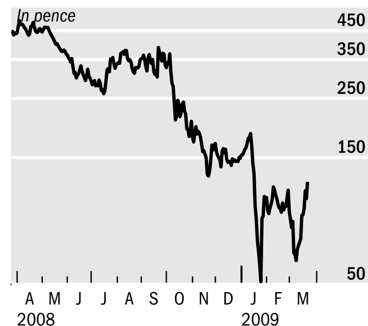
	Daily	1 wk.	52 wks
Banks	**7.7%**	12.7%	-61.0%
UniCredit	**15.1%**	45.2%	-66.1%

Barclays

United Kingdom 121.50 pence

▲ **15.7% or 16.50 pence**

The firm was among the biggest gainers following details of a U.S. plan to stabilize banks.



Price-to-earnings ratio	**2**
Earnings per share, past four quarters	**59.30**
Dividend yield	**9.47%**

	Daily	1 wk.	52 wks
Banks	**7.7%**	12.7%	-61.0%
Barclays	**15.7%**	33.7%	-70.9%

Delhaize Grp

Belgium €46.71

▼ **2.0% or €0.95**

The Belgian international food retailer gave back most of its previous gains.

Price-to-earnings ratio	**None**
Earnings per share, past four quarters	**n.a.**
Dividend yield	**None**

	Daily	1 wk.	52 wks
Retail	**1.3%**	-1.3%	-30.7%
Delhaize Grp	**-2.0%**	-6.2%	-7.2%

Thomas Cook Grp

United Kingdom 232.25 pence

▼ **2.4% or 5.75 pence**

The firm's shares declined along with other travel and leisure companies.

Price-to-earnings ratio	**134**
Earnings per share, past four quarters	**1.73**
Dividend yield	**4.56%**

	Daily	1 wk.	52 wks
Travel & Leisure	**1.0%**	0.9%	-37.7%
Thomas Cook Grp	**-2.4%**	3.1%	-16.9%

Peugeot

France €15.92

▼ **2.5% or €0.40**

Goldman Sachs cut the French auto maker to sell from neutral.

Price-to-earnings ratio	**None**
Earnings per share, past four quarters	**n.a.**
Dividend yield	**None**

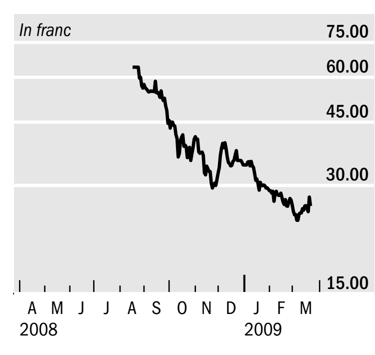
	Daily	1 wk.	52 wks
Automobiles & Parts	**1.6%**	1.0%	-41.6%
Peugeot	**-2.5%**	7.5%	-66.8%

Aryzta AG

Switzerland CHF26.30

▼ **5.6% or CHF1.55**

The Swiss concern's shares fell, despite an upgrade by Goldman Sachs.



Price-to-earnings ratio	**6**
Earnings per share, past four quarters	**4.27**
Dividend yield	**1.03%**

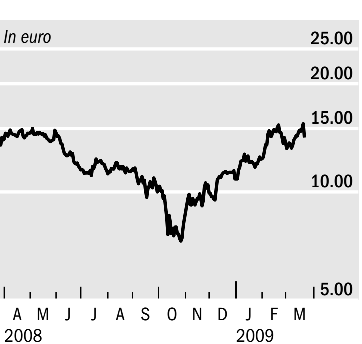
	Daily	1 wk.	52 wks
Food & Beverage	**3.0%**	-3.2%	-32.4%
Aryzta AG	**-5.6%**	...	...

Suedzucker

Germany €14.17

▼ **8.5% or €1.31**

The sugar producer took a hit after a downgrade by Goldman Sachs to conviction sell from neutral.



Price-to-earnings ratio	**n.a.**
Earnings per share, past four quarters	**n.a.**
Dividend yield	**2.82%**

	Daily	1 wk.	52 wks
Food & Beverage	**3.0%**	-3.2%	-32.4%
Suedzucker	**-8.5%**	-3.6%	3.2%

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Goldman Sachs considers reducing its ICBC stake

With billions owed to U.S. government, firm looks for cash

BY KATE KELLY
AND MATTHEW KARNITSCHNIG

Goldman Sachs Group Inc. is considering selling part of its 4.9% stake in **Industrial & Commercial Bank of China** Ltd., a move that could raise more than $1 billion, according to several people familiar with the matter.

Talks between Goldman and ICBC about a sale began late last year and include potentially divesting 15% to 20% of the New York company's stake in the Chinese bank, two people with knowledge of the discussions said.

Goldman's shares in ICBC are valued at about $7.5 billion. Any transaction would have to wait until late April, when a lockup on half the stake is set to expire.

The potential move comes at a delicate time for Goldman and other U.S. financial institutions that have received government aid in recent months. In addition to pressure to reduce risk taking and spending, such companies are facing tough curbs on compensation that could make it harder to keep top-performing traders and investment bankers from defecting to rivals.

Bloomberg News

Goldman Sachs Group's 4.9% stake in Industrial & Commercial Bank of China Ltd. is valued at nearly three times what the U.S. firm paid for the shares in 2006.

Since getting $10 billion in capital from the U.S. government last October, Goldman has made no secret of its desire to repay those funds. While trimming the company's stake in ICBC would fetch just a fraction of that $10 billion, it would help Goldman bolster its cash position without dipping into its current cash reserves.

Meanwhile, some of Goldman's competitors have sold or reduced stakes in other Chinese banks in recent months, complicating the Chinese government's efforts to maintain public confidence in its financial institutions. As a result, any move by non-Chinese investors such as Goldman, **Allianz** SE and **American Express** Co. to cash in even a minority of ICBC shares is politically complicated.

Last week, China's Ministry of Finance made it more difficult for foreign institutions to buy or sell blocks of stock in Chinese financial firms, citing a need to protect national assets. The new rules, to take effect May 1, include a requirement that trades in Chinese financial firms by foreigners must be executed on a stock exchange at prevailing market prices. Analysts said the new rules

Please turn to next page

Nycomed seeks potential buyers

BY JEANNE WHALEN
AND DANA CIMILLUCA

LONDON—**Nycomed**, a privately held Swiss drug company, is looking for potential buyers in a deal that could be valued at as much as €10 billion ($13.57 billion), according to people familiar with the matter.

Nycomed has hired Goldman Sachs Group Inc. to initiate talks with pharmaceutical companies that could result in a sale of the whole firm, people familiar with the matter say. Other options include a licensing deal for Nycomed's experimental lung-disease drug, Daxas, and a sale to outside investors through an initial public offering, the people say.

The potential sale comes at a time when a wave of pharmaceutical deals, including U.S. giant Merck & Co.'s agreement earlier this month to acquire Schering-Plough Corp. for $41 billion, is putting greater pressure on the rest of the industry to consolidate. It's too early to tell who may bid for Nycomed, but people with knowledge of the sales process said most of the major global pharmaceutical players will likely take a look.

Nycomed, based in Zurich, has a large business in Russia and the former Soviet Union, which could be of interest to big pharmaceutical companies looking to expand in emerging markets. Its global sales last year fell 4% to €3.35 billion, largely because one of the company's biggest products—Protonix for acid reflux—faced competition in the U.S. from low-cost generics. Daxas could be a big seller if it is approved for sale in the U.S. and Europe.

Nycomed is owned by a handful of private-equity firms, including **Nordic Capital** and **CSFB Alternative Capital**. Nordic Capital is the lead investor, with roughly 40% of Nycomed, an investment dating back to 2005.

Private-equity firms typically look to sell companies three to five years after buying them, often in deals with other industry players or through an initial public offering. People familiar with the matter say Nycomed's owners would prefer a sale of the whole company to an IPO, in part because an IPO would be more complicated and turmoil in the financial markets has sharply curtailed demand for shares.

A Nycomed spokeswoman said the company's search for a Daxas deal "is proceeding as planned" and that any decision on a sale or an IPO "will have to be taken by our owners." Nycomed's chief executive, Hakan Björklund, said in November that the company would consider an IPO once markets improved.

Nordic Capital, CSFB Alternative Capital and Goldman Sachs declined to comment.

In 2008, Nycomed had roughly €1.2 billion in earnings before interest, tax, depreciation, amortization and other costs. If the company were to sell for eight times that measure of cash flow—a benchmark for recent comparable deals—the price tag would be nearly €10 billion. Nycomed also had €4.3 billion of debt and €509 million of cash at the end of last year.

Daxas, the company's most im-

Please turn to next page

Dow soars 497.48 points as Treasury details plan

A WSJ NEWS ROUNDUP

Financial shares paced a broad market surge, with the Dow industrials climbing nearly 500 points, after the government explained in greater detail its plan to use private and public funds to take bad credit bets off banks' hands.

Monday, the Dow Jones Industrial Average gained 497.48 points, or 6.8%, to 7775.86.

ABREAST OF THE MARKET

The Standard & Poor's 500-stock index rose 54.38 points, or 7.1%, to 822.92, and the Nasdaq Composite Index climbed 98.50 points, or 6.8%, to 1555.77.

The blue-chip index was pushed upward by gains of 25% for **J.P. Morgan Chase** and 26% for **Bank of America. Citigroup** rose 19% and **American Express** gained 19%. **Alcoa** advanced 13% and **General Electric** rose 9.3%.

The S&P's financial sector jumped 16%. The energy sector soared 8%, as oil futures climbed above $53 a barrel and the industrial sector surged more than 7%.

Crude for May delivery rose 3.3% to $53.80 a barrel on the New York Mercantile Exchange.

The Treasury Department said Monday that a new public-private partnership could purchase $1 trillion in soured assets from banks, which would allow them to renew lending. Taxpayers will stand to reap gains, alongside investors such as hedge funds and private-equity firms, if the investments prove profitable.

"The [stock] market was looking for anything that was more definitive from Treasury than what we had," said Bud Haslett, chief executive of Miller Tabak Capital Management. "There are still a lot of unknowns, but it is more clear. The market is going to have a positive bias going forward."

The shares of asset managers who stand to benefit from increased trading in credit securities also showed solid gains.

Blackstone Group jumped 24%. **BlackRock** was up 18%, and **Fortress Investment Group** surged 37%.

Investors also weighed an encouraging round of housing data Monday. The National Association of Realtors said sales of existing homes rose in February, its largest sales jump since July 2003.

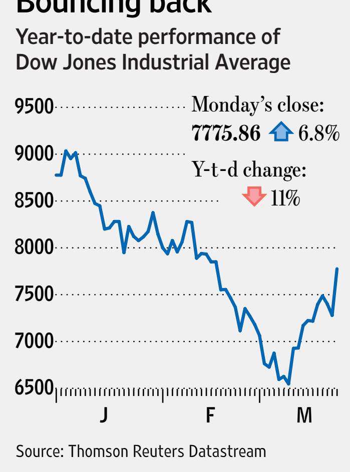
Builder stocks rallied. **Lennar** surged 20%.

Insurance stocks also rose. **Prudential Financial** climbed 26%, and **American International Group** gained 17%.

Tiffany rose 15% as fiscal fourth-quarter net income dropped, but results beat expectations.

Time Warner jumped 9.7% after it said it would buy a 31% stake in **Central European Media Enterprises**, which climbed 45%.

Cox Radio soared 25% after **Cox Enterprises** said it made a tender of-



fer for all of its outstanding shares.

Alexander & Baldwin fell 4.7% after it said it would cut about 10% of its nonunion work force and trim capital spending after seeing continued weakness in its transportation segments.

Cantor Fitzgerald strategist Marc Pado said the latest Treasury plan should mesh well with other recent policy moves, including the Fed's new lending programs and a round of fiscal stimulus that will direct billions toward infrastructure and other government programs.

Mr. Pado said he has been advising clients to get more aggressive in the stock market, anticipating a year-end rally as an economic recovery nears.

"I'm not saying we'll go on a straight path back to Dow 10000," he said. "We'll have some backing and filling in the market. But I do think we've seen the lows."

Petro-Canada rose 21% after **Suncor Energy**, down 1.7%, said it agreed to acquire it in an all-stock deal that will combine two of Canada's biggest oil companies.

AutoZone fell 0.8% and **O'Reilly Automotive** dropped 3.3% after UBS downgraded investment ratings on their shares.

Ford Motor's finance arm doubled the size of a planned debt buyback to $1 billion after getting significant investor interest. Its shares rose 5.5%.

Fitch Ratings cut **MGM Mirage**'s credit rating to the brink of default, reflecting concerns about a lawsuit regarding its $8.8 billion CityCenter project in Las Vegas and the two-month covenant waiver obtained from lenders last week. MGM rose 2%.

Phoenix Cos. surged 53% after it said Chairman and Chief Executive Dona D. Young will retire next month amid troubles at the life insurer. Chief Investment Officer James D. Wehr will be promoted to president and CEO.

Tata Motors rose 13% after it said the Nano, dubbed the world's cheapest car, will be profitable with a market of about one million units a year in India.

Oil rallies to $53.30 a barrel

Plan for bank assets raises expectations of economic recovery

By Moming Zhou
And Polya Lesova

NEW YORK—Crude-oil futures rallied 3.3% to almost $54 a barrel on Monday, pacing strong gains in U.S. stock markets, as the Treasury's plans to relieve banks of toxic assets raised hopes of an economic recovery and increased energy demand.

Crude oil for May delivery, the new front month contract, settled $1.73 higher to $53.30 a barrel on the New York Mercantile Exchange.

Under the U.S. government's plan, the Treasury Department and private capital will provide equity financing, and the Federal Deposit Insurance Corp. will provide a guarantee for debt financing issued by public-private investment funds to fund purchases of assets.

The plan raises investment sentiment and optimism," said Phil Flynn, vice president at Alaron Trading. "People start thinking maybe the economy will recover."

The Treasury's program will use $75 billion to $100 billion in capital from the government's Troubled Asset Relief Program as well as capital from private investors.

"The goal of this program is to restart the market for legacy securities, allowing banks and other financial institutions to free up capital and stimulate the extension of new credit," the Treasury said.

Crude prices rallied 10% last week, boosted by a weaker dollar as the U.S. Federal Reserve's decision to buy long-term Treasury securities pushed down the dollar.

"As long as the U.S. dollar shows persistent weakness, oil prices should still have more upward potential," said analysts at Commerzbank in a research note.

"We anticipate much higher oil prices toward the end of the year," they said. "However, without stabilization of demand in the major oil-consuming countries, it is hard to imagine a sustained turnaround toward a higher price level."

But some investors were worried that a stronger dollar may end oil's recent rally.

Also on the Nymex in midday trading, April reformulated gasoline was up 2% to $1.4881 a gallon and April heating oil gained 6.3% to $1.4707 a gallon. April natural-gas futures rose 1.6% to $4.294 per million British thermal units.

Treasurys fall ahead of Fed purchases

By Deborah Lynn Blumberg

U.S. CREDIT MARKETS

NEW YORK—Treasury prices fell as stocks surged after the U.S. government disclosed the details of its plan to remove troubled assets from banks' balance sheets.

In late afternoon trading on Monday, the 10-year Treasury note was down 10/32 to 100 25/32 to yield 2.660%, up from 2.626% late Friday as prices move inversely to yields. The two-year note was down 2/32 to 99 31/32 to yield 0.899%.

The price drops were modest because the Federal Reserve's program to buy longer-maturity Treasurys loomed. Typically, Treasurys plunge when equities surge, but Monday's more muted response was due to the Fed's plans. The Fed later this week will begin buying as much as $300 billion in Treasurys over the next six months, a program announced last week. Investors are hesitant to sell Treasurys before receiving more details on that buying.

Another reason for Treasurys' limited losses was some wariness about the effectiveness of the bank plan, said George Goncalves, chief Treasury, TIPS and agency strategist at Morgan Stanley in New York.

Also weighing on Treasurys, another round of new debt will be sold this week: a total of $98 billion in two-, five- and seven-year notes.

Dollar regains some losses, but is down against euro

By Dan Molinski

CURRENCY MARKETS

NEW YORK—The dollar erased some of its overnight losses against the euro in late-afternoon trading Monday in New York as currency markets began to express a bit of skepticism to the U.S. Treasury Department's plan to mop up toxic assets.

Hopes had emerged over the weekend that the Treasury plan could be successful in restarting frozen credit markets and lifting the economy, but comments Monday morning by Treasury Secretary Timothy Geithner put a damper on some of those aspirations.

As such, currency investors were once again buying dollars for its role as a safe haven.

The euro, which rose to as high as $1.3737 overnight, fell back to an intraday low of $1.3487.

Monday afternoon in New York, the euro was at $1.3653 from $1.3566 late Friday, and the dollar was at 96.92 yen from 95.92 yen. The euro was at 132.34 yen from 130.13 yen.

The pound was at $1.4583 from $1.4442. The dollar was at 1.1231 Swiss francs from 1.1292 francs Friday.

The U.S. dollar was at 1.2230 Canadian dollars Monday afternoon from C$1.2396 late Friday.

Goldman considers reducing ICBC stake

Continued from previous page

are meant to address criticism in China that foreign investors bought stakes in Chinese banks too cheaply and often profited excessively.

It is unclear whether those rules would affect Goldman's possible sale. So far, ICBC's outside investors have been prevented from reducing their holdings by lockup agreements that don't start expiring until April 28. After that, if Goldman goes through with the plan to reduce its ICBC stake, it will likely offer to lock up its remaining investment for an additional 12 months to make the transaction more palatable to the Chinese, say two people familiar with the matter.

Wang Zhenning, an official in the news office of ICBC, said Monday that he wasn't aware of any talks with Goldman over its stake. Earlier this month, ICBC Chairman Jiang Jianqing told reporters that his bank was in talks with its strategic investors about a possible stake sale, but that a final decision hadn't been made. He didn't elaborate.

Other foreign banks have been selling shares in Chinese financial institutions as lockup periods expire on the stakes they took ahead of initial public offerings by the Chinese banks. **Bank of America** Corp. sold part of its stake in **China Construction Bank** Corp., while **Royal Bank of Scotland Group** PLC sold its entire stake in **Bank of China** Ltd. earlier this year, prompting Bank of China to declare an end to their rocky strategic partnership.

Western banks have been somewhat reluctant to part with stakes that were supposed to cement long-term relationships. Still, the multibillion-dollar investments are tempting routes to raise cash, especially since they aren't considered core holdings for most banks.

Goldman's involvement with ICBC was one of the more prominent foreign tie-ups with a Chinese bank. The investment, including a mix of Goldman's capital and private-equity funds under its control, was among Goldman's largest investments ever with its own money, and has been enormously profitable on paper. Goldman paid just $2.6 billion for its stake in ICBC in 2006, ahead of the Chinese bank's record-breaking $22 billion initial public offering.

The stake now is valued at nearly three times its initial value, even though ICBC shares have fallen sharply since their peak in late 2007. The slide has caused Goldman to write off part of the paper profits it booked earlier on the investment. One person familiar with the matter said Goldman's move to reduce its ICBC stake is motivated by a desire to curb a "concentrated" position that hasn't been hedged because of the terms of its initial agreement with the Chinese bank.

The Goldman-ICBC relationship also has included cooperation in other areas. Goldman bankers have advised ICBC on overseas investments, including ICBC's purchase of a 20% stake in Africa's largest lender, **Standard Bank Group** Ltd., for more than $5 billion. Goldman has sent staff to ICBC to assist its efforts to improve risk management, and helped it manage its foreign-currency assets.

—Jason Dean and Rick Carew contributed to this article.

Stoxx 600 rallies 3%, with banks pacing gains

By Sarah Turner
MarketWatch.com

EUROPEAN STOCKS

European stock markets, led by financials, rallied sharply as the U.S.'s bank-rescue plan cheered investors.

Markets closed near the day's highs, with the pan-European Dow Jones Stoxx 600 up 3% to 177.73.

Among national markets, the U.K. FTSE 100 rose 2.9% to 3952.81, the German DAX 30 added 2.7% to 4176.37, and the French CAC-40 rose 2.8% to 2869.57. The FTSE remains down 11% on the year, the DAX by 13% and the CAC by 11%.

Monday's action was focused on Washington, where U.S. Treasury Secretary Timothy Geithner outlined a plan for public-private investments to soak up as much as $1 trillion in troubled loans and securities.

Financials rose throughout Europe. Among banks, **HSBC Holdings** rose 13% in London, **ING Groep** added 17% in Amsterdam, **BNP Paribas** rose 9% in Paris and **Commerzbank** added 9.5% in Frankfurt. Among insurers, **Aegon** rose 19% in Amsterdam, **Prudential** added 4.7% in London and **AXA** gained 5.8% in Paris.

"Banking is probably the one truly global business," said Heino Ruland of Ruland Research. "If we start to rescue the largest credit market in the world, everyone strongly believes that other action will be taken in other markets."

Still, Mr. Ruland thinks the rally in bank shares is close to an end, noting the doubts about future profitability under their new business models. There is also a risk that the Geithner plan could accelerate bank write-downs and capital raisings, according to Nomura analyst Jon Peace, citing **Barclays**, **Deutsche Bank** and **UBS** as most at risk. Barclays rose 16% in London, Deutsche Bank was up 8.5% in Frankfurt and UBS gained 3% in Zurich.

Outside of the financial sector, London-listed metals stocks enjoyed a strong session, with **Rio Tinto** up 13% and **Lonmin** adding 12% after reentering the FTSE 100 index.

Ian Scott, chief global and European strategist at Nomura International, said the rally has been more a reversion of cheap valuations than a bounce in "low quality" stocks. "We think that value stocks should perform well at this stage in the cycle and would expect this trend to continue."

Daimler shares edged up 1.4% in Frankfurt as the maker of Mercedes-Benz cars over the weekend outlined a plan to make a special issue of shares and sell them to **Aabar Investments** of Abu Dhabi for €1.95 billion at a 4% discount to Friday's close. Shares of rival **BMW** climbed 2.8%.

Though not specifically mentioning the Daimler deal, Goldman Sachs analysts said it is the best time to buy European auto shares in 10 years.

Mall owner General Growth extends bond-offer deadline

By Kris Hudson

General Growth Properties Inc., struggling to avoid a bankruptcy filing, extended a deadline for bondholders to accept reduced terms.

The mall owner has been fighting for months to dig out of $27 billion of debt as the recession drags down retail sales. Its balancing act got tougher last week after it missed a payment deadline on $395 million of bonds.

The company had been in negotiations with several dozen banks over past-due debt. Now, it also must deal with hundreds of bondholders, many with divergent interests. The company has $2.25 billion in bonds due between now and 2013, but any of those bondholders could demand immediate payment, because the bonds all have cross-default provisions.

General Growth, which has stopped paying interest and principal on the bonds, has offered bondholders a deal in which it would pay them a fee in exchange for their not demanding payment through the end of this year. The proposed quarterly fee would be 62.5 cents per $1,000 of bonds—less than the interest that they would be owed. The interest would continue to accrue, but would be added to the bonds' principal for payment later.

A second deadline for bondholders to agree to the consent solicitation passed Friday afternoon without the desired percentage of bondholders signing on, but on Monday, after a weekend of talks, the company extended the deadline until Friday.

General Growth had hoped to get approval from holders representing 90% of its bonds due this month and in April and 75% of its bonds due in 2012 and 2013.

General Growth owns and manages more than 200 malls in the U.S. It is the U.S.'s second-largest mall owner by number of properties, behind **Simon Property Group** Inc.

If General Growth can't get acceptances from the targeted percentage of bondholders, its options include amending the offer to increase the quarterly fee. It also could again extend the acceptance deadline without changing the fee or settle for the percentages of bondholders who already have agreed, and close the offer.

Nycomed looks for a buyer

Continued from previous page

portant new drug in development, is meant for people with chronic obstructive pulmonary disease, or COPD, also known as smoker's lung. In October, Nycomed reported promising preliminary results from two studies of the drug in smoker's lung patients. If approved for sale, Daxas would compete with GlaxoSmithKline PLC's blockbuster inhaler Advair and also with Spiriva, which is marketed by Pfizer Inc. and Boehringer Ingelheim GmbH. The annual global market for smoker's lung treatments is €9 billion and growing quickly, according to Nycomed.

GM bondholders say too much risk in proposed swap

By Sharon Terlep

A group representing **General Motors** Corp. bondholders cast doubt on whether the auto maker's survival plan will keep the company out of bankruptcy court, given the sharp decline in U.S. vehicle sales.

In a letter sent Sunday to U.S. Treasury Secretary Timothy Geithner and advisers to President Barack Obama's auto task force, the group's advisers said that because of GM's precarious state, demands that bondholders swap two-thirds of their debt for equity in a restructured GM poses too much risk.

The debt-for-equity swap is a critical part of GM's plan to restructure without seeking bankruptcy protection, with help from as much as $30 billion in federal loans.

"We are concerned that the company is putting too much faith in a near-term turnaround in the economy that would enable annual car and truck sales to reach previous levels," said the letter from bondholder advisers Houlihan Lokey Howard & Zukin Capital Inc.

"We do not know if the plan would, in fact, keep the company out of bankruptcy (in which case the securities received by the bondholders in an exchange would likely be worthless and the retirement funds and others who counted on these securities would be left with nothing)."

The bondholder group is seeking a more flexible deal from the government. Terms of GM's $16.4 billion federal loan call for bondholders to swap two-thirds of their debt for equity and to accept nonpreferential treatment behind nonbondholder creditors. The group said it proposed a deal that would meet the two-thirds requirement, but has received no response from GM or the Treasury.

Comprised of about a dozen big GM bondholders, the group has been negotiating with the auto maker since early this year on terms of a debt exchange. But talks stalled weeks ago amid conflict between the bondholders and United Auto Workers, which is in a parallel set of negotiations with GM over allowing the auto maker to use equity, rather than cash, to fund billions in retiree health-care obligations. Each group says it is being asked to sacrifice more than the other, and both are lobbying the U.S. government to back off terms set by the former Bush administration.

GM faces a March 31 deadline to present the government with updated restructuring plans that are to include details of the debt exchange and a revised labor deal.

Suncor and Petro-Canada will unite

All-stock deal comes as oil demand falls; more mergers ahead?

By *Matthew Karnitschnig, Dana Cimilluca and Ben Casselman*

Suncor Energy Inc. said it would acquire **Petro-Canada** for about $15 billion in stock, uniting two of Canada's biggest oil companies amid tepid world demand for crude.

The price represents roughly a 30% premium for Petro-Canada. The all-stock deal will allow the companies to merge while conserving cash, a sign of the pressure some oil producers face amid the plunge in crude prices since last summer. The Canadian government, which could veto the deal, has signaled its support, according to people familiar with the matter.

Under terms of the deal, Petro-Canada shareholders would get 1.28 shares of the newly combined company for each share of Petro-Canada. On completion of the transaction, Suncor's shareholders will own about 60% of the new company and Petro-Canada shareholders will own about 40%, Suncor said.

Both Suncor and Petro-Canada are major players in oil-sands production, a type of exploration that generally involves mining tar-like sands and converting them to usable oil. When oil prices were high, many producers scrambled to cultivate the rich oil-sand fields of the Athabasca basin in Canada's Alberta province.

But the method is more expensive than conventional production and most such projects are uneconomic at current price levels. In November, Petro-Canada said it was delaying one project because of falling prices.

Oil-industry watchers have been predicting a wave of mergers prompted by falling oil prices, which have left many smaller companies starved for cash. Tight credit has made it difficult for even well-capitalized companies to find financing for big deals. The rapid change in oil prices has also left buyers and sellers with vastly different ideas about how much assets are worth.

As a result, many of the larger, cash-rich companies that are the most likely buyers are waiting for prices to come down. The Suncor deal with Petro-Canada could be a sign that the waiting is over.

Recent speculation has focused on giant companies such as **Exxon Mobil** Corp., **Chevron** Corp. and **Royal Dutch Shell** PLC, which have large cash reserves and have been struggling to find new places to drill.

Reuters

Suncor Energy Chief Executive Rick George, left, and Petro-Canada CEO Ron Brenneman discuss their deal in Calgary on Monday.

Suncor and Petro-Canada, both of Calgary, Alberta, have been hit hard by falling energy prices. Both companies' shares are down more than 60% from their 52-week highs, and both have been forced to slash spending. In December, Petro-Canada said it was cutting spending by about a third this year, to about $3.2 billion. Suncor had earlier announced its own one-third spending cut, to about $4.8 billion.

The deal should enable the companies to take out even more costs. Petro-Canada produces more oil than Suncor and had a larger operating profit last year, although its revenue was a bit smaller. But Petro-Canada's share price has lagged behind that of Suncor and other Canadian producers, leading to calls from some shareholders to either sell the entire company or some of its businesses.

Last month, the Ontario Teachers' Pension Plan, which holds about 3.3% of Petro-Canada shares, said it was in talks with the company's management and board about "creating shareholder value," although it provided no details.

Suncor, Canada's third-largest oil producer by market value, posted an operating profit of $4.1 billion last year on revenue of $24.3 billion. It has a net debt load of about $5.8 billion and a market value of about $23.4 billion.

Petro-Canada, which had revenue last year of about $22.2 billion and operating profit of $7 billion, is carrying about $2.7 billion in net debt on its balance sheet. Its market value as of Friday's close on the Toronto Stock Exchange was $11.6 billion.

Suncor, founded in 1953, is the world's second-largest oil-sands producer. The company is also involved in natural-gas production and oil refining.

Established by the Canadian government in 1975, Petro-Canada is involved in many aspects of the oil and natural-gas trade, from exploration to production and distribution. The company has operations around the world, from Canada to Trinidad and Tobago to Syria. It also operates a network of convenience stores and car washes in Canada. The government began reducing its remaining 19% in the company in 2004.

Canada's oil sands comprise a 179-billion-barrel resource that makes the country's oil reserves the world's second largest after Saudi Arabia and the top source of imported oil for the U.S. But environmental groups in the U.S. have urged President Barack Obama to curtail such imports because the process of converting the sticky, viscous oil into usable crude releases more greenhouse gases than conventional oil production.

Ford unit doubles debt buyback

By Mike Barris

Ford Motor Co.'s finance arm has doubled the size of a planned debt buyback to $1 billion after getting significant investor interest.

Ford Motor announced the plans early this month in an effort to retire as much as $10.4 billion in debt through a combination of cash and stock largely financed by its lending arm. The moves were designed to tackle debt that stood at $25.8 billion at year end, excluding payments due to a union-run health fund. The proposal will trim debt-servicing costs at a time when Ford's liquidity has deteriorated because of the continuing slowdown in global auto sales. Ford Motor has been burning through billions of dollars in cash per quarter to fund its auto-making operations.

Included in the effort was Ford Motor Credit's effort to buy senior secured debt through a Dutch auction. As such, Ford Motor Credit now plans to purchase $2.2 billion of term-loan debt at 47 cents on the dollar.

Meanwhile, nearly $3.4 billion in notes have been tendered to a separate, $1.3 billion cash tender offer to purchase Ford's unsecured, nonconvertible debt securities.

"We are very pleased with the results to date of our debt-restructuring initiatives," Ford Treasurer Neil Schloss said.

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Deutsche Börse CFO resigns

Thomas Eichelmann helped to supervise cost-cutting efforts

By William Launder

FRANKFURT—German exchange operator **Deutsche Börse** AG Monday said Thomas Eichelmann, its chief financial officer and head of human resources who was credited with implementing cost-cutting measures at the company, will step down on April 30.

Deutsche Börse said Mr. Eichelmann was going because of "partial differences concerning individual business aspects." A spokesman said he declined to comment.

Mr. Eichelmann, who was appointed in 2007, has helped oversee Deutsche Börse's drive to cut costs. The exchange cut costs in 2008 to €1.28 billion 2008 from €1.32 billion the year before, and reported record earnings of €1 billion in net profit. In February, the company said its costs in 2009 wouldn't exceed the previous year's level. It also reported an 18% drop in fourth quarter net profit and warned it won't repeat the record results it earned for full-year 2008.

Analysts said it was unlikely that Mr. Eichelmann's plan to step down was related to Deutsche Börse's often strained relationship with activist shareholders The Children's Investment Fund and Atticus Capital, which have in the past pressured the exchange operator to change its business model and oust executives and board members.

Chief Executive Reto Francioni will take responsibility for finances and human resources until a successor for Mr. Eichelmann is found, Deutsche Börse said.

—Rüdiger Schoss contributed to this article.

EU, Ukraine in gas-pipeline deal

Associated Press

BRUSSELS—The European Union vowed to help upgrade Ukraine's network of gas pipelines in exchange for changes in the country's energy management to avoid a repeat of the January dispute that resulted in the cutoff of Russian gas deliveries to Europe.

The two sides signed an agreement to improve both the management and capacity of Ukraine's 40-year-old grid of gas pipelines. In return for embracing market economy practices, Kiev can expect billions of euros in funding and Western expertise on how to run a profitable and reliable energy sector. The EU didn't say how much it would commit for the work.

Ukrainian Prime Minister Yulia Tymoshenko said the project would need €5.5 billion ($7.5 billion), while the EU has estimated it at €2.5 billion, without setting a figure on the final bill.

Ukrainian gas pipelines carry domestic supplies but also Russian gas to Western Europe. A fifth of the natural gas consumed in the EU comes from Russia through the Ukraine.

Ukrainian President Viktor Yushchenko said "we are determined to improve the functioning of the gas market and root out all kinds of corruption and make sure that the system works to the benefit of all."

A priority, he said, was building gas-metering stations to improve the monitoring of gas passing through Ukrainian pipelines.

Mr. Yushchenko signed the gas agreement with European Commission President José Manuel Barroso. It aims to improve both the safety and capacity of Ukraine's pipeline network and revamp its management so Western investors can put up money without fear of losing any of it to endless red tape or corruption.

BHP Billiton agrees to lower coal prices

By Kazuhiro Shimamura

TOKYO—Japanese steelmakers and **BHP Billiton** have agreed to an almost 60% reduction in the price of coal for the next contract year beginning in April, people familiar with the situation said.

Nippon Steel Corp., Asia's largest steelmaker by output, and BHP's joint venture with **Mitsubishi** Corp. have agreed to pay $128 to $129 a metric ton for the top-grade coking coal, the people said on Monday.

Japan's No. 2 steel company, **JFE Steel** Corp., agreed on the same price range with BHP Billiton Mitsubishi Alliance, commonly known as BMA, they said.

The agreed price for the new contract year from April 1 is about 57% lower than the $300 that major Asian steelmakers pay in the current contract year.

Talks are continuing for lower-grade coal, the people said.

Nippon Steel, JFE Steel and BHP declined to comment on the negotiations.

The price for the new contract year is 57% lower than the current year.

Industry experts have said the Japanese steelmakers were likely to have been asking coal suppliers to cut the coal price back to around $100, the level just before it shot up to a record this fiscal year.

But analysts said the coal suppliers insisted on prices well above $100 on the grounds that some Asian steel mills already agreed to pay $130 or higher and that Japanese companies' purchase volume this fiscal year is short of their originally planned levels.

Goldman Sachs Group Inc. said in a research report that $129 would be a good price for BHP when steel demand is weak.

Goldman trading sector analyst Kenichiro Yoshida said another important point in the coal negotiation is whether the deal includes "carry-over" positions, or coal that the Japanese companies were expected to purchase at $300 a ton this fiscal year, but haven't yet purchased.

The people said they didn't know whether BHP and the Japanese companies had made any carry-over arrangement.

ING staff asked to return bonuses

Associated Press

The incoming chief executive of **ING Groep** NV made a "moral appeal" for his senior staff to pay back their 2008 bonuses.

The call on Monday by Jan Hommen comes with ING under fire for handing its new chief financial officer 100,000 ING shares as part of his enlistment package, despite a government bailout of billions of dollars to prop up the Dutch banking and insurance company.

Dutch Finance Minister Wouter Bos welcomed ING's decision, but said it didn't go far enough. "It's a good start," he told Dutch national broadcaster NOS.

China court sends mastermind behind pyramid scheme to prison

Associated Press

BEIJING—The mastermind behind Beijing's biggest pyramid scheme to date was sentenced to 15 years in prison Monday for bilking thousands of investors out of 1.68 billion yuan ($246 million), state media said.

Zhao Pengyun was sentenced by Beijing's No. 2 Intermediate Court and ordered to pay 300 million yuan in fines, the state-run Xinhua news agency reported.

Fake investments and pyramid investment schemes have become common during China's transition from a planned economy to a free market. Chinese leaders have tried to eradicate the scams, fearing widespread losses could add to already percolating social unrest.

The report said 27 others involved in the scheme were also sentenced to between one and 15 years in prison, and fined.

Previous state media reports said the Yilin Wood Company swindled about 20,000 people across the country with promises of high returns on sales of forest land since April 2004. Xinhua said Mr. Zhao was the main culprit behind the scheme but didn't elaborate.

Associated Press/MGM Mirage

The construction site of the City Center complex in Las Vegas, shown in 2007.

Dubai World files suit against MGM Mirage

By Jeffrey McCracken And Tamara Audi

Dubai World filed a lawsuit Monday against **MGM Mirage**, saying the casino operator's inability to borrow or guarantee it can continue as a going concern violates terms of their partnership in the $8.4 billion City Center development project in Las Vegas.

Dubai's state-run property developer is asking a Delaware Chancery Court judge to allow it to avoid future payments and other obligations under its partnership deal with MGM Mirage. It blames the U.S. company for massive cost overruns on the resort and residential complex, which is rising on nearly 27 hectares in the heart of the Las Vegas Strip.

"The current path of the project is simply unsustainable, given our partner's financial troubles," Dubai World said in a statement.

MGM Mirage didn't respond to requests for comment.

The lawsuit comes at a perilous time for MGM Mirage, which already faces the prospect of defaulting on loans coming due two months from now. Losing a key financial backer for City Center, which is jointly owned by the gambling giant and a Dubai World subsidiary called Infinity World, could force it to step up its efforts to raise cash by selling off casinos.

Two years ago, Dubai World paid $5 billion for half of the project, as well as a 9.5% stake in MGM Mirage, which agreed to develop and manage City Center. Both companies agreed to fund its construction.

In its lawsuit, Dubai World alleges it has to "make capital contributions far in excess of the levels originally estimated by MGM. Essentially it is being asked to pay significantly more and getting less, with only uncertainty about MGM's future."

Dubai World said it worried MGM Mirage or the City Center project might be forced to seek bankruptcy-court protection, "and is significantly concerned about MGM's survival." It added that it still believes City Center has "enormous value."

The entire project is scheduled to open in phases starting at the end of this year. It includes nearly 5,000 hotel rooms in three hotels, a shopping mall, casino and two condo towers.

MGM Mirage is already under considerable stress as it tries to avoid defaulting on its bank loans and keep its gambling business going. It is struggling to continue funding its portion of the City Center project and pay more than $13 billion in debt amid a sharp drop in gambling revenue.

Last week, the company reported a fourth-quarter loss of $1.14 billion, compared with net income of $872 million a year earlier. It saw a 17% drop in gambling revenue and a 21% decrease in room revenue, as well as declines in room rates and occupancy.

The company recently won a temporary reprieve from its lenders, who agreed to waive debt covenants for two months while the company worked on resolving its debt and cash-flow problems. Despite the agreement with banks, MGM Mirage warned investors it could default on its loans when the waiver expires in mid-May. A default could trigger cross-defaults on other loans, including $1.8 billion in funding for City Center, the company said.

Dubai World blames MGM Mirage for cost overruns on their Las Vegas project.

MGM Mirage could sell casino properties to raise cash, though any sales must be approved by its lenders under the waiver agreement. Last week, it closed the sale of its Treasure Island casino to investor Phil Ruffin for $775 million.

The repreive from its lenders also allowed MGM Mirage to continue funding City Center, even as its cash reserves dwindled. As of Dec. 31, MGM Mirage and Dubai World had each contributed more than $1 billion to fund construction. Since then, the companies have each contributed another $237 million, and each party is committed to paying as much as $600 million in construction costs this year.

The lawsuit represents the latest twist in a reversal of fortune for MGM Mirage. Company executives envisioned City Center as a "city within a city"—with sleek glass skyscrapers, parks and $40 million in public art—a stark contrast to Vegas's elaborate theme-park-style casinos.

The project would be MGM Mirage's most-ambitious undertaking, transforming it from purely a gambling company into a major developer while also reshaping a significant portion of the Las Vegas Strip.

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Banks dive into government-backed bonds

High yields, low risk entice treasuries to invest in asset class

By Duncan Kerr And Radi Khasawneh

Some of the world's largest banks are boosting their investments in the $400 billion government-guaranteed bank bond market.

Last year, the U.S., U.K. and most European governments agreed to guarantee new debt from banks as a way to ease the tight credit markets banks faced.

While this has worked, the move has had the unintended consequence of making government-guaranteed paper more attractive than government debt itself. The average yield-spread on government-guaranteed paper is significantly higher than that on government paper, even though the debt has the same guarantor.

As a result, banks have piled into the asset class to exploit the relatively low risk and high reward, and thus rapidly become the dominant buyer of the assets, elbowing out central banks, asset managers, pension funds and insurers.

Government-guaranteed debt issued by banks is attractive to the treasury departments of banks with large deposit bases. Banks' treasury operations are in charge of managing the sensitive balance of a bank's short- and long-term funding, in effect its liquidity position. As government-guaranteed bonds are easy to trade and offer a higher yield spread above government debt, they are an attractive asset class to have in times of market stress.

Furthermore, bank treasuries are one of the few market players that are liquid and need to put their money to work in an environment where equities are underperforming and interest rates are low.

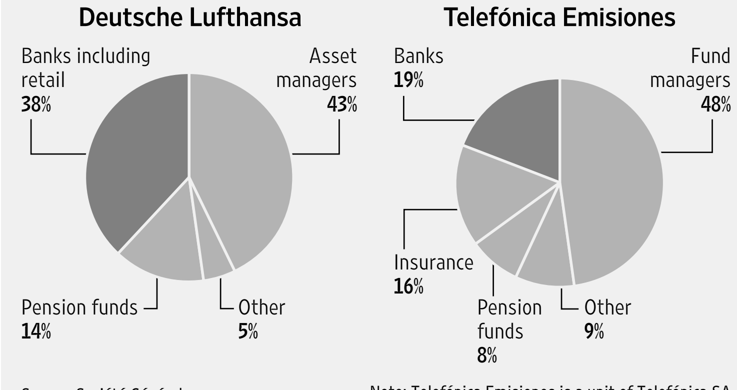
"Bank treasuries have been lapping up the financials' state-backed debt," said Luke Hickmore, a fixed-income investment director at Scottish Widows Investment Partnership in Edinburgh. "They are good value and suit their risk profiles very well, while other investors are more interested in the better yields that are available elsewhere."

According to BNP Paribas, as much as $400 billion of government-guaranteed bonds have been sold by banks since November and a further $600 billion is expected to be sold this year.

London-based bond market bankers estimate that banks have bought about 30%, or $120 billion, of government-guaranteed bank paper, with two credit-market participants saying the figure could be as high as 50%, because investors such as pension funds, fund managers and insurers have been sidelined.

"Financials have seen a lot of demand for their senior and state-backed debt, which offer a nice yield," Mr. Hickmore said. But bond offerings from companies that didn't come with the guarantee were "so unlikely to fly that financials have not even tried to issue them," he said.

"The shift to banks in bond order books over the last 18 months was most pronounced in well-rated public sector and government-guaranteed markets," said Martin Egan, global head of primary markets at BNP Paribas in London. "In fact, bank treasuries in some of those markets are now perhaps the dominant investor base."



Bankers said **J.P. Morgan Chase** & Co. and **HSBC Holdings** PLC have been among the biggest buyers. Both banks manage some of the largest deposit bases in the world and therefore require relatively stable assets that carry a reasonable yield to fund their operations. HSBC and J.P. Morgan declined to comment.

"The bank treasuries have been big buyers of government-backed bank issues, but they have not been buying non-financial corporate bonds as much," said Mark Benstead, head of credit at Axa Investment Managers. Banks' interest in bonds isn't limited to those from banks guaranteed by the government.

For sovereign bonds alone, €106 billion ($143.81 billion) of government paper has been bought by euro-zone banks in the first quarter of this year, according to research from Barclays Capital.

That is double the record for any quarter in the past 10 years. Barclays analysts predict that about €200 billion of the €230 billion of European government issuance for the rest of the year will be snapped up by banks.

The banks' broader interest in corporate bonds is the latest development in a trend that goes back to the start of the credit crisis, 18 months ago.

However, in the early stages, banks' interest in simpler forms of investment was mostly felt in the areas of sovereign bond and government-related bonds, according to market participants.

Banks have also become a much more significant presence on the corporate bond side, taking up 38% of the €850 million issue of BBB minus-rated Deutsche Lufthansa AG senior bond, which priced on March 17.

That is up from the 12% allocation to banks, including retail, from the last time the airline came to the bond markets in May 2006.

The broader purchases of corporate bonds, in effect, means that despite the criticism from governments that they aren't lending enough, banks are lending significant sums to corporations, although not in the traditional manner of providing them with a loan.

"On the corporate side, it is more bank-related funds that are selling on to their investor base, so even though they are bank investors broadly, there is a slightly different dynamic in terms of how that particular investor is shaped," Mr. Egan said.

Technology M&A head resigns from J.P. Morgan

By Liam Vaughan

J.P. Morgan Chase & Co.'s global head of technology M&A has resigned from the bank, according to people familiar with the matter, the latest example of a Wall Street banker leaving a perch at one of the large investment banks.

Karl Will, who led J.P. Morgan's world-wide technology advisory business from San Francisco, left this month. He couldn't be reached for comment.

The flow of deals in technology and pharmaceuticals is expected to remain buoyant despite the downturn, as demonstrated by U.S. drug company Pfizer's acquisition of rival Wyeth and talks between information-technology groups IBM and Sun Microsystems.

Seasoned bankers with existing relationships are in demand, and have been attracted to boutique investment banks by the lack of negative sentiment and greater earnings potential.

Last month, technology boutique Qatalyst Partners hired former Merrill Lynch technology head Jean Tardy-Joubert to run its European business in anticipation of an uptick in transactions in the sector.

"While it won't be a great year for technology M&A, it won't be the disaster that some are predicting either. Given the operational leverage in the tech space, the sector will pick up a lot quicker than others," Mr. Tardy-Joubert said last month.

This month, investment bank Greenhill & Co. announced the appointment of Kenneth Goldman as a senior adviser to technology companies in Silicon Valley. Mr. Goldman worked for several technology firms in his 35-year career, including Siebel Systems and Sybase.

Rick Landgarten, former co-head of global health-care investment banking at Citigroup Inc., will join U.S. boutique Moelis & Co as a managing director in June. At Citigroup, he led the health-care investment banking group advising senior executives across the healthcare industry.

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THE INTERNATIONAL INVESTOR

Short selling under the gun

International group seeks global effort to monitor, regulate

By Jonathan Cheng

HONG KONG—International regulators are calling for greater disclosure and tighter standards on short selling, following stock-market turmoil last year that led to world-wide scrutiny and temporary bans of the practice.

The recommendations, made Monday by a special task force of the Madrid-based International Organization of Securities Commissions, represent the first coordinated global effort to more closely monitor and regulate short selling, which some people blamed for exacerbating a slide in stock prices last September.

Task force Chairman Martin Wheatley said regulators generally supported short selling as a "beneficial feature" of markets but agreed timelier reporting and tighter compliance rules would make the practice more orderly and fair.

Mr. Wheatley framed the nonbinding recommendations as a "first step towards trying to reach a harmonized short-selling regime throughout the world," though it doesn't prescribe specific reporting rules.

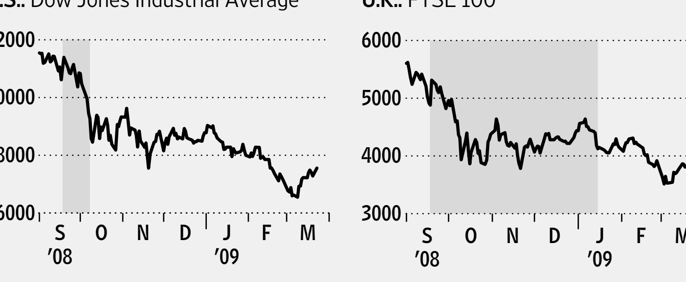
In September, regulators in the U.S., the U.K., Australia and elsewhere imposed bans on short selling of financial-sector stocks in an attempt to steady the markets. The U.S. removed its ban in October. The U.K. lifted its ban in January but wants to require investors to disclose bearish bets on all stocks. Australia extended its ban this month for the third time, citing "predatory practices."

Short sellers, typically hedge funds and bank traders, seek to profit on stock declines by borrowing shares and selling them, in the hopes of buying them back later at a lower price.

Mr. Wheatley, who is also chief executive of Hong Kong's Securities and Futures Commission, said part of the task force's goal was to clarify misunderstandings about the practice. He said short selling was important in risk-management activities and contributes to market liquidity and price efficiency. Hong Kong didn't ban short selling last year.

The international group, whose members regulate more than 90% of the world's securities markets, established the task force in November.

—Jeffrey Ng contributed to this article.



Sources: Thomson Datastream (indexes); WSJ reporting (bans)

Japanese survey registers gloom

By Andrew Monahan

TOKYO—A majority of large Japanese companies continue to expect conditions to deteriorate into the second half of the year with pessimism at a record low, a quarterly sentiment survey has found.

While large manufacturers reported a pessimistic sentiment in the January to March period as they slashed production, headcount and investment, large nonmanufacturing companies were also at their gloomiest on record.

The large-company component of the quarterly sentiment survey, jointly conducted by the Ministry of Finance and the Cabinet Office, stood at a record low of minus-51.3 in the first quarter, worse than minus-35.7 in the previous quarter.

A negative reading indicates most companies are downbeat on business conditions. The index is calculated by subtracting the percentage of companies saying the economy is worsening from the percentage seeing improvement.

The index for big manufacturers plumbed new depths at minus-66.0 from minus-44.5 in the previous period, led by a slide in the index for car makers to minus-92.1 from minus-83.6 as domestic and global demand remained in the doldrums.

Meanwhile the index for big nonmanufacturers was at minus-42.6, down from minus-30.5

These figures are all the lowest under current survey methods launched in April-June 2004.

—Takashi Mochizuki contributed to this article.

Japan's MUFG plans job cuts

By Alison Tudor

TOKYO—**Mitsubishi UFJ Financial Group** Inc., Japan's biggest bank by assets, said on Monday it plans to close about 50 branches and cut 1,000 jobs over the next three years as part of continuing efforts to reduce costs.

The plan for its core banking unit, Bank of Tokyo-Mitsubishi UFJ, includes closing down at least 200 automatic teller machines.

At present, the bank has 600 branches. At the end of September, it had 34,227 employees.

MUFG, widely considered Japan's most traditional bank, will eliminate the jobs through attrition.

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Leading 10 Performers

FUND RATING	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	YTD	% Return in $US ** 1-YR	2-YR	5-YR
NS	**Generali IS** Capital Markets Str A Acc	Generali Investments Sicav	EUR	Luxembrg	**-6.67**	-5.45	6.57	NS
5	**Luxglobal** Concept Three Acc	M.M.Warburg-LuxInvest S.A.	EUR	Luxembrg	**-1.40**	-10.42	-0.31	8.47
NS	**HLG European** Dividend-Growth	HLG Unit Trust Berhad	MYR	Malaysia	**-5.07**	-11.90	NS	NS
NS	**Henderson** Horizon PanEur AlPs A1 EUR Inc	Henderson Global Investors Limited	EUR	Luxembrg	**-4.91**	-20.10	-13.34	NS
NS	**HSH** Structured Concept I Inc	Universal-Investment GmbH	EUR	Germany	**3.06**	-25.09	NS	NS
5	**Allocation** PEA Acc	Aforge Finance	EUR	France	**-5.57**	-25.31	-11.73	NS
5	**HSBC** Trinkaus Aktienstrukt. Europa Acc	HSBC Trinkaus Investment Managers S.A.	EUR	Luxembrg	**-4.40**	-25.71	-11.82	0.82
5	**Permal Long** Pan European Acc	Permal Asset Management (LUX)	USD	Luxembrg	**-12.77**	-26.39	-16.98	3.10
NS	**European** Equity Min Var AMI Acc	AmpegaGerling Investment GmbH	EUR	Germany	**-8.57**	-28.74	NS	NS
5	**Logic** Patrimoine PEA Acc	Modèles & Stratégies	EUR	France	**-5.55**	-31.58	-16.47	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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Financial shares drive gains; India's Sensex surges 5.1%

A WSJ News Roundup

ASIAN-PACIFIC STOCKS

Indian shares posted their largest one-day gain since early December, while several other Asian stock indexes rose 3% or more Monday, with financials leading a rally as investors awaited Treasury Secretary Timothy Geithner's plan to stabilize U.S. banks.

Energy stocks provided additional thrust as crude-oil prices held above $53 a barrel.

China's Shanghai Composite Index gained for a sixth consecutive session to finish up 2% at 2325.48. In Hong Kong, an index of large-capital China-related shares jumped 6.2%, while the Hang Seng Index rose 4.8% to 13447.42.

Japan's Nikkei Stock Average of 225 companies returned from a holiday-extended weekend to rise 3.4% to 8215.53, while Australia's S&P/ASX 200 and the Korea Composite Stock Price Index ended up 2.4% each. India's Sensex surged 5.1% and Singapore's Straits Times jumped 4.2%. Taiwan's main index advanced 3.3%.

"With more details on the U.S. bad-bank plan expected to come soon, it's hard for sellers to be aggressive," said Yumi Nishimura, a market analyst at Daiwa Securities SMBC.

Financial stocks pushed higher, with **Australia & New Zealand Banking Group** up 4.8% in Sydney, **Mizuho Financial Group** gaining 5.3% in Tokyo, **Korea Exchange Bank** climbing 5.9% in Seoul, and **Industrial & Commercial Bank of China** rising 6.3% in Hong Kong. **Oversea-Chinese Banking** was trading up 3.5% in Singapore, while **ICICI Bank** gained 7.4% in Mumbai.

Among resource stocks, **BHP Billiton** jumped 3.5% and **Rio Tinto** surged 7.9% in Sydney, while **Inpex** rallied 6.7% in Tokyo. **Aluminum Corp. of China** rose 16% in Hong Kong, while **Sterlite Industries** jumped 5% in Mumbai.

Taiwan's technology stocks rose with **Taiwan Semiconductor Manufacturing** closing up 5.5% on news it will end mandatory unpaid leave for its employees on April 1, as first-quarter sales have picked up. **Unimicron Technology** rose 6.4% after its board approved a merger with **Phoenix Precision Technology**.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Am Blend Portfolio A	US	EQ	LUX	03/20	USD	7.09	-13.6	-43.7	-28.6
Am Blend Portfolio I	US	EQ	LUX	03/20	USD	8.30	-13.5	-43.2	-28.0
Am Growth A	US	EQ	LUX	03/20	USD	21.22	-7.3	-29.4	-17.9
Am Growth B	US	EQ	LUX	03/20	USD	17.99	-7.5	-30.1	-18.7
Am Growth I	US	EQ	LUX	03/20	USD	23.38	-7.1	-28.8	-17.2
Am Income A	US	BD	LUX	03/20	USD	7.02	-1.1	-11.5	-4.8
Am Income A2	US	BD	LUX	03/20	USD	15.12	-0.7	-11.5	-4.8
Am Income B	US	BD	LUX	03/20	USD	7.02	-1.2	-12.2	-5.6
Am Income B2	US	BD	LUX	03/20	USD	13.11	-0.8	-12.1	-5.5
Am Income I	US	BD	LUX	03/20	USD	7.02	-1.0	-11.0	-4.3
Am Value A	US	EQ	LUX	03/20	USD	6.38	-11.5	-37.0	-25.1
Am Value B	US	EQ	LUX	03/20	USD	5.92	-11.8	-37.6	-25.9
Am Value I	US	EQ	LUX	03/20	USD	6.83	-11.3	-36.5	-24.5
Asian Technology A	OT	EQ	LUX	03/20	USD	8.58	-1.9	-40.2	-26.9
Asian Technology B	OT	EQ	LUX	03/20	USD	7.57	-2.1	-40.7	-27.6
Asian Technology I	OT	EQ	LUX	03/20	USD	9.51	-1.8	-39.7	-26.3
Emg Mkts Debt A	GL	BD	LUX	03/20	USD	11.89	3.4	-16.6	-6.6
Emg Mkts Debt A2	GL	BD	LUX	03/20	USD	14.47	4.0	-16.5	-6.6
Emg Mkts Debt B	GL	BD	LUX	03/20	USD	11.89	3.2	-17.4	-7.6
Emg Mkts Debt B2	GL	BD	LUX	03/20	USD	14.05	3.8	-17.3	-7.5
Emg Mkts Debt I	GL	BD	LUX	03/20	USD	11.89	3.5	-16.1	-6.1
Emg Mkts Growth A	GL	EQ	LUX	03/20	USD	19.52	-2.6	-50.7	-24.7
Emg Mkts Growth B	GL	EQ	LUX	03/20	USD	16.67	-2.8	-51.2	-25.5
Emg Mkts Growth I	GL	EQ	LUX	03/20	USD	21.50	-2.5	-50.3	-24.1
Eur Blend A	EU	EQ	LUX	03/20	EUR	7.91	-13.4	-45.6	-33.7
Eur Blend I	EU	EQ	LUX	03/20	EUR	8.10	-13.2	-45.1	-33.1
Eur Growth A	EU	EQ	LUX	03/20	EUR	4.99	-10.4	-41.9	-30.7
Eur Growth B	EU	EQ	LUX	03/20	EUR	4.52	-10.7	-42.5	-31.4
Eur Growth I	EU	EQ	LUX	03/20	EUR	5.40	-10.4	-41.6	-30.2
Eur Income A	EU	BD	LUX	03/20	EUR	4.66	-7.1	-24.6	-16.2
Eur Income A2	EU	BD	LUX	03/20	EUR	8.60	-6.6	-24.6	-16.1
Eur Income B	EU	BD	LUX	03/20	EUR	4.66	-7.2	-25.1	-16.8
Eur Income B2	EU	BD	LUX	03/20	EUR	8.05	-6.7	-25.0	-16.7
Eur Income I	EU	BD	LUX	03/20	EUR	4.66	-7.0	-24.1	-15.7
Eur Strat Value A	EU	EQ	LUX	03/20	EUR	5.83	-16.2	-49.3	NS
Eur Strat Value I	EU	EQ	LUX	03/20	EUR	5.93	-16.1	-48.9	NS
Eur Value A	EU	EQ	LUX	03/20	EUR	6.14	-15.7	-45.8	-34.6
Eur Value B	EU	EQ	LUX	03/20	EUR	5.69	-16.0	-46.4	-35.2
Eur Value I	EU	EQ	LUX	03/20	EUR	7.05	-15.6	-45.3	-34.0
Gl Balanced (Euro) A	EU	BA	LUX	03/20	USD	11.80	-8.3	-34.2	NS
Gl Balanced (Euro) B	EU	BA	LUX	03/20	USD	11.58	-8.6	-34.9	NS
Gl Balanced (Euro) C	EU	BA	LUX	03/20	USD	11.73	-8.4	-34.4	NS
Gl Balanced (Euro) I	EU	BA	LUX	03/20	USD	11.95	-8.2	-33.7	NS
Gl Balanced A	US	BA	LUX	03/20	USD	12.15	-8.6	-36.3	-21.5
Gl Balanced B	US	BA	LUX	03/20	USD	11.65	-8.7	-36.9	-22.3
Gl Balanced I	US	BA	LUX	03/20	USD	12.54	-8.4	-35.8	-21.0
Gl Bond A	US	BD	LUX	03/20	USD	8.31	-2.1	-6.1	-1.0
Gl Bond A2	US	BD	LUX	03/20	USD	13.95	-1.8	-6.3	-1.1
Gl Bond B	US	BD	LUX	03/20	USD	8.31	-2.2	-7.1	-2.1
Gl Bond B2	US	BD	LUX	03/20	USD	12.31	-2.1	-7.2	-2.0
Gl Bond I	US	BD	LUX	03/20	USD	8.31	-2.0	-5.6	-0.5
Gl Conservative A	US	BA	LUX	03/20	USD	12.48	-4.6	-21.7	-11.5
Gl Conservative A2	US	BA	LUX	03/20	USD	13.91	-4.6	-21.5	-11.4
Gl Conservative B	US	BA	LUX	03/20	USD	12.48	-4.8	-22.3	-12.3
Gl Conservative B2	US	BA	LUX	03/20	USD	13.32	-4.8	-22.3	-12.3
Gl Conservative I	US	BA	LUX	03/20	USD	12.51	-4.4	-20.8	-10.8
Gl Eq Blend A	GL	EQ	LUX	03/20	USD	7.76	-13.2	-52.1	-33.8
Gl Eq Blend B	GL	EQ	LUX	03/20	USD	7.34	-13.3	-52.6	-34.5
Gl Eq Blend I	GL	EQ	LUX	03/20	USD	8.13	-13.0	-51.8	-33.3
Gl Growth A	GL	EQ	LUX	03/20	USD	28.65	-11.2	-51.1	-32.2
Gl Growth B	GL	EQ	LUX	03/20	USD	24.10	-11.4	-51.5	-32.9
Gl Growth I	GL	EQ	LUX	03/20	USD	31.61	-11.0	-50.7	-31.6
Gl High Yield A	US	BD	LUX	03/20	USD	2.94	0.9	-28.8	-15.8
Gl High Yield A2	US	BD	LUX	03/20	USD	5.86	1.7	-28.6	-15.7
Gl High Yield B	US	BD	LUX	03/20	USD	2.94	0.7	-29.7	-16.7
Gl High Yield B2	US	BD	LUX	03/20	USD	9.49	1.5	-29.4	-16.5
Gl High Yield I	US	BD	LUX	03/20	USD	2.94	1.1	-28.3	-15.3
Gl Value A	GL	EQ	LUX	03/20	USD	7.20	-15.2	-53.2	-35.6
Gl Value B	GL	EQ	LUX	03/20	USD	6.66	-15.5	-53.8	-36.3
Gl Value I	GL	EQ	LUX	03/20	USD	7.60	-15.2	-52.9	-35.1
India Growth A	EA	EQ	LUX	03/20	USD	52.77	-8.7	-51.2	-15.1
India Growth B	EA	EQ	LUX	03/20	USD	45.46	-8.8	-51.7	-15.9
India Growth I	EA	EQ	LUX	03/20	USD	54.50	-8.6	-51.1	-14.8
Int'l Health Care A	OT	EQ	LUX	03/20	USD	104.44	-11.1	-28.9	-18.5
Int'l Health Care B	OT	EQ	LUX	03/20	USD	88.78	-11.3	-29.6	-19.3
Int'l Health Care I	OT	EQ	LUX	03/20	USD	113.40	-10.9	-28.4	-17.8
Int'l Technology A	OT	EQ	LUX	03/20	USD	69.74	-4.7	-39.8	-23.2
Int'l Technology B	OT	EQ	LUX	03/20	USD	60.90	-4.9	-40.4	-23.9
Int'l Technology I	OT	EQ	LUX	03/20	USD	77.71	-4.5	-39.3	-22.5
Japan Blend A	JP	EQ	LUX	03/20	JPY	4531.00	-15.6	-43.6	-36.7
Japan Growth A	JP	EQ	LUX	03/20	JPY	4686.00	-15.8	-41.3	-35.4
Japan Growth I	JP	EQ	LUX	03/20	JPY	4792.00	-15.6	-40.8	-34.9
Japan Strat Value A	JP	EQ	LUX	03/20	JPY	4370.00	-15.3	-46.0	-37.9
Japan Strat Value I	JP	EQ	LUX	03/20	JPY	4458.00	-15.1	-45.6	-37.4
Real Estate Sec. A	OT	EQ	LUX	03/20	USD	8.09	-24.2	-55.4	-42.1
Real Estate Sec. B	OT	EQ	LUX	03/20	USD	7.46	-24.3	-55.8	-42.6
Real Estate Sec. I	OT	EQ	LUX	03/20	USD	8.64	-24.1	-55.1	-41.6
Short Mat Dollar A	US	BD	LUX	03/20	USD	6.52	-2.9	-15.7	-12.3
Short Mat Dollar A2	US	BD	LUX	03/20	USD	8.54	-2.5	-15.8	-12.4
Short Mat Dollar B	US	BD	LUX	03/20	USD	6.52	-2.9	-16.1	-12.8
Short Mat Dollar B2	US	BD	LUX	03/20	USD	8.53	-2.6	-16.1	-12.7

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Financing woes hamper World Trade Center site

Government aid is sought to rebuild site of 9/11 attacks

By Alex Frangos

NEW YORK—The rebuilding of the World Trade Center site, already hobbled by years of delays and infighting, is facing fresh problems with private developer Larry Silverstein asking the government for crucial financial assistance, according to people familiar with the matter.

The result would be that the Port Authority of New York and New Jersey, the government entity that owns the site, would take on more of the risk of the project at a time when the agency already faces budget restraints to pursue its core transportation and infrastructure missions.

The Port Authority, eager to prevent the project from stalling, is considering helping to finance at least one of Mr. Silverstein's planned three office towers, according to people familiar with the matter. Mr. Silverstein is requesting financing help on at least two of the three towers. The Port Authority would require concessions from Mr. Silverstein, including giving up some of his equity interest in the towers.

The project, meant to be a symbol of the recovery after the Sept. 11 terrorist attacks on the U.S., has been through years of costly delays and acrimony. The plan for the 16-acre site includes five skyscrapers, a memorial, a transit hub, a shopping mall and a performing-arts center. Much of that was recently expected to open between 2011 and 2013.

Matthew Craig/MJR for The Wall Street Journal

Frequent delays have jeopardized plans for some elements of the redeveloped World Trade Center site, shown on March 20, to open between 2011 and 2013.

Those dates are in jeopardy and at least some elements are unlikely to be finished until the latter part of the next decade. The memorial is set to open by the 10th anniversary of the attacks, but even it faces budget shortfalls and is pursuing federal stimulus money.

Despite the long-term financial problems, the site has been a beehive of activity after years of delay. The Freedom Tower, owned by the Port Authority, is poking above street level. The memorial is taking shape. And Mr. Silverstein recently installed a crane to begin foundation work on the smallest of his three towers.

But if construction of the office towers doesn't proceed, the entire site could be plunged into further delays and uncertainty. The planned $3.2 billion transit hub, not yet under construction, relies on Mr. Silverstein's office towers for ventilation and fire exits required by building codes. The Port Authority's $3 billion Freedom Tower would be unable to open as planned because its delivery ramps tie into the part of the site that Mr. Silverstein jointly controls with the Port Authority.

Mr. Silverstein declined to comment through a spokesman, but has in the past said he is committed to building as quickly as possible.

A Port Authority spokeswoman said: "We are continuing to discuss with Silverstein Properties how to best meet a changed market while ensuring the World Trade Center site is rebuilt in the best public interest. In the meantime, the negotiations will be between the two parties, not in the press."

Mr. Silverstein originally planned to finance his three towers through a combination of insurance proceeds, government-subsidized bonds and commitments by the Port Authority and the City of New York to occupy part of one of the towers. He also hoped to attract private-sector tenants to anchor the towers. Before its sale to Bank of America Corp., Merrill Lynch was a possibility.

But with the economy in a tailspin, raising money to build the $7 billion of office space has been nearly impossible. Making things more difficult, Mr. Silverstein is obliged to pay the Port Authority $79 million a year in ground-lease payments, a legacy of his July 2001 agreement to buy a 99-year lease on the Twin Towers.

Larry Silverstein

The ground-lease payments to the Port Authority act like a first mortgage on the properties. Any construction financing Mr. Silverstein tries to secure then becomes subordinate to the ground-lease payments, which is an unattractive prospect for lenders that demand much tighter underwriting standards than during the credit boom.

Those lease payments have drawn $800 million out of the $4.5 billion insurance settlement since 2001. (The Port Authority has said that money is earmarked for reinvestment into the site.)

In 2003, Mr. Silverstein used part of the insurance proceeds to pay back his and his partners' $125 million equity in the original 2001 purchase. An additional $563 million was used to pay off a mortgage on the Twin Towers. Much also has been spent on design and site preparation. Mr. Silverstein has less than $1 billion in insurance money left, said a person familiar with the project.

An alternative financing strategy being floated among the parties is to build the towers only up to the first several floors, which are slated for retail space. That would allow the needed infrastructure to be built. The office parts of the towers would be built atop the pedestals when the economy revives. But that strategy has logistical challenges, such as finding retail tenants willing to reside in space that would have to be closed when construction above it resumed.

While people familiar with the talks are hopeful a deal will be struck, Mr. Silverstein has legal leverage to stall the project in the courts, according to people familiar with the project. The Port Authority has failed to deliver parts of the site to Mr. Silverstein in a timely manner, according to the rebuilding agreement struck in 2006, and has incurred more than $70 million in penalties it pays to Mr. Silverstein. Mr. Silverstein could argue that the agency has made it impossible for him to build.

The Port Authority also has leverage over Mr. Silverstein regarding promises he made to complete the buildings by certain dates and could theoretically try to remove him from the project, according to government officials. But the agency, which reports to the governors of New York and New Jersey, is unlikely to want the project tied up in a protracted legal battle.

Lehman to sell pens, shirts, bags

By Kate Kelly

NEW YORK—**Lehman Brothers Holdings** Inc. is slogging through bankruptcy court, but at least it has a reminder of better times on Wall Street: thousands of gift items bearing the Lehman name.

In a notice filed Thursday in bankruptcy court in New York, Judge James Peck ordered a unit of **Barclays** PLC, which acquired parts of Lehman last September, to return hundreds of T-shirts, stress balls, messenger bags, pens and other items bearing the Lehman name.

A Lehman spokeswoman said the company will sell the items. "The estate team is going to dispose of the assets like they would anything else," she said. "We expect limited value."

Any proceeds could come in handy. Lehman still owes an estimated $200 billion to creditors.

Barclays, which has held the items since it purchased parts of Lehman's brokerage business and its New York headquarters building last year, has been ordered to give Lehman access to the merchandise by the end of next week. During that same period, Lehman must reimburse Barclays for $33,880 it accrued in storage fees.

Once it repossesses the corporate gifts, Lehman may use them as it sees fit, as long as it doesn't solicit current Barclays employees. A Barclays spokesman declined to comment.

Lehman's reacquired inventory includes a wide range of branded items, many of which were distributed to clients as gifts over the years. (Employees typically had to pay for them.) The list includes 24 screwpull wine openers, 1,630 green canvas duffle bags, 7,700 conference pens, 2,055 green stress balls and 205 green can cozies.

Official sales plans haven't been formulated.

—Geoffrey A. Fowler contributed to this article.

Land prices in Japan shift lower

By Takashi Nakamichi

TOKYO—Japan's land prices fell for the first time in three years in 2008, highlighting how the economic downturn is stifling demand for homes and offices.

Land prices for residential real estate slipped 3.2% last year, while those for commercial properties dropped 4.7%, the Ministry of Land, Infrastructure, Transport and Tourism said Monday in its annual land-price survey. Both fell after two years of rises. All of Japan's 47 prefectures posted declines in residential and commercial land costs.

The survey, which provides a benchmark for land transactions and the calculation of inheritance and property taxes, showed Japan's three primary metropolitan areas leading the decline.

Residential land prices in the Tokyo, Osaka, Nagoya zones fell 3.5% in the first drop in three years. Land for business use was down 5.4%, ending its three-year climb.

The results "clearly show that land prices across the country are in a down trend," the ministry said.

Sliding land prices, coupled with weakness in domestic stock markets, could further stoke worries about the return of asset-price deflation, which Japan seemed to have beaten a couple of years ago.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Short Mat Dollar I	US	BD	LUX	03/20	USD	6.52	–2.8	–15.2	–11.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Andfs. Anglaterra	UK	EQ	AND	03/20	GBP	6.02	–9.6	–25.5	–17.8
Andfs. Borsa Global	GL	EQ	AND	03/20	EUR	5.04	–13.1	–37.7	–25.9
Andfs. Emergents	GL	EQ	AND	03/20	USD	9.97	–0.3	–46.1	–20.6
Andfs. Espanya	EU	EQ	AND	03/20	EUR	9.21	–14.9	–38.5	–25.6
Andfs. Estats Units	US	EQ	AND	03/20	USD	11.10	–9.0	–38.6	–22.6
Andfs. Europa	EU	EQ	AND	03/20	EUR	5.58	–14.0	–37.6	–27.0
Andfs. Franca	EU	EQ	AND	03/20	EUR	7.20	–13.0	–36.5	–27.8
Andfs. Japo	JP	EQ	AND	03/20	JPY	395.18	–9.8	–34.6	–32.3
Andfs. Plus Dollars	US	BA	AND	03/20	USD	7.83	–7.2	–23.3	–13.7
Andfs. RF Dolars	US	BD	AND	03/20	USD	9.68	–5.2	–14.2	–7.2
Andfs. RF Euros	EU	BD	AND	03/20	EUR	8.30	–7.3	–22.6	–14.5
Andorfons	EU	BD	AND	03/20	EUR	10.95	–8.2	–24.7	–17.2
Andorfons Alternative Premium	OT	OT	AND	01/31	EUR	93.21	0.9	–18.2	–8.4
Andorfons Mix 30	EU	BA	AND	03/20	EUR	7.27	–10.2	–31.8	–21.0
Andorfons Mix 60	EU	BA	AND	03/20	EUR	6.95	–14.5	–39.1	–26.4

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
CAM-GTF Limited	AS	EQ	MUS	03/13	USD	119315.44	–11.6	–48.1	–25.9

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
DJE Real Estate P	OT	OT	LUX	03/23	EUR	9.90	–1.7	–2.7	–1.4
DJE-Absolut P	GL	EQ	LUX	03/23	EUR	163.54	–6.7	–25.3	–16.1
DJE-Alpha Glbl P	EU	BA	LUX	03/23	EUR	143.33	–6.8	–20.8	–13.0
DJE-Div& Substanz P	GL	EQ	LUX	03/23	EUR	164.65	–5.9	–23.9	–15.2
DJE-Gold&Resourc P	OT	EQ	LUX	03/23	EUR	137.78	5.4	–24.5	–8.7
DJE-Renten Glbl P	EU	BD	LUX	03/23	EUR	121.24	1.3	0.3	0.4
LuxPro-Dragon I	AS	EQ	LUX	03/23	EUR	99.65	7.3	–17.5	–10.0
LuxPro-Dragon P	AS	EQ	LUX	03/23	EUR	97.29	7.2	–18.0	–11.1
LuxTopic-Aktien Europa	EU	EQ	LUX	03/23	EUR	12.92	–9.8	–23.0	–13.2
LuxTopic-Pacific	AS	EQ	LUX	03/23	EUR	8.83	–2.4	–47.3	–29.0

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
EFG-Hermes Egypt	GL	EQ	BMU	02/27	USD	29.90	–13.5	–55.7	–14.5
EFG-Hermes MEDA*	GL	EQ	BMU	02/27	USD	17.79	–15.1	–52.3	–15.4
EFG-Hermes Saudi Arabia Equity	EA	EQ	SAU	03/17	SAR	4.36	–8.0	NS	NS
EFG-Hermes Telecom	OT	EQ	BMU	02/27	USD	23.63	–7.8	–38.6	–13.1

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
Sel Emerg Mkt Debt	GL	BD	GGY	03/20	USD	255.40	4.0	–17.5	–7.9
Sel Emerg Mkt Equity	GL	EQ	GGY	03/20	USD	126.20	–3.7	–45.6	–21.4
Sel Euro Equity EUR	US	EQ	GGY	03/20	EUR	65.48	–12.7	–45.1	–33.0
Sel European Equity	EU	EQ	GGY	03/20	USD	117.80	–14.3	–51.4	–32.9
Sel Glob Equity	GL	EQ	GGY	03/20	USD	122.32	–14.8	–48.0	–31.9
Sel Glob Fxd Inc	GL	BD	GGY	03/20	USD	122.48	–5.0	–19.4	–7.0
Sel Pacific Equity	AS	EQ	GGY	03/20	USD	83.94	–7.2	–42.0	–23.5
Sel US Equity	US	EQ	GGY	03/20	USD	86.94	–13.7	–42.9	–27.2
Sel US Sm Cap Eq	US	EQ	GGY	03/20	USD	109.48	–16.3	–45.3	–33.0

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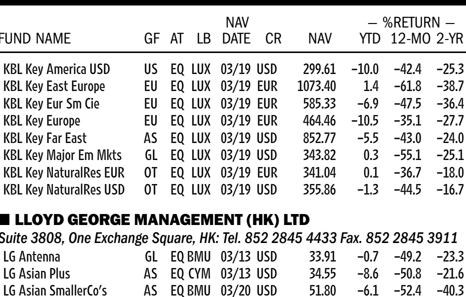

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
DSF 25/75	EU	BA	LUX	03/19	EUR	282.98	–3.1	–16.1	–10.6
DSF 50/50	EU	BA	LUX	03/19	EUR	203.72	–5.7	–23.6	–16.0
KBC Eq (L) Europe	EU	EQ	LUX	03/20	EUR	348.04	–10.5	–43.1	–32.7
KBC Eq (L) Japan	JP	EQ	LUX	03/20	JPY	14314.00	–14.4	–37.5	–35.3
KBC Eq (L) NthAmer EUR	US	EQ	LUX	03/20	EUR	394.69	–13.6	–42.3	NS
KBC Eq (L) NthAmer USD	US	EQ	LUX	03/20	USD	576.41	–13.1	–40.6	–24.4
KBL Key America EUR	US	EQ	LUX	03/19	EUR	285.14	–10.6	–43.3	–26.7
KBL Key America USD	US	EQ	LUX	03/19	USD	299.61	–10.0	–42.4	–25.3
KBL Key East Europe	EU	EQ	LUX	03/19	EUR	1073.40	1.4	–61.8	–38.7
KBL Key Eur Sm Cie	EU	EQ	LUX	03/19	EUR	585.33	–6.9	–47.5	–36.4
KBL Key Europe	EU	EQ	LUX	03/19	EUR	464.46	–10.5	–35.1	–27.7
KBL Key Far East	AS	EQ	LUX	03/19	USD	852.77	–5.5	–43.0	–24.0
KBL Key Major Em Mkts	GL	EQ	LUX	03/19	USD	343.82	0.3	–55.1	–25.1
KBL Key NaturalRes EUR	OT	EQ	LUX	03/19	EUR	341.04	0.1	–36.7	–18.0
KBL Key NaturalRes USD	OT	EQ	LUX	03/19	USD	355.86	–1.3	–44.5	–16.7

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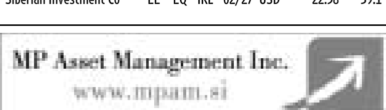
FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
LG Antenna	GL	EQ	BMU	03/13	USD	33.91	–0.7	–49.2	–23.3
LG Asian Plus	AS	EQ	CYM	03/13	USD	34.55	–8.6	–50.8	–21.6
LG Asian SmallerCo's	AS	EQ	BMU	03/20	USD	51.80	–6.1	–52.4	–40.3
LG India	EA	EQ	MUS	03/19	USD	27.15	–14.9	–57.9	–27.5
Siberian Investment Co	EE	EQ	IRL	02/27	USD	22.58	39.1	–70.6	–45.3



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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
MP-BALKAN.SI	OT	OT	SVN	03/20	EUR	20.81	–20.7	–62.5	–48.1

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
MP-TURKEY.SI	OT	OT	SVN	03/20	EUR	17.53	−10.2	−50.2	−36.0

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Eastern European Bond Fund	OT	OT	LVA	03/20	USD	9.04	3.7	−34.8	−16.9
Parex Caspian Sea Eq	EU	EQ	LVA	03/20	EUR	2.14	1.9	−75.3	−53.0
Parex Eastern Europ Bd	EU	BD	LVA	03/20	USD	9.04	3.7	−34.8	−16.9
Parex Russian Eq	EE	EQ	LVA	03/20	USD	10.23	18.1	−64.5	−34.7

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
PF (LUX)-Asian Eq-Ica	AS	EQ	LUX	03/23	USD	104.06	−6.2	−46.7	−23.3
PF (LUX)-Asian Eq-Pca	AS	EQ	LUX	03/23	USD	99.70	−6.3	−47.3	−23.9
PF (LUX)-Biotech-Pca	OT	EQ	LUX	03/20	USD	264.05	−7.4	−10.6	−2.2
PF (LUX)-CHF Liq-Pca	CH	MM	LUX	03/20	CHF	123.90	−0.1	1.2	1.6
PF (LUX)-CHF Liq-Pdi	CH	MM	LUX	03/20	CHF	93.52	−0.1	1.2	1.6
PF (LUX)-Digital Comm-Pca	OT	EQ	LUX	03/20	USD	79.76	−1.9	−28.0	−16.0
PF (LUX)-East Eu-Pca	EU	EQ	LUX	03/20	EUR	137.91	3.3	−64.7	−42.8
PF (LUX)-Emg Mkts LC-Pca	GL	EQ	LUX	03/23	USD	91.98	−1.3	−52.0	−26.3
PF (LUX)-Emg Mkts-Pca	GL	EQ	LUX	03/23	USD	305.20	0.3	−50.9	−25.6
PF (LUX)-Eu Indx-Pca	EU	EQ	LUX	03/20	EUR	67.27	−12.0	−40.0	−29.3
PF (LUX)-EUR Bds-Pca	EU	BD	LUX	03/20	EUR	371.63	−0.5	1.5	0.2
PF (LUX)-EUR Bds-Pdi	EU	BD	LUX	03/20	EUR	282.81	−0.5	1.5	0.1
PF (LUX)-EUR Cp Bd-Pca	EU	BD	LUX	03/20	EUR	122.75	−1.7	−5.9	−4.2
PF (LUX)-EUR Cp Bd-Pdi	EU	BD	LUX	03/20	EUR	86.29	−1.7	−5.9	−4.2
PF (LUX)-EUR HiYld-Pca	EU	BD	LUX	03/20	EUR	92.88	3.0	−28.4	−21.4
PF (LUX)-EUR HiYld-Pdi	EU	BD	LUX	03/20	EUR	53.84	3.0	−28.4	−21.4
PF (LUX)-EUR Liq-Pca	EU	MM	LUX	03/20	EUR	135.17	0.4	3.3	3.3
PF (LUX)-EUR Liq-Pdi	EU	MM	LUX	03/20	EUR	97.41	0.4	3.3	3.3
PF (LUX)-EUR Sov Liq-Pca	OT	OT	LUX	03/20	EUR	102.19	0.3	NS	NS
PF (LUX)-EUR Sov Liq-Pdi	OT	OT	LUX	03/20	EUR	100.83	0.3	NS	NS
PF (LUX)-Europ Eq-Pca	EU	EQ	LUX	03/20	EUR	273.51	−10.6	−42.9	−33.3
PF (LUX)-EuSust Eq-Pca	EU	EQ	LUX	03/20	EUR	88.55	−12.4	−40.8	−32.5
PF (LUX)-Gl Em Dbt-Pca	GL	BD	LUX	03/20	USD	194.03	2.4	−3.9	0.0
PF (LUX)-Gl Em Dbt-Pdi	GL	BD	LUX	03/20	USD	131.99	2.4	−3.9	0.0
PF (LUX)-Gr China-Pca	AS	EQ	LUX	03/23	USD	211.66	−0.5	−37.7	−14.9
PF (LUX)-Indian Eq-Pca	EA	EQ	LUX	03/23	USD	175.64	−8.3	−51.4	−23.9
PF (LUX)-Jap Index-Pca	JP	EQ	LUX	03/23	JPY	7507.24	−7.8	−34.2	−32.5
PF (LUX)-Jp Eq Sel-Ica	JP	EQ	LUX	03/23	JPY	6592.44	−9.7	−36.2	−36.9
PF (LUX)-Jp Eq Sel-Pca	JP	EQ	LUX	03/23	JPY	6425.86	−9.8	−36.6	−37.3
PF (LUX)-JpEq130/30-Pca	JP	EQ	LUX	03/23	JPY	3599.72	−8.3	−32.8	−34.0
PF (LUX)-Pacif Idx-Pca	AS	EQ	LUX	03/23	USD	155.47	−1.8	−40.9	−22.6
PF (LUX)-Piclife-Pca	CH	BA	LUX	03/20	CHF	671.97	−2.5	−13.1	−11.5
PF (LUX)-PremBrnds-Pca	OT	EQ	LUX	03/20	EUR	38.71	−12.3	−37.9	−31.1
PF (LUX)-Rus Eq-Pca	OT	OT	LUX	03/20	USD	26.74	17.1	−69.6	NS
PF (LUX)-Security-Pca	GL	EQ	LUX	03/20	USD	68.47	−4.2	−26.0	−18.4
PF (LUX)-Sm Cap Eu-Pca	EU	EQ	LUX	03/20	EUR	307.87	−5.7	−41.1	−31.7
PF (LUX)-US Eq-Ica	US	EQ	LUX	03/20	USD	72.55	−11.1	−35.2	−21.5
PF (LUX)-USA Index-Pca	US	EQ	LUX	03/20	USD	61.95	−14.5	−39.8	−25.1
PF (LUX)-USD Gov Bds-Pca	US	BD	LUX	03/20	USD	521.17	−1.7	5.9	7.5
PF (LUX)-USD Gov Bds-Pdi	US	BD	LUX	03/20	USD	382.42	−1.7	5.9	7.5
PF (LUX)-USD Liq-Pca	US	MM	LUX	03/20	USD	130.42	0.2	1.9	3.0
PF (LUX)-USD Liq-Pdi	US	MM	LUX	03/20	USD	85.16	0.2	1.9	3.0
PF (LUX)-USD Sov Liq-Pca	OT	OT	LUX	03/20	USD	101.46	0.2	NS	NS
PF (LUX)-USD Sov Liq-Pdi	OT	OT	LUX	03/20	USD	100.74	0.1	NS	NS
PF (LUX)-Water-Pca	GL	EQ	LUX	03/20	EUR	90.28	−12.4	−32.1	−23.0
PF (LUX)-WldGovBds-Pca	GL	BD	LUX	03/23	USD	157.98	−4.2	−1.9	7.1
PF (LUX)-WldGovBds-Pdi	GL	BD	LUX	03/23	USD	130.77	−4.2	−1.9	7.1
PTF (LUX)-MidEast&NorAfr-Pca	OT	OT	LUX	03/19	USD	33.44	−19.4	NS	NS

■ POLAR CAPITAL PARTNERS LIMITED
International Fund Managers (Ireland) Limited PH - 353 1 670 660 Fax - 353 1 670 1185

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Global Technology	OT	EQ	IRL	03/20	USD	7.94	1.3	−31.0	−25.4
Japan Fund USD	JP	EQ	IRL	03/23	USD	12.66	−13.8	−17.8	−17.1

■ Hemisphere Management (Ireland) Limited

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Discovery USD A	OT	OT	CYM	02/27	USD	124.72	10.8	12.5	12.2
Elbrus USD A	GL	EQ	CYM	02/27	USD	6.04	−10.5	−62.1	−32.9
Europn Conviction USD B	EU	EQ	CYM	02/27	USD	126.56	0.2	14.9	9.9
Europn Forager USD B	OT	OT	CYM	02/27	USD	173.77	−2.9	−18.6	−5.2
Latin America USD A	GL	EQ	CYM	02/27	USD	14.22	2.2	−4.7	14.7
Paragon Limited USD A	EU	EQ	CYM	12/31	USD	309.60	12.7	12.7	14.2
UK Fund USD A	OT	OT	CYM	02/27	USD	164.46	−0.8	−3.2	2.4

■ PT CIPTADANA ASSET MANAGEMENT
Tel: 521-3479 Fax: 521-3478 Website: www.ciptadana-asset.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Indonesian Grth Fund	EA	EQ	CYM	03/18	USD	54.77	−5.1	−57.5	−22.9

■ RUSSELL INVESTMENT GROUP
Multi-Style, Multi-Manager Funds www.russell.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Actions France A	EU	EQ	IRL	03/20	EUR	482.08	−14.4	−38.9	NS
Core Eurozone Eq B	EU	EQ	IRL	03/20	EUR	553.22	−15.9	NS	NS
Euro Fixed Income A	EU	BD	IRL	03/20	EUR	1072.90	−5.2	−13.2	−8.7
Euro Fixed Income B	EU	BD	IRL	03/20	EUR	1140.04	−5.1	−12.7	−8.2
Euro Small Cap A	EU	EQ	IRL	03/20	EUR	783.32	−7.6	−46.0	−38.2
Euro Small Cap B	EU	EQ	IRL	03/20	EUR	835.16	−7.5	−45.7	−37.8
Eurozone Agg Eq A	EU	EQ	IRL	03/20	EUR	432.98	−12.9	−42.9	NS
Eurozone Agg Eq B	EU	EQ	IRL	03/20	EUR	619.33	−12.8	−42.6	−32.1
Glbl Bd (EuroHdg) A	GL	BD	IRL	03/20	EUR	1185.10	−1.0	−8.0	−4.3
Glbl Bd (EuroHdg) B	GL	BD	IRL	03/20	EUR	1252.05	−0.9	−7.3	−3.7
Glbl Bd A	EU	BD	IRL	03/20	EUR	975.67	−0.5	−1.7	−4.2
Glbl Bd B	EU	BD	IRL	03/20	EUR	1033.85	−0.4	−1.1	−3.6
Glbl Real Estate A	OT	EQ	IRL	03/20	USD	499.51	−25.1	−56.7	−41.5
Glbl Real Estate B	OT	EQ	IRL	03/20	USD	512.56	−25.0	−56.5	−41.2
Glbl Real Estate EH-A	OT	EQ	IRL	03/20	EUR	473.60	−24.5	−54.4	−41.9
Glbl Real Estate SH-B	OT	EQ	IRL	03/20	GBP	44.48	−25.0	−54.5	−41.4
Glbl Strategic Yield A	EU	BD	IRL	03/20	EUR	1141.05	0.9	−21.4	−12.9
Glbl Strategic Yield B	EU	BD	IRL	03/20	EUR	1215.24	1.1	−21.0	−12.4
Japan Equity A	JP	EQ	IRL	03/20	JPY	8968.00	−13.2	−39.2	−35.0
Japan Equity B	JP	EQ	IRL	03/20	JPY	9514.00	−13.1	−38.9	−34.6
PacBasn (Ex-Jap) Eq A	AS	EQ	IRL	03/20	USD	1190.37	−7.4	−45.2	−24.6
PacBasn (Ex-Jap) Eq B	AS	EQ	IRL	03/20	USD	1264.42	−7.3	−44.9	−24.2
Pan European Eq A	EU	EQ	IRL	03/20	EUR	630.72	−12.2	−42.9	−32.4
Pan European Eq B	EU	EQ	IRL	03/20	EUR	669.22	−12.1	−42.7	−32.0
US Equity A	US	EQ	IRL	03/20	USD	582.73	−12.9	−43.3	−26.0
US Equity B	US	EQ	IRL	03/20	USD	621.03	−12.8	−43.0	−25.6
US Small Cap A	US	EQ	IRL	03/20	USD	825.45	−17.9	−44.1	−29.8
US Small Cap B	US	EQ	IRL	03/20	USD	880.20	−17.8	−43.8	−29.4

■ SEB ASSET MANAGEMENT S.A.
www.seb.se
SEB Fund 1

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Global Value -C-	GL	EQ	LUX	03/23	SEK	55.05	−8.5	−40.4	−32.9
Choice Japan Fd	JP	EQ	LUX	03/23	JPY	41.18	−8.4	−34.1	−34.5
Choice Jpn Chance/Risk	JP	EQ	LUX	03/23	JPY	40.89	−8.7	−41.9	−35.2
Choice NthAmChance/Risk	US	EQ	LUX	03/23	USD	2.75	−1.8	−38.7	−25.4
Europe 2 Fd	EU	EQ	LUX	03/23	EUR	0.64	−7.9	−44.2	−34.6
Europe 3 Fd	EU	EQ	LUX	03/23	EUR	2.72	−11.0	−46.2	−35.8
Global Chance/Risk Fd	GL	EQ	LUX	03/23	EUR	0.43	−7.3	−33.6	−28.4
Global Fd	GL	EQ	LUX	03/23	USD	1.49	−10.5	−41.8	−27.4
Intl Mixed Fd -C-	NO	BA	LUX	03/23	USD	20.95	−8.8	−32.2	−18.3
Intl Mixed Fd -D-	NO	BA	LUX	03/23	USD	14.78	−8.8	−32.2	−17.2
Wireless Fd	OT	EQ	LUX	03/23	EUR	0.10	1.7	−33.2	−24.8

■ SEB Fund 2

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Asia ex. Japan Fd	AS	EQ	LUX	03/23	USD	4.48	−1.1	−37.8	−21.5
Currency Alpha EUR -IC-	OT	OT	LUX	03/23	EUR	10.66	−2.4	5.1	NS
Currency Alpha EUR -RC-	OT	OT	LUX	03/23	EUR	10.59	−2.5	4.7	3.2
Currency Alpha SEK -ID-	OT	OT	LUX	03/23	SEK	102.93	−2.6	4.8	NS
Currency Alpha SEK -RC-	OT	OT	LUX	03/23	SEK	116.12	−2.5	4.7	3.2
Generation Fd 80	OT	OT	LUX	03/23	SEK	6.08	−4.7	−23.0	NS
Nordic Focus EUR	NO	EQ	LUX	03/23	EUR	48.12	−3.5	−41.9	NS
Nordic Focus NOK	NO	EQ	LUX	03/23	NOK	51.40	−3.5	−41.9	NS
Nordic Focus SEK	NO	EQ	LUX	03/23	SEK	56.18	−3.5	−41.9	NS

■ SEB Fund 3

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice North America Eq. Fd	US	EQ	LUX	03/23	USD	1.25	−10.3	−40.2	−27.1
Ethical Global Fd	GL	EQ	LUX	03/23	USD	0.54	−12.7	−42.3	−29.2
Ethical Sweden Fd	NO	EQ	LUX	03/23	SEK	28.55	−0.7	−24.3	−22.9
Europe Fd	EU	EQ	LUX	03/23	USD	1.45	−7.5	−34.9	−28.7
Index Linked Bd Fd SEK	OT	BD	LUX	03/23	SEK	13.27	1.5	2.7	4.2
Medical Fd	OT	EQ	LUX	03/23	USD	2.57	−10.4	−24.5	−16.3
Short Medium Bd Fd SEK	NO	MM	LUX	03/23	SEK	9.22	0.6	3.1	3.0
Technology Fd	OT	EQ	LUX	03/23	USD	1.63	4.9	−30.0	−18.1
World Fd	NO	BA	LUX	03/23	USD	1.54	−7.3	−37.8	−19.2

■ SEB Fund 4

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Short Bond Fd EUR	EU	MM	LUX	03/23	EUR	1.27	0.2	2.4	2.0
Short Bond Fd SEK	NO	MM	LUX	03/23	SEK	21.77	1.0	3.0	3.0
Short Bond Fd USD	US	MM	LUX	03/23	USD	2.50	−0.1	1.2	2.5

■ SEB Fund 5

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Alpha Bond Fd SEK -A-	NO	BD	LUX	03/23	SEK	9.89	−1.7	−4.0	−1.3
Alpha Bond Fd SEK -B-	NO	BD	LUX	03/23	SEK	8.88	−1.7	−4.0	−1.3
Alpha Bond Fd SEK -C-	NO	BD	LUX	03/23	SEK	24.77	−1.7	−4.1	−1.4
Alpha Bond Fd SEK -D-	NO	BD	LUX	03/23	SEK	8.25	−1.7	−4.1	−1.4
Alpha Short Bd SEK -A-	NO	MM	LUX	03/23	SEK	10.94	1.2	3.5	3.2
Alpha Short Bd SEK -B-	NO	MM	LUX	03/23	SEK	10.26	1.2	3.5	3.2
Alpha Short Bd SEK -C-	NO	MM	LUX	03/23	SEK	21.40	1.2	3.4	3.1
Alpha Short Bd SEK -D-	NO	MM	LUX	03/23	SEK	8.89	1.2	3.4	3.1
Bond Fd SEK -C-	NO	BD	LUX	03/23	SEK	41.77	0.5	8.5	5.6
Bond Fd SEK -D-	NO	BD	LUX	03/23	SEK	12.53	0.5	7.3	5.0
Corp. Bond Fd EUR -C-	EU	BD	LUX	03/23	EUR	1.04	−4.8	−11.3	−6.9
Corp. Bond Fd EUR -D-	EU	BD	LUX	03/23	EUR	0.81	−4.8	−11.6	−7.1
Corp. Bond Fd SEK -C-	NO	BD	LUX	03/23	SEK	10.18	−5.2	−15.4	−8.6
Corp. Bond Fd SEK -D-	NO	BD	LUX	03/23	SEK	8.00	−5.2	−15.3	−8.6
Danish Mortgage Bond Fd EUR -ID-	NO	BD	LUX	03/23	EUR	105.11	1.2	5.6	NS
Danish Mortgage Bond Fd EUR -RC-	NO	BD	LUX	03/23	EUR	104.70	1.1	5.2	NS
Danish Mortgage Bond Fd SEK -ID-	OT	OT	LUX	12/17	SEK	121.91	NS	NS	NS
Danish Mortgage Bond Fd SEK -RC-	NO	BD	LUX	03/23	SEK	1147.72	1.1	5.2	NS
Flexible Bond Fd -C-	NO	BD	LUX	03/23	SEK	21.13	1.3	6.2	4.4
Flexible Bond Fd -D-	NO	BD	LUX	03/23	SEK	11.96	1.3	6.2	4.4

■ SEB Global Hedge

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Global Hedge I SEK -C-	OT	OT	LUX	03/23	SEK	78.13	−2.4	−21.6	−14.4
Global Hedge I SEK -D-	OT	OT	LUX	03/23	SEK	71.40	−2.4	−23.8	−15.6

■ SEB Sicav 1

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Emerging Mkts Fd	GL	EQ	LUX	03/23	USD	1.58	2.7	−42.2	−18.3

■ SEB Sicav 2

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Asia SmCap exJpn	AS	EQ	LUX	03/23	SEK	17.57	4.7	−29.0	−25.9
Europe Chance/Risk Fd	EU	EQ	LUX	03/23	EUR	713.36	−6.4	−46.7	−36.4

■ THE NATIONAL INVESTOR
PO Box 47435, Abu Dhabi, UAE Web:www.tni.ae
Email: am@tni.ae Tel:+971 2 619 2300

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
MENA Real Estate Acc Fund	OT	OT	ARE	03/12	USD	864.20	−8.1	NS	NS
UAE Blue Chip Fund Acc	OT	OT	ARE	03/12	AED	4.24	−7.5	−64.4	−25.7

■ WWW.SGAM.COM
SGAM FUND

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bonds CHF A	OT	OT	LUX	01/19	CHF	27.92	−1.0	5.3	2.5
Bonds ConvEurope A	OT	OT	LUX	03/19	EUR	26.67	−5.9	−8.0	−1.8
Bonds Eur Corp A	OT	OT	LUX	03/19	EUR	21.02	1.4	−3.9	−3.0
Bonds Eur Hi Yld A	OT	OT	LUX	03/19	EUR	13.21	−0.7	−30.4	−22.7
Bonds EURO A	OT	OT	LUX	03/19	EUR	39.44	−0.1	4.0	3.3
Bonds Europe A	OT	OT	LUX	03/19	EUR	37.85	−0.1	3.7	2.5
Bonds US MtgBkSec A	OT	OT	LUX	03/19	USD	23.62	−7.9	−2.4	−1.8
Bonds US OppsCoreplus A	OT	OT	LUX	03/19	USD	32.01	1.5	−0.8	3.2
Bonds World A	OT	OT	LUX	03/19	USD	38.70	−2.8	−5.2	6.4
Eq. China A	OT	OT	LUX	03/20	USD	14.23	−4.8	−33.9	−14.7
Eq. ConcentratedEuropeA	OT	OT	LUX	03/19	EUR	18.24	−11.5	−43.8	−33.0
Eq. Eastern Europe A	OT	OT	LUX	03/19	EUR	13.17	−0.3	−62.5	−39.8
Eq. Equities Global Energy	OT	OT	LUX	03/19	USD	13.51	−5.2	−41.4	−13.7
Eq. Euroland A	OT	OT	LUX	03/19	EUR	7.68	−16.2	−42.4	−31.4
Eq. Euroland MidCapA	OT	OT	LUX	03/20	EUR	12.81	−11.0	−47.8	−36.5
Eq. EurolandCyclclsA	OT	OT	LUX	03/19	EUR	12.54	−8.7	−38.8	−24.6
Eq. EurolandFinancialA	OT	OT	LUX	03/19	EUR	6.65	−21.1	−55.1	−42.7
Eq. Glbl Emg Cty A	OT	OT	LUX	03/19	USD	5.76	−3.7	−49.2	−23.0
Eq. Global A	OT	OT	LUX	03/19	USD	18.71	−11.0	−43.1	−27.5
Eq. Global Technol A	OT	OT	LUX	03/20	USD	3.90	6.9	−30.8	−25.5
Eq. Gold Mines A	OT	OT	LUX	03/19	USD	23.37	11.8	−27.7	−3.7
Eq. Japan Sm Cap A	OT	OT	LUX	03/19	JPY	802.93	−11.3	−34.2	−41.2
Eq. Japan Target A	OT	OT	LUX	11/26	JPY	1485.42	−8.1	−18.7	−22.7
Eq. Pacific A	OT	OT	LUX	03/20	USD	5.89	−7.8	−44.1	−22.1
Eq. US ConcenCore A	OT	OT	LUX	03/20	USD	15.74	−3.1	−30.8	−18.6
Eq. US Lg Cap Gr A	OT	OT	LUX	03/19	USD	10.56	−2.0	−38.8	−24.4
Eq. US Mid Cap A	OT	OT	LUX	03/19	USD	19.64	−2.0	−38.1	−20.9
Eq. US Multi Strg A	OT	OT	LUX	03/19	USD	14.57	−8.8	−41.6	−27.9
Eq. US Rel Val A	OT	OT	LUX	03/19	USD	13.66	−12.0	−46.4	−32.4
Eq. US Sm Cap Val A	OT	OT	LUX	03/20	USD	10.36	−19.9	−52.0	−38.6
Eq. US Value Opp A	OT	OT	LUX	03/19	USD	11.51	−11.2	−47.1	−35.3
Money Market EURO A	OT	OT	LUX	03/19	EUR	27.26	0.5	3.8	3.9
Money Market USD A	OT	OT	LUX	03/19	USD	15.79	0.3	2.2	3.5

■ YUKI MANAGEMENT & RESEARCH CO., LTD.
Tel: +81-3-5299-3277 www.yukijapan.co.jp

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
YMR-N Growth Fund	JP	EQ	IRL	03/23	JPY	7539.00	−12.4	−40.2	−38.9
YMR-N Japan Fund	JP	EQ	IRL	03/23	JPY	8501.00	−9.9	−36.6	−35.4
YMR-N Low Price Fund	JP	EQ	IRL	03/23	JPY	11435.00	−11.9	−34.5	−36.4
YMR-N Small Cap Fund	JP	EQ	IRL	03/23	JPY	5472.00	−14.7	−40.2	−40.6
Yuki Mizuho Gen Jpn III	JP	EQ	IRL	03/23	JPY	3718.00	−12.5	−47.4	−39.9
Yuki Mizuho Jpn Dyn Gro	AS	EQ	IRL	03/23	JPY	3922.00	−12.7	−47.1	−42.7
Yuki Mizuho Jpn Exc 100	JP	EQ	IRL	03/23	JPY	5532.00	−9.3	−43.1	−38.1
Yuki Mizuho Jpn Gen	JP	EQ	IRL	03/23	JPY	7190.00	−10.4	−37.1	−36.7
Yuki Mizuho Jpn Gro	JP	EQ	IRL	03/23	JPY	5409.00	−13.5	−39.0	−39.2
Yuki Mizuho Jpn Inc	JP	EQ	IRL	03/23	JPY	6970.00	−12.4	−35.2	−34.4
Yuki Mizuho Jpn Lg Cap	AS	EQ	IRL	03/23	JPY	4392.00	−11.9	−38.5	−35.6
Yuki Mizuho Jpn LowP	JP	EQ	IRL	03/23	JPY	9686.00	−14.5	−33.1	−33.8
Yuki Mizuho Jpn PGth	JP	EQ	IRL	03/23	JPY	6750.00	−11.6	−41.8	−38.6
Yuki Mizuho Jpn SmCp	JP	EQ	IRL	03/23	JPY	5338.00	−13.0	−43.2	−40.2
Yuki Mizuho Jpn Val Sel	AS	EQ	IRL	03/23	JPY	4709.00	−9.3	−35.4	−34.4
Yuki Mizuho Jpn YoungCo	AS	EQ	IRL	03/23	JPY	2132.00	−10.7	−48.0	−50.1

■ Yuki 77 Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki 77 Excellent	JP	EQ	IRL	03/23	JPY	3816.00	−9.2	−43.7	−38.2
Yuki 77 General	JP	EQ	IRL	03/23	JPY	5333.00	−9.7	−39.7	−35.8
Yuki 77 Growth	JP	EQ	IRL	03/23	JPY	5150.00	−12.9	−43.0	−40.7
Yuki 77 Income	AS	EQ	IRL	03/23	JPY	4566.00	−10.7	−33.7	NS

■ Yuki Chugoku Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Chugoku Jpn Gen	JP	EQ	IRL	03/23	JPY	5668.00	−9.2	−37.6	−36.2
Yuki Chugoku Jpn Gro	JP	EQ	IRL	03/23	JPY	4358.00	−14.7	−40.6	−37.5
Yuki Chugoku JpnLowP	JP	EQ	IRL	03/23	JPY	6924.00	−15.5	−31.3	−33.6
Yuki Chugoku JpnPurGth	OT	OT	IRL	02/09	JPY	3989.00	−14.7	−45.6	−38.5

■ Yuki Daishi Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Daishi General	JP	EQ	IRL	03/23	JPY	5970.00	−11.8	−41.1	−37.3

■ Yuki Hokuyo Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	03/23	JPY	3976.00	−12.6	−42.3	−37.0
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	03/23	JPY	4501.00	−14.7	−34.9	−34.7
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	03/23	JPY	4045.00	−14.0	−39.7	NS

■ Yuki Nishi Nippon City Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Nishi-Nippon Cty General	JP	EQ	IRL	03/23	JPY	4034.00	−10.4	−45.4	−39.3
Yuki Nishi-Nippon Cty PurGthJp	JP	EQ	IRL	03/23	JPY	3826.00	−12.3	−42.5	−38.6

■ Yuki Shizuoka Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Shizuoka General Japan	JP	EQ	IRL	03/23	JPY	4580.00	−10.2	−38.4	−35.7

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12-month and 2-year returns may be calculated over 11- and 23-month periods pending receipt and publication of the last month end price.

■ ALEXANDRA INVESTMENT MANAGEMENT

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Alexandra Global Inv I	OT	OT	VGB	01/30	USD	34.91	−10.3	−1.0	5.6

■ CAPITAL MANAGEMENT ADVISORS
Phone Number: +1 441 295 59 29

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
CMA Dynamic	OT	OT	BHS	02/27	USD	1360.96	0.5	4.1	5.9
CMA MultHdge Arbtrge	OT	OT	CYM	02/27	USD	1757.14	1.0	−9.4	−2.5
CMA MultHdge Balncd	OT	OT	CYM	02/27	USD	1255.58	0.4	4.8	5.8
CMA MultHdge Growth	OT	OT	CYM	02/27	USD	1715.19	2.7	7.0	6.4
CMA MultiHdge Lvrgd	OT	OT	CYM	02/27	USD	973.78	−0.3	1.6	6.7

■ D'AURIOL FUNDS WWW.DAURIOL.BIZ
2 FUNDS OF FUNDS OF HEDGE FUNDS

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
D'Auriol Alt Non-Lev A	EU	OT	CYM	12/31	EUR	98.41	−24.0	−24.0	−8.6
D'Auriol Opp F3 EUR	EU	MM	CYM	12/31	EUR	996.09	−27.3	−27.3	−11.9

■ HARMONY CAPITAL
email: info@harmonycapitalfund.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Harmony Cap Ltd A USD	OT	OT	BMU	01/30	USD	2057.10	−0.5	−5.2	−4.7
Harmony Cap Ltd B EUR	OT	OT	BMU	01/30	EUR	1990.70	−0.8	−4.6	−4.9
Harmony Cap Ltd D USD	OT	OT	BMU	01/30	USD	1178.50	−0.5	−5.6	−5.1
Harmony Cap Ltd E EUR	OT	OT	BMU	01/30	USD	1145.50	−0.8	−4.8	−5.2
Harmony Cap Ltd F GBP	OT	OT	BMU	01/30	GBP	1002.20	−0.6	−4.0	−4.0

■ HERMITAGE CAPITAL MANAGEMENT LTD.
Tel: +7501 258 3160 www.hermitagefund.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
The Hermitage Fund	GL	EQ	JEY	03/13	USD	468.36	NS	−71.3	−44.0

■ HORSEMAN CAPITAL MANAGEMENT LTD.
T: +44(0)20 7838 7580, F: +44(0) 20 7838 7590, www.horsemancapital.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Horseman EmMkt Opp EUR	GL	EQ	GBR	02/27	EUR	228.29	6.3	22.4	38.0
Horseman EmMkt Opp USD	GL	EQ	USA	02/27	USD	233.26	6.3	20.5	38.6
Horseman EurSelLtd EUR	EU	EQ	GBR	02/27	EUR	227.03	8.5	17.0	26.1
Horseman EurSelLtd USD	EU	EQ	GBR	02/27	USD	227.03	4.4	11.5	24.0
Horseman Glbl Ltd EUR	GL	EQ	CYM	02/27	USD	506.15	2.8	24.8	33.0
Horseman Glbl Ltd USD	GL	EQ	CYM	02/27	USD	506.15	2.8	24.8	33.0

■ HSBC ALTERNATIVE INVESTMENTS LIMITED
T +44 20 7860 3074 F + 44 20 7860 3174 www.hail.hsbc.com
HSBC Absolute Companies
HSBC Absolute Companies

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Euro Absolute	OT	OT	GGY	09/30	GBP	1.43	−12.1	−12.2	−0.7
Euro Absolute EUR	OT	OT	GGY	09/30	EUR	2.01	−12.3	−12.6	−2.2
Global Absolute	OT	OT	GGY	03/13	GBP	0.95	1.2	−15.2	−3.9
Global Absolute USD	OT	OT	GGY	03/13	USD	1.78	1.0	−15.0	−3.8

■ HSBC ALTERNATIVE STRATEGY FUND

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Special Opp EUR	OT	OT	CYM	02/27	EUR	74.21	−2.8	−33.3	−13.9
Special Opp Inst EUR	OT	OT	CYM	02/27	EUR	69.85	−2.7	−32.9	NS
Special Opp Inst USD	OT	OT	CYM	02/27	USD	78.81	−2.4	−30.7	−11.2
Special Opp USD	OT	OT	CYM	02/27	USD	77.61	−2.5	−31.2	−11.9

■ HSBC Portfolio Selection Fund

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GH Fund AP	OT	OT	JEY	02/27	EUR	121.53	1.9	−14.8	−2.1
GH Fund CHF Hdg	OT	OT	JEY	02/27	CHF	101.11	1.3	−17.8	−5.9
GH Fund EUR Hdg (Non-V)	OT	OT	JEY	02/27	EUR	110.28	1.6	−17.0	−4.5
GH Fund GBP Hdg	OT	OT	JEY	02/27	GBP	119.93	1.8	−16.9	−3.6
GH Fund Inst EUR	OT	OT	JEY	02/27	EUR	89.40	7.1	NS	NS
GH Fund Inst JPY	OT	OT	JEY	02/27	JPY	8547.74	1.7	−15.9	NS
GH Fund Inst USD	OT	OT	JEY	02/27	USD	100.61	2.0	−14.9	−2.4
GH FUND S EUR	OT	OT	CYM	02/27	EUR	115.15	1.9	−16.4	−3.7
GH FUND S GBP	OT	OT	JEY	02/27	GBP	119.79	1.8	−15.8	−2.6
GH Fund S USD	OT	OT	CYM	02/27	USD	134.54	1.9	−14.6	−1.9
GH Fund USD	OT	OT	GGY	12/31	USD	243.74	−16.6	−16.6	−2.8
Hedge Investments	OT	OT	JEY	02/20	USD	126.67	2.2	NS	NS
Leverage GH USD	OT	OT	GGY	02/27	USD	100.82	3.4	−34.1	−12.9
MultiAdv Arb CHF Hdg	OT	OT	JEY	02/27	CHF	85.69	2.0	−24.1	−13.0
MultiAdv Arb EUR Hdg	OT	OT	JEY	02/27	EUR	92.59	2.5	−23.3	−11.8
MultiAdv Arb GBP Hdg	OT	OT	JEY	02/27	GBP	99.77	2.9	−23.7	−11.5
MultiAdv Arb Inst USD	OT	OT	CYM	06/30	USD	98.01	−0.8	NS	NS
MultiAdv Arb S EUR	OT	OT	CYM	02/27	EUR	98.02	2.4	−22.6	−10.8
MultiAdv Arb S GBP	OT	OT	CYM	02/27	GBP	102.67	3.0	−22.5	−10.1
MultiAdv Arb S USD	OT	OT	CYM	02/27	USD	111.26	2.7	−20.9	−9.3
MultiAdv Arb USD	OT	OT	GGY	02/27	USD	173.09	2.6	−21.9	−10.5

■ HSBC Uni-folio

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Alpha AdvantEdge	OT	OT	JEY	02/27	USD	107.46	0.4	−17.5	−6.5
Asian AdbantEdge EUR	OT	OT	JEY	02/27	EUR	91.63	3.3	−19.6	−4.3
Asian AdvantEdge	OT	OT	JEY	02/27	USD	166.28	2.6	−18.9	−2.9
Emerg AdvantEdge	OT	OT	JEY	02/27	USD	142.60	1.6	−30.0	−8.4
Emerg AdvantEdge EUR	OT	OT	JEY	02/27	EUR	79.92	1.7	−31.9	−10.6
Europ AdvantEdge EUR	OT	OT	JEY	02/27	EUR	114.28	−0.8	−18.7	−8.8
Europ AdvantEdge USD	OT	OT	JEY	02/27	USD	120.68	−1.1	−18.0	−8.0
Japan AdvantEdge JPY	OT	OT	JEY	02/27	JPY	7745.10	−4.1	−11.9	−11.8
Japan AdvantEdge USD	OT	OT	JEY	02/27	USD	90.18	−4.1	−10.5	−9.2
Lvgd Alpha AdvantEdge	OT	OT	JEY	02/27	USD	86.19	0.4	−37.4	−18.7
Trading AdvantEdge	OT	OT	GGY	02/27	USD	151.66	0.0	4.4	16.6
Trading AdvantEdge EUR	OT	OT	GGY	02/27	EUR	137.84	0.2	4.8	15.7
Trading AdvantEdge GBP	OT	OT	GGY	02/27	GBP	145.45	0.0	7.9	17.9
US AdvantEdge	OT	OT	JEY	02/27	USD	104.80	2.4	−16.3	−5.2

■ INTEGRATED ALTERNATIVE INVESTMENTS, TEL: +44 (0)20 75149200
Email: contact@integratedai.com - Website: www.integratedai.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Altipro	OT	OT	FRA	02/27	EUR	248.82	1.2	−2.7	1.1
Integrated Dir Trading EUR	OT	OT	CYM	12/31	EUR	101.97	−0.5	−0.5	5.7
Integrated Emg Markets EUR	OT	OT	CYM	12/31	EUR	71.20	−32.2	−32.2	−13.8
Integrated European EUR	OT	OT	CYM	12/31	EUR	149.01	0.3	0.3	0.4
Integrated Event Driven EUR	OT	OT	CYM	12/31	EUR	81.84	−23.7	−23.7	−8.5
Integrated Lg/Sh Sel F EUR	OT	OT	CYM	12/31	EUR	85.63	−14.3	−14.3	−3.0
Integrated MultSt B EUR	OT	OT	VGB	12/31	EUR	112.90	−19.1	−19.1	−6.7
Integrated Relative Value EUR	OT	OT	CYM	12/31	EUR	89.65	−10.8	−10.8	−3.2

■ KREDIETBANK LUXEMBOURG
www.kbl.lu Fax : +352 47 97 73 911

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
KBL SPOP Investing	OT	OT	LUX	09/30	EUR	1902.24	−13.7	−12.4	0.9
KBL SPOP Investing	OT	OT	LUX	09/30	USD	1829.54	−14.3	−12.7	1.6
KBL SPOP Long/Short Eq	OT	OT	LUX	10/31	USD	391.27	−40.9	−41.9	−12.3
KBL SPOP Long/Short Eq	OT	OT	LUX	10/31	EUR	371.55	−42.9	−43.8	−14.4

■ MERIDEN GROUP
Tel: + 376 741 175 Fax: + 376 741 183 Email: meriden@meriden-ipm.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Antanta Combined Fund	EE	EQ	AND	03/20	USD	198.68	3.4	−74.5	−49.4

INDICES

FUND NAME	GF	NAV DATE	CR	NAV	1-WK	1-MO	1-Q	1-YR	2-YR

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Antanta MidCap Fund	EE	EQ	AND	03/20	USD	255.87	−11.7	−86.2	−56.2
Meriden Opps Fund	GL	OT	AND	03/18	EUR	83.84	−3.8	−22.4	NS
Meriden Protective Div	OT	OT	AND	11/24	EUR	78.88	−2.8	NS	NS

■ OTHER FUNDS
For information about these funds, please contact us on Tel: +44 (0) 207 842 9694/9633

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Medinvest Plc Dublin	OT	OT	IRL	01/30	USD	1220.59	NS	−14.9	−4.7

■ SUPERFUND ASSET MANAGEMENT GMBH
For information about open funds, please contact us on Tel: +43 1 24700
*www.superfund.com *Closed for New Investments*

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Superfund Cayman*	OT	OT	CYM	03/17	USD	83.03	−0.3	35.8	45.6
Superfund GCT USD*	OT	OT	LUX	03/17	USD	3631.00	−0.6	23.0	27.5
Superfund Gold A (SPC)	OT	OT	CYM	03/17	USD	1188.32	2.2	0.8	34.6
Superfund Gold B (SPC)	OT	OT	CYM	03/17	USD	1379.13	2.3	3.6	42.6
Superfund Q-AG*	OT	OT	AUT	03/17	EUR	8753.00	−0.1	17.6	21.6

■ WEAVERING CAPITAL
www.weaveringcapital.com chas.dabhia@weaveringcapital.com T:+44(0)2073554720

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Weavering Macro F.I. Fd	GL	OT	CYM	02/27	USD	183.52	−0.1	9.3	10.8

■ WINTON CAPITAL MANAGEMENT LTD
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Winton Evolution EUR	GL	OT	VGB	02/27	EUR	1306.40	0.9	−0.3	10.3
Winton Evolution GBP	GL	OT	VGB	02/27	GBP	1286.99	0.9	0.4	11.8
Winton Evolution JPY	GL	OT	VGB	02/27	JPY	115254.95	0.7	−3.8	7.1
Winton Evolution USD	GL	OT	CYM	02/27	USD	1276.31	1.0	−0.8	10.8
Winton Futures EUR	GL	OT	VGB	02/27	EUR	207.69	0.9	9.4	20.9
Winton Futures GBP	GL	OT	VGB	02/27	GBP	223.81	0.8	10.6	22.6
Winton Futures JPY Lead Series 2	GL	OT	VGB	02/27	JPY	14797.32	0.3	5.7	17.5
Winton Futures USD	GL	OT	VGB	02/27	USD	739.08	NS	NS	21.3

■ ZULAUF EUROPE FUNDS
Phone: +353 1436 7200 Fax: +353 1672 5361 www.zulaufeurope.ky

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Zulauf Europe Fd EUR	OT	OT	CYM	03/13	EUR	122.30	3.0	−13.9	−3.2
Zulauf Europe Fd LP	OT	OT	CYM	03/31	USD	173.04	1.2	12.5	6.3
Zulauf Europe Fd USD	OT	OT	CYM	03/13	USD	262.17	1.4	−13.6	−1.4

For information about listing your funds, please contact: Peter Jennings, tel: +44-20-7842-9674; email: peter.jennings@dowjones.com or Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.**MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **COMEX:** Commodity Exchange; **LME:** London Metals Exchange; **NYMEX:** New York Mercantile Exchange;**ICE-EU:** ICE Futures Europe

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	**395.50**	–1.00	**–0.25%**	822.00	315.75
Soybeans (cents/bu.)	CBOT	**955.50**	3.50	**0.37%**	1,644.50	786.50
Wheat (cents/bu.)	CBOT	**549.25**	–1.00	**–0.18**	1,190.00	484.25
Live cattle (cents/lb.)	CME	**83.400**	0.550	**0.66**	116.700	78.600
Cocoa ($/ton)	ICE-US	**2,593**	8	**0.31**	3,214	1,910
Coffee (cents/lb.)	ICE-US	**117.50**	1.30	**1.12**	181.50	104.35
Sugar (cents/lb.)	ICE-US	**13.41**	–0.13	**–0.96**	15.95	9.94
Cotton (cents/lb.)	ICE-US	**45.03**	0.95	**2.16**	100.46	40.25
Crude palm oil (ringgit/ton)	MDEX	**2,030.00**	45	**2.27**	2,051	1,599
Cocoa (pounds/ton)	LIFFE	**1,922**	1	**0.05**	2,023	1,005
Robusta coffee ($/ton)	LIFFE	**1,582**	22	**1.41**	2,390	1,425
Copper (cents/lb.)	COMEX	**184.10**	4.50	**2.51**	388.00	127.10
Gold ($/troy oz.)	COMEX	**952.50**	–3.70	**–0.39**	1,050.00	689.70
Silver (cents/troy oz.)	COMEX	**1387.50**	3.50	**0.25**	2,130.00	865.00
Aluminum ($/ton)	LME	**1,439.00**	–30.50	**–2.08**	3,340.00	1,288.00
Tin ($/ton)	LME	**10,375.00**	120.00	**1.17**	25,450.00	9,750.00
Copper ($/ton)	LME	**4,045.00**	86.00	**2.17**	8,811.00	2,815.00
Lead ($/ton)	LME	**1,350.50**	40.00	**3.05**	2,955.00	870.00
Zinc ($/ton)	LME	**1,285.00**	31.00	**2.47**	2,388.00	1,065.00
Nickel ($/ton)	LME	**9,945**	–5	**–0.05**	31,490	9,000
Crude oil ($/bbl.)	NYMEX	**53.80**	1.73	**3.32**	143.32	39.42
Heating oil ($/gal.)	NYMEX	**1.4849**	0.0851	**6.08**	4.2125	1.1399
RBOB gasoline ($/gal.)	NYMEX	**1.5092**	0.0359	**2.44**	3.7050	1.0442
Natural gas ($/mmBtu)	NYMEX	**4.378**	0.072	**1.67**	11.817	3.743
Brent crude ($/bbl.)	ICE-EU	**53.47**	2.25	**4.39**	144.55	40.52
Gas oil ($/ton)	ICE-EU	**475.75**	31.75	**7.15**	1,350.50	367.75

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on March 23

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	4.9902	0.2004	3.6775	0.2719
Brazil real	3.0822	0.3244	2.2714	0.4403
Canada dollar	1.6722	0.5980	1.2323	0.8115
1-mo. forward	1.6721	0.5981	1.2322	0.8115
3-mos. forward	1.6705	0.5986	1.2310	0.8123
6-mos. forward	1.6678	0.5996	1.2291	0.8136
Chile peso	787.37	0.001270	580.25	0.001723
Colombia peso	3199.82	0.0003125	2358.10	0.0004241
Ecuador US dollar-f	1.3569	0.7369	1	1
Mexico peso-a	19.3844	0.0516	14.2853	0.0700
Peru sol	4.2330	0.2362	3.1195	0.3206
Uruguay peso-e	32.363	0.0309	23.850	0.0419
U.S. dollar	1.3569	0.7369	1	1
Venezuela bolivar	2.91	0.343197	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.9395	0.5156	1.4293	0.6997
China yuan	9.2724	0.1078	6.8333	0.1463
Hong Kong dollar	10.5170	0.0951	7.7505	0.1290
India rupee	68.3767	0.0146	50.3900	0.0198
Indonesia rupiah	15693	0.0000637	11565	0.0000865
Japan yen	132.02	0.007575	97.29	0.010279
1-mo. forward	131.97	0.007577	97.26	0.010282
3-mos. forward	131.83	0.007585	97.15	0.010293
6-mos. forward	131.56	0.007601	96.95	0.010315
Malaysia ringgit-c	4.9434	0.2023	3.6430	0.2745
New Zealand dollar	2.3821	0.4198	1.7555	0.5697
Pakistan rupee	108.922	0.0092	80.270	0.0125
Philippines peso	65.093	0.0154	47.970	0.0208
Singapore dollar	2.0495	0.4879	1.5104	0.6621
South Korea won	1882.29	0.0005313	1387.15	0.0007209
Taiwan dollar	45.845	0.02181	33.785	0.02960
Thailand baht	47.975	0.02084	35.355	0.02828

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7369	1.3570
1-mo. forward	1.0001	0.9999	0.7370	1.3568
3-mos. forward	1.0001	0.9999	0.7370	1.3568
6-mos. forward	0.9996	1.0004	0.7367	1.3574
Czech Rep. koruna-b	26.864	0.0372	19.798	0.0505
Denmark krone	7.4507	0.1342	5.4908	0.1821
Hungary forint	302.88	0.003302	223.21	0.004480
Norway krone	8.5866	0.1165	6.3279	0.1580
Poland zloty	4.5532	0.2196	3.3555	0.2980
Russia ruble-d	45.153	0.02215	33.275	0.03005
Sweden krona	10.9127	0.0916	8.0421	0.1243
Switzerland franc	1.5317	0.6529	1.1288	0.8859
1-mo. forward	1.5308	0.6533	1.1281	0.8864
3-mos. forward	1.5284	0.6543	1.1264	0.8878
6-mos. forward	1.5244	0.6560	1.1234	0.8902
Turkey lira	2.2586	0.4427	1.6645	0.6008
U.K. pound	0.9363	1.0680	0.6900	1.4492
1-mo. forward	0.9364	1.0680	0.6900	1.4492
3-mos. forward	0.9362	1.0682	0.6899	1.4495
6-mos. forward	0.9354	1.0691	0.6893	1.4507
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5115	1.9550	0.3770	2.6529
Egypt pound-a	7.6394	0.1309	5.6298	0.1776
Israel shekel	5.4861	0.1823	4.0430	0.2473
Jordan dinar	0.9621	1.0394	0.7090	1.4104
Kuwait dinar	0.3928	2.5456	0.2895	3.4542
Lebanon pound	2045.60	0.0004889	1507.50	0.0006634
Saudi Arabia riyal	5.0888	0.1965	3.7502	0.2667
South Africa rand	12.8383	0.0779	9.4612	0.1057
United Arab dirham	4.9841	0.2006	3.6731	0.2723
SDR -f	0.8970	1.1148	0.6611	1.5127

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.

Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
11	**EUROPE**	**DJ Stoxx 600**	177.73	5.15	**2.98%**	–9.7%	–40.1%
12		**DJ Stoxx 50**	1829.34	63.67	**3.61**	–11.4	–37.8
9	**Euro Zone**	**DJ Euro Stoxx**	194.82	5.79	**3.06**	–12.6	–41.7
8		**DJ Euro Stoxx 50**	2121.72	70.76	**3.45**	–13.5	–39.5
5	Austria	**ATX**	1688.54	61.11	**3.76**	–3.6	–52.7
4	Belgium	**Bel-20**	1754.02	45.36	**2.65**	–8.1	–51.6
6	Czech Republic	**PX**	764.9	34.9	**4.78**	–10.9	–49.6
10	Denmark	**OMX Copenhagen**	209.54	2.10	**1.01**	–7.4	–45.6
8	Finland	**OMX Helsinki**	4724.43	99.75	**2.16**	–12.6	–48.6
8	France	**CAC-40**	2869.57	78.43	**2.81**	–10.8	–36.7
11	Germany	**DAX**	4176.37	107.63	**2.65**	–13.2	–33.9
…	Hungary	**BUX**	10802.81	83.80	**0.78**	–11.8	–49.8
4	Ireland	**ISEQ**	2163.41	17.37	**0.81**	–7.7	–64.9
5	Italy	**S&P/MIB**	15811	863	**5.77**	–18.8	–47.9
6	Netherlands	**AEX**	220.90	8.19	**3.85**	–10.2	–48.1
6	Norway	**All-Shares**	275.90	9.99	**3.76**	2.1	–40.0
17	Poland	**WIG**	24332.88	751.00	**3.18**	–10.6	–47.0
13	Portugal	**PSI 20**	6308.65	161.61	**2.63**	–0.5	–37.2
…	Russia	**RTSI**	737.19	40.26	**5.78%**	16.7	–63.2
7	Spain	**IBEX 35**	7952.3	242.3	**3.14**	–13.5	–38.7
15	Sweden	**OMX Stockholm**	204.15	1.71	**0.84**	…	–30.9
9	Switzerland	**SMI**	4931.07	143.90	**3.01**	–10.9	–29.7
…	Turkey	**ISE National 100**	24919.26	880.37	**3.66**	–7.2	–39.4
8	U.K.	**FTSE 100**	3952.81	109.96	**2.86**	–10.9	–28.1
10	**ASIA-PACIFIC**	**DJ Asia-Pacific**	85.03	2.39	**2.89**	–9.1	–39.5
…	Australia	**SPX/ASX 200**	3550.3	84.5	**2.44**	–4.6	–30.8
…	China	**CBN 600**	20009.80	478.50	**2.45**	35.5	–34.7
10	Hong Kong	**Hang Seng**	13447.42	613.91	**4.78**	–6.5	–36.3
11	India	**Sensex**	9424.02	457.34	**5.10**	–2.3	–38.4
…	Japan	**Nikkei Stock Average**	8215.53	269.57	**3.39**	–7.3	–34.2
…	Singapore	**Straits Times**	1664.08	67.16	**4.21**	–5.5	–43.2
11	South Korea	**Kospi**	1199.50	28.56	**2.44**	6.7	–27.5
9	**AMERICAS**	**DJ Americas**	204.55	7.85	**3.99**	–9.5	–41.2
…	Brazil	**Bovespa**	42244.03	2167.62	**5.41**	12.5	–30.1
12	Mexico	**IPC**	20156.19	792.89	**4.09**	–9.9	–32.5

*P/E ratios use trailing 12-months, as-reported earnings

Note: Americas index data are as of 3:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	PERFORMANCE (euros) Last	Daily	52-wk.	PERFORMANCE (U.S. dollars) Last	Daily	52-wk.
3.63%	9	**World** -a				154.40	**3.47%**	–42.6%
3.22	11	**Global Dow**	923.20	**1.31%**	–37.6%	1337.62	**1.89**	–44.7
4.36	11	**Stoxx 600**	177.70	**2.98**	–40.1	180.10	**3.00**	–47.3
4.48	11	**Stoxx Large 200**	192.70	**3.09**	–39.8	194.24	**3.11**	–47.0
3.73	14	**Stoxx Mid 200**	156.00	**2.41**	–40.6	157.23	**2.43**	–47.7
3.78	10	**Stoxx Small 200**	95.20	**2.52**	–44.0	95.91	**2.54**	–50.7
4.56	9	**Euro Stoxx**	194.80	**3.06**	–41.7	197.42	**3.08**	–48.7
4.64	9	**Euro Stoxx Large 200**	210.00	**3.16**	–41.5	211.46	**3.17**	–48.5
4.15	9	**Euro Stoxx Mid 200**	173.50	**2.77**	–41.9	174.69	**2.79**	–48.9
4.18	13	**Euro Stoxx Small 200**	104.30	**2.15**	–44.9	104.90	**2.17**	–51.5
7.24	7	**Stoxx Select Dividend 30**	1010.90	**3.41**	–57.3	1173.82	**3.42**	–62.4
6.50	11	**Euro Stoxx Select Div 30**	1158.90	**3.21**	–55.5	1350.84	**3.23**	–60.8
6.33%	9	**U.S. Select Dividend** -b				445.40	**2.59%**	–44.8%
5.10	13	**Infrastructure**	1107.30	**0.28%**	–29.1%	1440.24	**0.85**	–37.2
2.60	5	**Luxury**	551.40	**0.49**	–37.4	637.81	**1.06**	–44.5
12.54	2	**BRIC 50**	255.20	**3.53**	–39.4	331.94	**4.12**	–46.3
3.73	10	**Africa 50**	558.10	**1.51**	–46.4	483.23	**2.09**	–52.5
7.27	5	**GCC**				1099.25	**1.36**	–61.5
4.50	8	**Sustainability**	589.40	**2.73**	–37.1	672.82	**2.39**	–44.7
3.21	10	**Islamic Market** -a				1384.64	**3.13**	–36.3
3.44	9	**Islamic Market 100**	1356.50	**2.41**	–23.4	1569.58	**2.07**	–32.7
3.44	9	**Islamic Turkey** -c						
2.92	12	**Wilshire 5000**				8038.13	**3.04**	–40.8
		DJ-AIG Commodity	116.10	**1.38**	–35.0	114.15	**1.19**	–42.8

*Fundamentals are based on data in U.S. dollar. Footnotes: a-in US dollar. b-dividends reinvested. c-in local currency. Note: All data as of 2 p.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	USD	GBP	CHF	SEK	RUB	NOK	JPY	ILS	EUR	DKK	CDN	AUD
Australia	1.4293	2.0713	1.2662	0.1777	0.0430	0.2259	0.0147	0.3535	1.9395	0.2603	1.1599	…
Canada	1.2323	1.7858	1.0917	0.1532	0.0370	0.1947	0.0127	0.3048	1.6722	0.2244	…	0.8622
Denmark	5.4908	7.9573	4.8643	0.6828	0.1650	0.8677	0.0564	1.3581	7.4507	…	4.4557	3.8416
Euro	0.7369	1.0680	0.6529	0.0916	0.0221	0.1165	0.0076	0.1823	…	0.1342	0.5980	0.5156
Israel	4.0430	5.8591	3.5817	0.5027	0.1215	0.6389	0.0416	…	5.4861	0.7363	3.2809	2.8287
Japan	97.2900	140.9927	86.1889	12.0976	2.9238	15.3748	…	24.0638	132.0177	17.7187	78.9499	68.0689
Norway	6.3279	9.1704	5.6059	0.7868	0.1902	…	0.0650	1.5651	8.5866	1.1525	5.1350	4.4273
Russia	33.2750	48.2221	29.4782	4.1376	…	5.2585	0.3420	8.2303	45.1525	6.0601	27.0024	23.2809
Sweden	8.0421	11.6546	7.1245	…	0.2417	1.2709	0.0827	1.9891	10.9127	1.4646	6.5261	5.6267
Switzerland	1.1288	1.6359	…	0.1404	0.0339	0.1784	0.0116	0.2792	1.5317	0.2056	0.9160	0.7898
U.K.	0.6900	…	0.6113	0.0858	0.0207	0.1090	0.0071	0.1707	0.9363	0.1257	0.5600	0.4828
U.S.	…	1.4492	0.8859	0.1243	0.0301	0.1580	0.0103	0.2473	1.3569	0.1821	0.8115	0.6997

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of March 23, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
4.30%	9	**ALL COUNTRY (AC) WORLD***	197.97	–1.55%	**–13.1%**	–46.6%
4.30	9	**World (Developed Markets)**	789.93	–1.64	**–14.2**	–45.7
3.90	10	**World ex-EMU**	93.00	–1.80	**–13.6**	–44.2
4.10	10	**World ex-UK**	792.07	–1.77	**–14.3**	–44.9
5.40	7	**EAFE**	1,054.60	–1.20	**–14.8**	–49.1
4.30	7	**Emerging Markets (EM)**	552.99	–0.80	**–2.5**	–52.6
6.20	7	**EUROPE**	60.25	0.41	**–13.2**	–45.9
7.00	6	**EMU**	117.53	–0.73	**–17.3**	–52.9
6.30	7	**Europe ex-UK**	66.58	0.21	**–14.2**	–45.3
8.60	5	**Europe Value**	64.71	0.06	**–16.5**	–50.1
4.20	10	**Europe Growth**	54.33	0.72	**–10.1**	–41.7
5.70	7	**Europe Small Cap**	95.71	0.56	**–5.2**	–50.7
5.30	3	**EM Europe**	153.81	1.89	**–3.2**	–62.6
6.00	6	**UK**	1,137.58	0.74	**–13.5**	–35.0
5.50	7	**Nordic Countries**	91.86	–2.92	**–6.3**	–50.9
4.00	3	**Russia**	439.37	1.06	**6.6**	–67.4
5.00	9	**South Africa**	566.82	0.53	**–2.1**	–23.8
5.30	8	**AC ASIA PACIFIC EX-JAPAN**	233.63	–1.08	**–5.5**	–51.8
2.90	10	**Japan**	471.58	0.00	**–11.0**	–44.0
3.50	9	**China**	38.67	–2.75	**–5.2**	–47.8
2.00	9	**India**	350.04	–0.23	**–5.2**	–51.7
2.20	8	**Korea**	322.02	0.64	**4.9**	–30.9
8.60	8	**Taiwan**	185.01	–1.71	**6.7**	–43.4
3.30	13	**US BROAD MARKET**	838.05	–2.12	**–14.7**	–42.1
2.70	49	**US Small Cap**	1,015.95	–3.22	**–18.5**	–43.8
4.10	8	**EM LATIN AMERICA**	2,175.10	–1.14	**4.7**	–51.4

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

BLUE CHIPS & BONDS

Major players & benchmarks

Below, a look at the Dow Jones Stoxx 50, the biggest and best known companies in Europe, including the U.K.

Dow Jones Stoxx 50: Monday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
ING Groep	Netherlands	Life Insurance	$14.3	5.09	**17.44%**	-77.3%	-84.2%
Barclays	U.K.	Banks	14.7	1.22	**15.71**	-70.9	-81.4
UniCredit	Italy	Banks	25.4	1.40	**15.09**	-66.1	-76.1
Rio Tinto	U.K.	General Mining	33.4	22.92	**13.02**	-52.3	-18.8
HSBC Hldgs	U.K.	Banks	104.2	4.18	**12.60**	-40.6	-49.8
L.M. Ericsson Tel B	Sweden	Telecoms Equipment	$24.9	68.10	**-1.30%**	25.2	-54.3
SAP	Germany	Software	45.3	27.22	**-0.77**	-13.3	-36.5
Astrazeneca	U.K.	Pharmaceuticals	47.9	22.75	**-0.48**	21.1	-21.5
GlaxoSmithKline	U.K.	Pharmaceuticals	84.2	10.17	**0.20%**	-4.9	-33.5
Vodafone Grp	U.K.	Mobile Telecoms	101.4	1.20	**0.21**	-19.5	-3.4

...And the rest of Europe's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Intesa Sanpaolo Italy (Banks)	32.9	2.05	**9.37%**	-52.9%	-58.1%
BNP Paribas France (Banks)	42.7	34.50	**9.00**	-43.9	-53.9
Soc. Generale France (Banks)	25.1	31.80	**8.74**	-48.2	-72.4
Deutsche Bk Germany (Banks)	23.8	30.70	**8.48**	-56.3	-67.3
Banco Bilbao Vizcaya Spain (Banks)	32.1	6.32	**6.58**	-53.2	-62.6
Assicurazioni Genli Italy (Full Line Insurance)	24.0	12.55	**5.91**	-53.7	-55.5
Credit Suisse Grp Switzerland (Banks)	38.5	36.72	**5.82**	-24.3	-48.3
Anglo Amer U.K. (General Mining)	26.6	13.66	**5.81**	-48.9	-37.2
AXA France (Full Line Insurance)	28.1	9.90	**5.75**	-53.0	-64.3
Allianz SE Germany (Full Line Insurance)	41.5	67.54	**5.55**	-40.1	-50.2
GDF Suez France (Multiutilities)	81.5	27.42	**4.90**	-28.3	-9.9
Nestle Switzerland (Food Products)	125.1	36.90	**4.83**	-25.4	-3.6
Banco Santander Spain (Banks)	60.2	5.44	**4.62**	-51.5	-51.6
BHP Billiton U.K. (General Mining)	48.7	15.07	**4.22**	10.7	48.6
Royal Bk of Scot U.K. (Banks)	14.3	0.25	**4.17**	-90.7	-95.1
ArcelorMittal Luxembourg (Iron & Steel)	28.9	14.72	**4.10**	-69.3	...
Siemens Germany (Diversified Industrials)	57.0	45.96	**3.75**	-31.4	-38.5
Iberdrola Spain (Conventional Electricity)	38.3	5.65	**3.67**	-44.4	-16.1
Royal Dutch Shell U.K. (Integrated Oil & Gas)	83.4	17.33	**3.59**	-17.9	-32.3
ABB Switzerland (Industrial Machinery)	33.0	16.06	**3.48**	-32.6	4.4

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
E.ON Germany (Multiutilities)	57.1	21.05	**3.44%**	-47.2%	-28.3%
UBS Switzerland (Banks)	34.1	13.15	**2.98**	-47.0	-79.1
ENI Italy (Integrated Oil & Gas)	79.9	14.71	**2.94**	-29.5	-36.3
Koninklijke Philips Netherlands (Consumer Electronics)	15.8	11.97	**2.79**	-50.1	-57.1
Diageo U.K. (Distillers & Vintners)	30.1	7.53	**2.66**	-24.9	-16.9
BP U.K. (Integrated Oil & Gas)	142.5	4.76	**2.64**	-4.1	-27.8
Nokia Finland (Telecoms Equipment)	44.2	8.57	**2.63**	-53.7	-49.5
BASF Germany (Commodity Chemicals)	30.6	24.56	**2.55**	-41.3	-24.1
Unilever Netherlands (Food Products)	32.4	13.94	**2.42**	-34.6	-26.7
Telefonica Spain (Fixed Line Telecoms)	96.5	15.11	**2.09**	-15.5	15.0
Deutsche Telekom Germany (Mobile Telecoms)	55.0	9.30	**1.75**	-11.3	-33.7
Roche Hldg Pt. Ct. Switzerland (Pharmaceuticals)	91.5	147.10	**1.45**	-21.1	-24.6
Daimler Germany (Automobiles)	28.3	21.65	**1.43**	-59.1	-53.2
France Telecom France (Fixed Line Telecoms)	61.4	17.31	**1.38**	-14.5	-8.9
Total France (Integrated Oil & Gas)	123.4	38.35	**1.08**	-16.3	-27.7
Tesco U.K. (Food Retailers & Wholesalers)	37.1	3.25	**0.96**	-16.5	-4.4
Bayer Germany (Specialty Chemicals)	39.5	38.10	**0.95**	-21.0	9.6
Sanofi-Aventis France (Pharmaceuticals)	73.3	41.07	**0.64**	-11.1	-45.8
Novartis Switzerland (Pharmaceuticals)	100.8	43.06	**0.42**	-12.9	-40.5
British Amer Tob U.K. (Tobacco)	46.6	15.89	**0.25**	-15.5	12.9

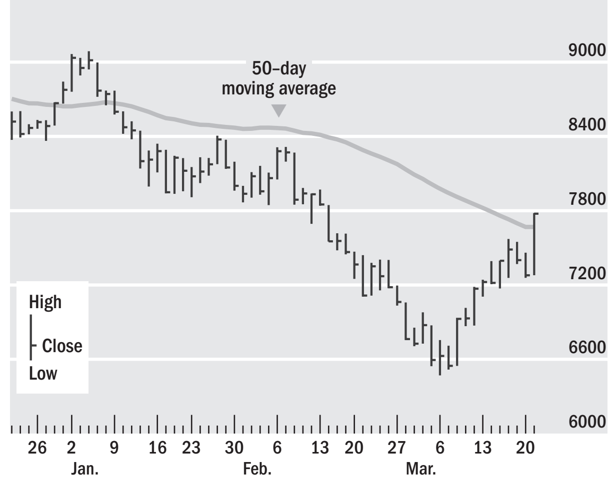
Sources: Dow Jones Indexes; WSJ Market Data Group

Dow Jones Industrial Average P/E: 25

LAST: **7775.86** ▲ 497.48, or 6.84%

YEAR TO DATE: ▼ **1,000.53, or 11.4%**

OVER 52 WEEKS ▼ **4,772.78, or 38.0%**



Note: Price-to-earnings ratios are for trailing 12 months

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**32.30**	$26.92	1.59	**6.28%**
Alcoa	AA	**76.90**	7.40	0.86	**13.15**
AmExpress	AXP	**30.20**	14.56	2.30	**18.76**
BankAm	BAC	**522.50**	7.80	1.61	**26.01**
Boeing	BA	**7.40**	35.50	2.95	**9.06**
Caterpillar	CAT	**13.50**	29.63	2.56	**9.46**
Chevron	CVX	**16.70**	69.15	4.44	**6.86**
Citigroup	C	**744.10**	3.13	0.51	**19.47**
CocaCola	KO	**11.80**	44.14	1.50	**3.52**
Disney	DIS	**14.20**	18.92	1.47	**8.42**
DuPont	DD	**8.20**	22.33	1.67	**8.08**
ExxonMobil	XOM	**45.30**	70.53	4.44	**6.72**
GenElec	GE	**196.70**	10.43	0.89	**9.33**
GenMotor	GM	**23.00**	3.35	0.17	**5.35**
HewlettPk	HPQ	**24.50**	31.19	2.34	**8.11**
HomeDpt	HD	**21.00**	23.25	1.09	**4.92**
Intel	INTC	**52.80**	15.52	0.87	**5.94**
IBM	IBM	**11.30**	98.71	6.20	**6.70**
JPMorgChas	JPM	**130.00**	28.86	5.71	**24.67**
JohnsJohns	JNJ	**15.00**	53.23	1.56	**3.02**
KftFoods	KFT	**12.20**	23.15	1.30	**5.95**
McDonalds	MCD	**9.90**	55.16	1.96	**3.68**
Merck	MRK	**16.90**	27.98	1.26	**4.72**
Microsoft	MSFT	**58.00**	18.33	1.27	**7.44**
Pfizer	PFE	**58.70**	14.02	0.39	**2.86**
ProctGamb	PG	**13.30**	47.74	2.15	**4.72**
3M	MMM	**6.50**	49.32	3.39	**7.38**
UnitedTech	UTX	**7.10**	43.48	2.95	**7.28**
Verizon	VZ	**17.40**	31.07	1.46	**4.93**
WalMart	WMT	**17.50**	51.48	1.89	**3.81**

Source: WSJ Market Data Group

Tracking credit markets & dealmakers

Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.33%	0.92%	2.7%	3.0%	-4.1%
Event Driven	-0.24	0.58	2.7	2.2	-24.2
Distressed Securities	-3.25	-3.26	-10.1	-10.4	-40.6
Equity Market Neutral	-0.12	-0.63	-1.5	-1.4	-9.1
Equity Long/Short	-0.26	-1.53	-0.4	-0.1	-11.8

*Estimates as of 03/20/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

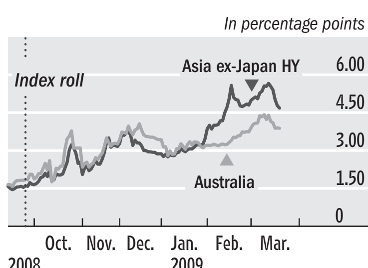
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 11/1	1.72	100.62%	0.02%	1.87	1.70	1.74
Eur High Volatility: 11/1	3.73	100.09	0.04	3.75	3.62	3.70
Europe Crossover: 11/1	9.26	101.69	0.10	9.33	9.23	9.26
Asia ex-Japan IG: 11/1	3.84	98.52	0.04	3.84	3.68	3.76
Japan:	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: Data as of March 20

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: European companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Swiss Reins	680	**-23**	-102	169
Gecina	"1,002"	**-21**	-61	-74
Alcatel Lucent	"1,573"	**-20**	-15	118
Rep Austria	161	**-19**	-46	-87
Renault	462	**-17**	-75	-10
Prudential	795	**-16**	-91	185
Robert Bosch	241	**-15**	-18	-29
Rhodia	"1,435"	**-14**	-48	137
GKN Hldgs	773	**-13**	-50	-7
Rep Italy	157	**-8**	-21	-30

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Metro AG	353	**7**	5	108
Metso	498	**8**	-2	18
Fiat	1322	**8**	-61	17
Veolia Environnement	166	**8**	27	51
EDP Energias de Portugal	147	**10**	9	13
Casino Guichard Perrachon	191	**10**	-1	1
CIR SpA CIE Industriali Riunite	713	**12**	-1	15
Technip	238	**12**	5	...
Intl Pwr	1007	**16**	16	215
Porsche Automobil Hldg	606	**45**	6	-96

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, European

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
JPMorgan	$253	7.7%	34%	42%	22%	2%
Deutsche Bank	224	6.8	29	40	27	3
UBS	213	6.5	22	28	50	...
BNP Paribas	207	6.3	7	66	18	8
Bank of America Merrill Lynch	166	5.0	10	33	56	...
Credit Suisse	155	4.7	4	65	30	1
RBS	150	4.6	23	56	16	4
Morgan Stanley	142	4.3	25	24	50	...
Citi	124	3.8	9	48	42	1

Source: Dealogic

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The U.S. is courting former warlords as Barack Obama undertakes an overhaul of the war in Afghanistan. **Pages 16-17**

Clarins puts on its best face to remake U.S. image. **Page 4**

Industry's big hopes sputter for small cars. **Page 6**

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Airlines seek customer-friendly approach

Goal is to tailor their services based on a traveler's needs

By Scott McCartney

AN AIRLINE loses your bag or cancels your flight because of a mechanical problem. The next time you show up at the airport, an agent personally apologizes and offers a free pass to an airport lounge for your troubles.

Don't laugh. Someday it may happen at U.S. airlines.

Airlines are getting closer to rolling out new technology that tells airport agents your ticket-buying and travel history, flags key customers to flight attendants, instructs them to offer personalized apologies or sends you sales targeted to your vacation patterns.

THE MIDDLE SEAT

Airlines will never be the Ritz, but such improvements could make air travel more pleasant.

One small initiative already in use: After boarding, Alaska Airlines flight attendants deliver favorite drinks to elite-level customers when they are sitting in coach, thanking them by name for their business.

"The point is not the cocktail. The point is the recognition and thanks for your business," said Steve Jarvis, vice president of sales and customer experience for Alaska, a unit of **Alaska Air Group** Inc.

High-end hotels have long tracked customer information, right down to pillow preferences or history of complaints and bad experiences, and online retailers pitch products based on your buying history. But airlines do very little in the field of "customer relationship management," known as CRM.

Experts say it shows: The lack of CRM is one contributor to travelers' overall dim view of airline customer service.

Airlines say they have been slow to adopt customer-friendly services because they have multiple old computer systems that don't share information well with each other.

At airports today, airline agents can call up a traveler's itinerary and frequent-flier status. But information about past complaints, delays, baggage problems, canceled flights or missed connections isn't available. Neither is, in most cases, how much money you spend with the airline.

"The technology is both the enabler and the impediment right now," said Eric Harte, vice president of the consumer travel division of EDS, a unit of **Hewlett-Packard** Co.

Airlines are using new systems to better calculate the value of each customer—how much you spend per miles flown each year, for example. But they haven't yet found ways to customize service at ticket counters and gates based on that information.

"You can be the most-frequent flier and when you are with your family and sitting in the back of the airplane, there's no recognition," said Tom Klein, president of Sabre Travel Network and Sabre Airline Solutions, divisions of **Sabre Holdings** Corp. "It's a service consistency problem."

Poor relations between labor and management have also made some carriers hesitant to ask employees to change their interactions with customers. Airline officials and technology executives say putting fancy online tools in the hands of jaded employees can be a recipe for failure.

New technology—such as self-service kiosks, electronic boarding passes on handheld devices and automatic flight-alert systems—aims to circumvent employees and cut labor costs.

Several airlines and suppliers of CRM systems say airlines view better customer-related technology as crucial to retain important customers in a declining economy and differentiate themselves from competitors.

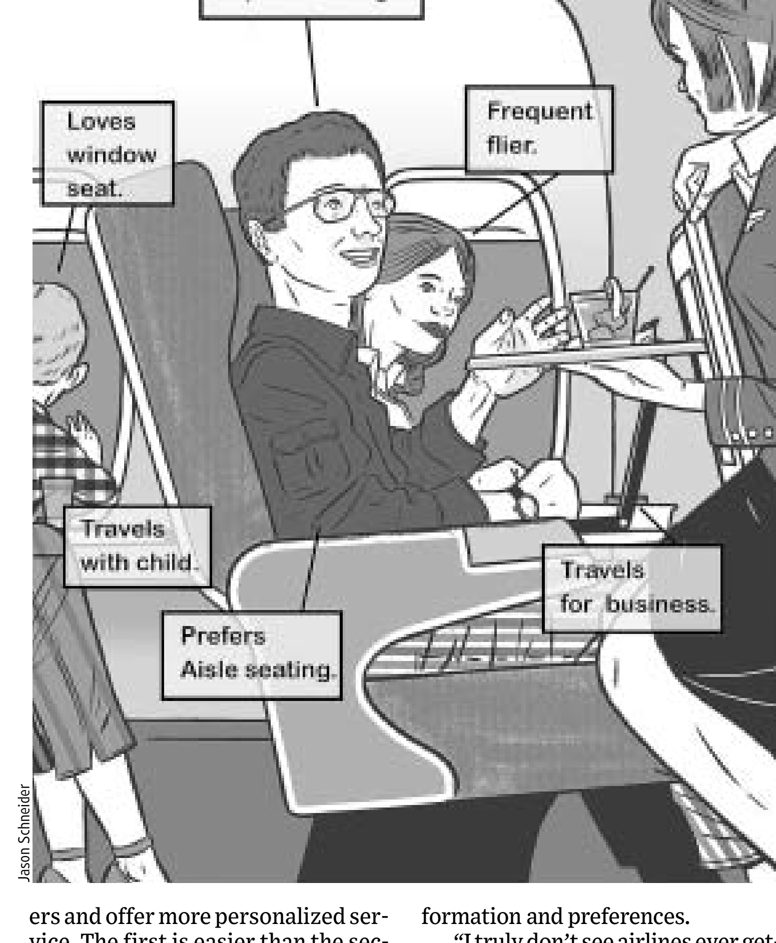
Airlines have long tried to reward their best customers through perks tied to frequent-flier programs. Top-level fliers receive first-class upgrades, priority boarding and sometimes access to special security lines.

But to many travelers, those benefits have become impersonal and widely available. While hotels, retailers and others have found ways to personalize their service, airlines struggle to move masses quickly and cheaply.

Cam Marston, a frequent flier who has elite status on **Delta Air Lines** Inc., **AMR** Corp.'s American Airlines and **US Airways** Group Inc., was amazed when he flew Alaska a few times and noticed the beverage delivery in coach to top customers.

"It really made an impression," Mr. Marston said. "With the technology available today it would seem easy to do to add personalized service. ... I think there is huge opportunity."

But even simple steps like that are challenging for airlines. Alaska wants to do more with CRM, Mr. Jarvis says, and is working to improve target marketing to customers and offer more personalized service. The first is easier than the second, he said.



Jason Schneider

Some major airlines say they have spent years trying to get different computer systems to work together. Most say they have CRM projects in the works, and a few hope to roll out innovations out this year.

Some international airlines already give their best customers white-glove treatment using CRM systems and simple good business. **British Airways**, **Lufthansa** and **Air France** all have special services for first-class and top-level travelers at key hubs, and employees who track personal information and preferences.

"I truly don't see airlines ever getting to the level of say, Ritz-Carlton, but that's not what our customers tell us they want," said Kerry Hester, a **US Airways** vice president responsible for customer service planning. "Customers say they want a convenient, hassle-free experience rather than high-touch service, but there are definitely things we can do."

Airlines tailor email sales alerts to customers based on past destinations or hometown airports, and some even try to track travel patterns. But they have lagged behind other industries—such as book, movie or music sellers—in developing truly personalized marketing. Airlines are considering ways to collect more information from customers to better pitch to them.

"I might have said some of the same things five years ago on what we are trying to get done. We're still getting the hang of better email marketing," said Mark Bergsrud, senior vice president of marketing programs at Continental Airlines Inc., considered one of the industry leaders in mining customer data.

Much of the airline CRM effort is focused on improving responses to customers when things go wrong, from sending email alerts when bags aren't loaded on the right plane (so a customer doesn't wait at a baggage carousel for a bag that won't show up) to instantly rebooking customers when flights are canceled or connections missed.

Rebooking is a complicated area fraught with customer frustration. Often travelers have trouble getting information out of airlines, so road warriors blitz different contact points, calling the airline while waiting in an airport line and simultaneously emailing with a travel agent.

If airlines could electronically send rebooking options to customers, especially their most valuable customers, or allow self-service rebooking at kiosks, customer satisfaction might improve.

What's more, airlines hope to better dole out available seats to customers based on their predicaments, and not just their status. Currently elite-level fliers, full-fare passengers and sometimes travelers with international connections get priority for seats on other flights. But with more data, perhaps a customer who had a flight canceled three days earlier would also get priority.

Sabre's Mr. Klein thinks CRM may help airlines figure out which services will excite customers. Some services may simply add cost without much reward for the airline. But others may be so highly prized that customers would even pay extra for them. "I think you'll see a lot of experimentation," he said.

JobAngels take the jobless under their wing

By Sarah E. Needleman

Once you've tapped out your network and run out of recruiters to contact, where do you go to get help finding a job these days? For a growing group of job hunters, total strangers have become the answer.

In late January, Jason C. Blais began following JobAngels, a group on the social-networking site Twitter.com that is dedicated to helping people find jobs. He saw a message posted by a laid-off technology professional asking for support and volunteered to take the woman under his wing.

Mr. Blais suggested improvements to his new mentee's resume. He then sent a revised copy to a hiring manager at a teaching hospital he knew was seeking candidates for a position matching the job hunter's qualifications and interests. A week later, the mentee was invited to interview for the job. She is still waiting to hear back.

Alarmed by the U.S.'s rising unemployment rate, many working Americans are going out of their way to help their laid-off counterparts—often complete strangers—secure new positions. They're sharing job leads, leveraging their network and making referrals, and often putting their own reputations on the line.

"Adversity often brings out a generosity and compassion," says Tim Irwin, an organizational psychologist in Atlanta."Collectively people tend to pull together."

Indeed, Mr. Blais, business-development director at JobsInTheUS.com , says he developed a strong desire in recent months to help laid-off workers find new positions due to the increasing competitiveness of the job market. "A lot of good people are not even getting their resume seen because employers aren't digging that deep into the pile," he says. "This is just one small way I could help somebody that's a good candidate."

Mr. Blais is now mentoring two more job hunters he met through JobAngels. He says his efforts also will likley have a positive effect on his career. "My reputation can only be elevated, as more people see that I'm just one more person trying to make a difference," he says.

Others are taking a different approach. Recently, J.T. O'Donnell, a career strategist and workplace consultant in North Hampton, N.H., signed on to help a stranger who con-

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FROM PAGE ONE

U.S. Treasury unveils plan for toxic assets

The goal is to ease pressure on banks that have gotten aid

BY MAYA JACKSON RANDALL AND MICHAEL R. CRITTENDEN

WASHINGTON—The U.S. Treasury on Monday unveiled its plan to deal with the toxic assets weighing on banks' balance sheets, acknowledging that the financial system continues to face "acute pressure" and is working against economic recovery.

The coordinated effort of the Treasury, Federal Reserve and Federal Deposit Insurance Corp. will attempt to address the "legacy" real-estate-related assets that Treasury Secretary Timothy Geithner said are reducing banks' willingness to take risks and to lend money to consumers.

"This will help banks clean up their balance sheets and make it easier for them to raise private capital," Mr. Geithner said.

The plan calls for the federal government to work with private investors to try to restart the market for troubled mortgage loans and securities, which officials hope will in turn improve the financial condition of banks that have received billions of dollars in capital injections from the government. The federal government will pair as much as $100 billion with private capital to generate $500 billion in purchasing power to buy the assets, and Mr. Geithner told reporters the plan eventually could reach $1 trillion.

"We have to complement this program with a range of approaches to help get these securities markets back to a point where they're working again," Mr. Geithner told reporters Monday morning.

Pacific Investment Management Co. said it intends to take part in the program as both a buyer and manager of troubled bank assets, Pimco founder Bill Gross said Monday.

"Four or five managers are going to be selected—we hope to be able to do that on the securities side. On the bank-loan side, we hope to be able to participate as a buyer," Mr. Gross told CNBC.

Morgan Stanley also backed the government's plan. "The Public-Private Investment Program looks like an innovative plan from Treasury, and we expect the plan could have a positive impact on the credit markets," the investment bank said in a statement.

Morgan Stanley has received $10 billion in government funding to boost capital and stabilize its business. Chairman and Chief Executive John Mack said he hopes to pay back the money by late this year or early next year.

President Barack Obama expressed confidence in the plan, but he cautioned that a financial recovery won't happen overnight. "You are starting to see glimmers of hope in the housing market," helped by historically low interest rates, Mr. Obama told reporters Monday after meeting with his financial advisers at the White House.

The new program marks a return by the Treasury to dealing with the illiquid assets that have snagged credit markets. Former Treasury Secretary Henry Paulson abandoned plans to deal with the toxic assets last year, in part because of the difficulty of determining a proper price for assets for which no market currently exists.

Mr. Geithner said the Treasury hopes the program will unfreeze the market for the assets. He said alternative proposals—such as letting the assets fester on bank balance sheets or having the government directly purchase them—would put too much risk on the backs of taxpayers. The government needs to balance the potential losses for taxpayers with the need to get credit markets functioning once again.

"I am very confident this scheme dominates all the alternatives for trying to find that balance," Mr. Geithner said.

In explaining the policy choices the U.S. is making, Mr. Geithner and the Treasury referenced previous banking crises in Sweden and Japan as providing lessons. Treasury documents released Monday said that letting illiquid assets sit on bank balance sheets "risks prolonging a financial crisis, as in the case of the Japanese experience." Mr. Geithner, discussing the issue with reporters, warned against taking the opposite strategy from Japan's and being too aggressive with government intervention.

"We're not Sweden; we have a very complicated financial system," Mr. Geithner said, referencing that country's move in the early 1990s to effectively nationalize some banks.

The new program has two parts. It will address both the legacy loans that banks are holding on their balance sheets, and the securities backed by mortgage-related debt clogging the balance sheets of financial firms.

Under the legacy-loan program, investment funds will be created to purchase pools of assets. The Treasury will provide 50% of the equity capital for each fund, and private managers will retain control of asset management, subject to FDIC oversight. The Treasury said it will approve as many as five asset managers "with a demonstrated track record of purchasing legacy assets," but it might consider adding more managers depending on the quality of applications received. To be prequalifed as a fund manager, the manager must submit an application to the Treasury by April 10.

The asset managers won't be subject to the executive-compensation requirements that have come into focus in recent weeks after American International Group Inc. sparked a public outcry by paying out $165 million in retention bonuses to top executives.

Banks will identify the assets they wish to sell. The FDIC will conduct an analysis to determine the amount of funding it is willing to guarantee. Leverage will not exceed a 6-to-1 debt-to-equity ratio, the Treasury said. Meanwhile, the highest bidder will have access to the Public-Private Investment Program to fund 50% of the equity requirement of their purchase.

Eligible assets will be determined by banks, regulators, the FDIC and the Treasury.

"A broad array of investors are expected to participate in the Legacy Loans Program," the Treasury said in a fact sheet it provided Monday. "The participation of individual investors, pension plans, insurance companies and other long-term investors is particularly encouraged."

Under the securities program, the federal government will make loans available to investors so they can purchase certain securities backed by residential mortgages and agency debt that were originally rated triple-A. The goal is to jump-start the broken market for securities tied to residential and commercial real estate and consumer credit.

In an op-ed piece in Monday's Wall Street Journal, Mr. Geithner wrote that the efforts will help tackle the glut of assets clogging bank balance sheets and will help provide some kind of normal price for these assets, which the Treasury believes are currently undervalued.

"Over time, by providing a market for these assets that does not now exist, this program will help improve asset values, increase lending capacity by banks, and reduce uncertainty about the scale of losses on bank balance sheets," Mr. Geithner wrote. "The ability to sell assets to this fund will make it easier for banks to raise private capital, which will accelerate their ability to replace the capital investments provided by the Treasury."

The rollout represents a test for Mr. Geithner, whose tenure has been marred by controversy over his personal taxes, criticism of the lack of detail in his February bank-bailout announcement, and his involvement in the AIG bonus furor. Some questioned why he didn't know of the AIG bonuses sooner.

Mr. Geithner also said Monday that the Treasury has no immediate plans to ask Congress for additional funds to buoy the financial system even though the bulk of the $700 billion authorized last year has been committed.

In a briefing with reporters, he said the department would work with lawmakers as the situation develops, but said he was "not prepared" to make a request at this time. He noted that the Obama administration included a "placeholder" in the budget request submitted last month that suggested it may take hundreds of billions of dollars of additional taxpayer funds to deal with the financial markets.

"We have substantial resources that we're going to deploy in support of these programs," Mr. Geithner said.

Congress provided the Treasury $700 billion in October as part of the Troubled Asset Relief Program. With the commitment of between $75 billion and $100 billion to deal with toxic assets announced Monday, the Treasury has roughly $80 billion to $110 billion left in TARP funds. Much of that money could end up funding the Treasury's program to recapitalize the largest U.S. banks based on its "stress tests."

"We will make sure there is sufficient capital in the system for these institutions to manage through...a deeper recession," Mr. Geithner said Monday.

—Deborah Solomon contributed to this article.

Global markets skyrocket on U.S. bank plan

Continued from first page

work. One potential risk was that banks could view the bids they get from private funds as too low and opt to sit on assets rather than sell and swallow a loss, said Paul Ashworth, an economist with the Capital Economics Group in Toronto.

"Banks don't have to take whatever price is on offer," Mr. Ashworth said. "How will these assets be priced? It's quite wooly still."

Another concern expressed by private investors is the potential hidden consequences of partnering with a federal government under pressure from the public not to cut sweetheart deals with Wall Street, according to fund managers, lawyers and industry lobbyists.

"Some are very concerned about what kind of strings are attached, because strings become chains on some of these programs," said Lendell Porterfield, chief executive of Porterfield & Lowenthal LLC, a Washington lobbying firm whose clients include hedge funds and banks. "There are still some very serious reservations about doing business with the government, because you don't know what the rules may be tomorrow, next week or next month."

One component of the plan is a Legacy Securities Program that aims to set prices for hard-to-value commercial and residential mortgage-backed securities. As many as five managers will help the government manage the funds. Those expected to apply are large mutual-fund companies including Allianz SE's **Pacific Investment Management** Co., or Pimco; **BlackRock** Inc.; and **Legg Mason** Inc.

Fund firms responded positively to news of the Treasury program on Monday. "From Pimco's perspective, we are intrigued by the potential double-digit returns as well as the opportunity to share them with not only clients but the American taxpayer," said Bill Gross, Pimco founder and co-chief investment officer. "This is perhaps the first win-win policy to be put on the table and it should be welcomed enthusiastically."

Another part of the plan is a Legacy Loans Program that aims to cleanse bank balance sheets of distressed loans. There is concern that this plan might not be as successful as the securities program.

Investors have been burned so many times by purchasing toxic bank assets such as construction loans that it will be difficult to lure them in without discounts as steep as 50 cents on the dollar. Hedge funds and private-equity firms typically target 20%-plus returns for their investors.

But in this environment, these investors should recalibrate their expectations, Colony Capital's Mr. Barrack said. "In this interest-rate environment, I don't know anybody getting a 7% return on anything," he said. "Everybody has to let go of the notion that 'we're not going to participate unless we get double-digit returns.' "

There is also a potential disincentive for banks to sell these loans because such discounts are steeper than the losses they would have to book every quarter to write down the assets.

Big questions include how the bank-asset auctions will work.

Ken Zerbe, a banking analyst at Morgan Stanley, said some large regional banks, including **First Horizon National** Corp. and **Synovus Financial** Corp., likely will emerge as beneficiaries. Those banks already have absorbed steep write-downs and therefore may be "the most willing to accept the [potentially low] prices emerging from the auction process."

But some of the biggest holders of troubled assets may prove the most reluctant to part with those assets at deeply discounted prices. The U.S. government last year agreed to protect Citigroup against most losses on a $301 billion pool of assets. Bank of America this year entered a similar loss-sharing agreement with the government.

Citigroup, which has received more than $45 billion in taxpayer aid since last autumn, is still sitting on a large pile of risky loans and other assets, many of which it hopes to shed in coming years. But executives have said they aren't in a rush to sell when markets remain moribund.

Another potential stumbling block: The Treasury's latest plan doesn't seem to address some of the most-troubling assets on banks' books. "There's still no clear answer" to what to how to handle debt such as structured-finance notes and loans to real-estate companies and hedge funds, said Joshua Siegel, managing principal at StoneCastle Partners, a New York private-equity firm that invests in banks.

—Diya Gullapalli contributed to this article.

Tiffany's net plummets 76% in weak market

BY KAREN TALLEY

Tiffany & Co.'s fiscal fourth-quarter net income dropped 76% as sales plunged on extreme softness in the U.S. and general sluggishness spread further to global markets.

Net income totaled $31.1 million, or 25 cents a share, down from $127.4 million, or 96 cents a share, a year earlier. The latest results included 60 cents a share in charges related to its early-retirement program and about 900 job cuts.

Net sales decreased 20% to $841.2 million. Excluding the effects of the stronger dollar, sales dropped 19% as same-store sales fell 23%.

Gross margin rose to 58.6% from 57.9%. Shares rose about 14% in Monday midday trading on the New York Stock Exchange, however, as results beat analysts' expectations for margins. Tiffany projected earnings for the current fiscal year at $1.52 to $1.60 per share. World-wide sales are expected to fall 11% to about $2.6 billion. Customers are buying less, but they are stratifying a bit, with sales below $500 falling less than higher-priced items, especially above $50,000.

FROM PAGE ONE

AIG unit's deals helped banks reduce U.S. income taxes

Continued from first page
hadn't shown that the transactions "had sufficient economic substance and business purpose" to justify tax benefits. The IRS declined to comment.

An AIG spokesman declined to discuss the tax-cutting transactions in detail but asserted that the tax benefits were proper and justified. AIG wants to "ensure that it is not required to pay more than its fair share of taxes," a company spokeswoman said.

Defenders of these arrangements say that taking advantage of differences between tax laws in the U.S. and overseas is simply smart business, arguing that the deals weren't explicitly prohibited by IRS regulations at the time.

New versions of the tax deals effectively stopped in 2007 after the IRS proposed regulations to shut them down. The agency has formed a special team of agents and attorneys to uncover such transactions. AIG wound down its tax unit last year following the proposed regulations.

Cross-border tax transactions are drawing increased scrutiny from U.S. and European tax officials, who are seeking to limit deals that help firms to play one nation's tax laws against another. This month, U.K. tax authorities said they were reviewing documents that show how **Barclays** PLC structured offshore deals for clients.

Last week, IRS Commissioner Douglas Shulman told the Senate Finance Committee that the agency is "aggressively pursuing" so-called "foreign tax-credit generators." Those are the sort of deals that the IRS is challenging at AIG, court records in two cases show.

Mr. Shulman didn't identify specific companies, though such a transaction "really perverts the foreign tax credit," he said.

The foreign-tax-credit transactions took numerous forms. In one version, an offshore AIG subsidiary would borrow money from an overseas bank and also earn investment income overseas. The AIG unit would pay foreign taxes on that investment income and earn a foreign tax credit in the U.S., according to court records involving companies using these deals that have been challenged by the IRS and people who have worked on such deals.

Another AIG unit would then pay interest to the foreign bank, deducting those payments from its U.S. taxes. Meanwhile, the foreign bank was exempt from tax on that interest because overseas tax authorities treated the bank as simultaneously owning the AIG subsidiary. That effectively gave the foreign bank credit for taxes paid by the AIG subsidiary.

Because the foreign bank got a tax exemption overseas, it could charge lower interest costs on the cash loaned to AIG, according to people familiar with the transactions.

AIG helped set up a complex transaction for France's Crédit Agricole in the late 1990s that generated at least $17 million in tax savings for AIG and unspecified tax savings for Crédit Agricole, according to court filings by AIG in its suit against the IRS. The bank declined to comment.

Last year, Crédit Agricole's Calyon investment-banking unit got $3.3 billion in payouts as part of the U.S. government's rescue of AIG.

"If people are going to get taxpayer money, then there definitely should be a measure of corporate social responsibility, to put it bluntly," said Reuven S. Avi-Yonah, a former corporate tax attorney who is director of the international tax program at the University of Michigan's law school.

Barclays, which recently got $8.5 billion from AIG, also used the insurer's financial-products unit, according to a person familiar with the matter. Other AIG tax-cutting clients included Banca Commerciale Italiana SpA, now part of **Banca Intesa Sanpaolo**, according to a court filing by AIG. The banks, which declined to comment, took part in low-cost financing deals with subsidiaries of AIG that provided tax benefits to both parties.

Bank of America worked with AIG on at least one tax structure, according to the AIG lawsuit filed last month. The Charlotte, N.C., bank also did a sizable business selling such deals, according to a person familiar with the situation.

The tax-structuring operation started by AIG in the 1990s was even bigger than AIG's credit-default-swaps business, according to a person familiar with the matter.

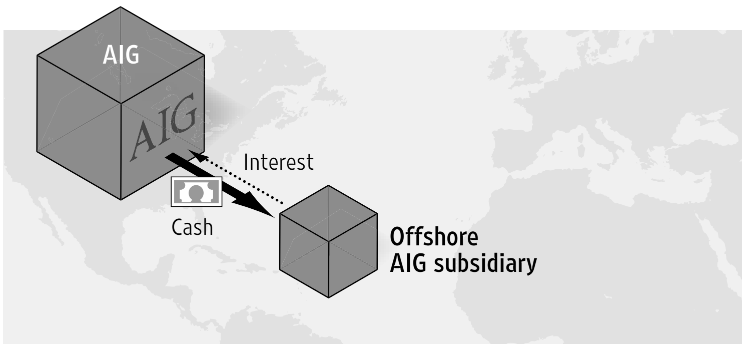
A key force in the tax unit was David Ackert, a former tax lawyer at Sullivan & Cromwell LLP and banker at Goldman Sachs Group Inc., say four people familiar with the business. While at Goldman, Mr. Ackert helped devise a tax shelter for drug giant Merck & Co. that was eventually part of a $2.3 billion IRS settlement in 2007. That was one of the largest publicly disclosed tax resolutions in U.S. history. Mr. Ackert and Goldman weren't accused of any wrongdoing.

In 1994, Mr. Ackert joined AIG and became a lieutenant to Joseph Cassano, the former head of AIG FP. In May 2007, Mr. Cassano told AIG investors that the tax business had been "a very, very successful component of our business." At least one of the transactions being challenged by the IRS came before Mr. Ackert's arrival at AIG.

Mr. Ackert, who retired in 2007, didn't work on the AIG transactions currently being challenged by the IRS, according to a person familiar with the matter.

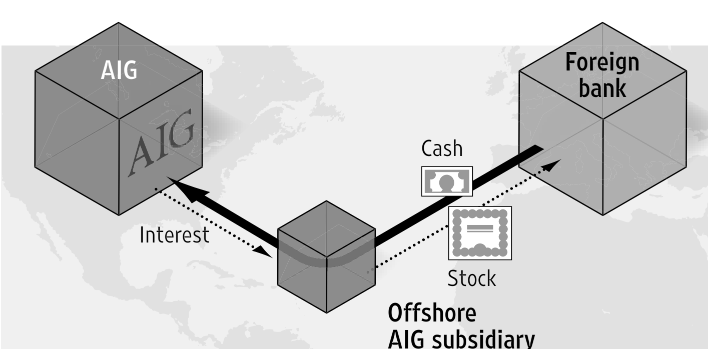
Generating deductions | A sample case

AIG structured complex deals to provide itself and partner institutions with tax benefits. A typical one worked as follows:



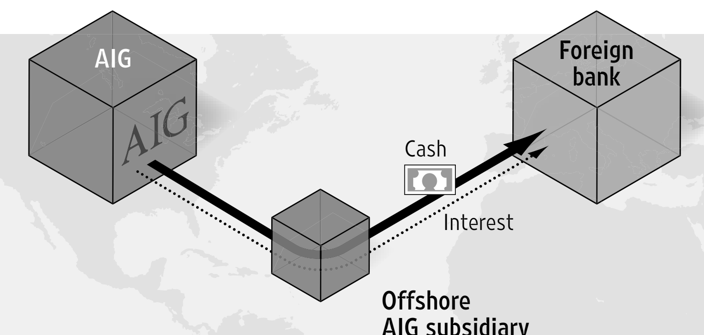
1. An AIG subsidiary puts cash into a newly created offshore subsidiary. That unit invests some of its cash, earns investment income and pays a foreign tax on that income.

TAX BENEFIT FOR AIG: In the U.S., AIG receives a credit on its U.S. income taxes for the foreign taxes paid by its subsidiary.



2. A foreign bank loans money to the offshore unit and receives stock in the unit as collateral. The unit lends that money to another AIG subsidiary and collects interest.

TAX BENEFIT FOR AIG: In the U.S., AIG receives a tax deduction for interest paid.



3. AIG gradually repays the loan from the foreign bank with interest.

TAX BENEFIT FOR AIG: In the U.S., AIG receives a tax deduction for the interest portion of the repayment.

4. Overseas tax authorities treat the offshore AIG subsidiary as being owned by the foreign bank, since it took stock in the unit as collateral for the loan.

TAX BENEFIT FOR FOREIGN BANK: The interest payments from AIG are treated as intra-company dividends within the foreign bank, which are exempt from foreign tax.

THE MART

BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: SYNTAX-BRILLIAN CORPORATION, *et al.*,[1] Debtors. | Chapter 11 | Case No. 08-11407 (BLS) | (Jointly Administered)

NOTICE OF (I) APPROVAL OF DISCLOSURE STATEMENT, (II) HEARING TO CONSIDER CONFIRMATION OF THE PLAN, AND (III) DEADLINE FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN AND VOTING ON THE PLAN

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. By Order dated March 12, 2009, (the "**Disclosure Statement Order**"), the United States Bankruptcy Court for the District of Delaware (the "**Court**") approved the Second Amended Disclosure Statement with Respect to the Debtors' Second Amended Chapter 11 Liquidating Plan, dated March 11, 2009 (including all exhibits and supplements thereto and as amended, modified or supplemented from time to time, the "**Disclosure Statement**") as containing adequate information within the meaning of section 1125 of chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**").

2. By the Disclosure Statement Order, the Court established **April 13, 2009 at 5:00 p.m. (prevailing Eastern Time)** (the "**Voting Deadline**") as the deadline by which ballots accepting or rejecting the Plan must be received. To be counted, your original ballot must actually be received on or before the Voting Deadline by Epiq Bankruptcy Solutions, LLC at the following address if delivered by first class mail: Syntax-Brillian Ballot Processing c/o Epiq Bankruptcy Solutions, LLC, Grand Central Station P.O. Box 4613, New York, NY 10163-4613. If by hand delivery or overnight courier: Syntax-Brillian Ballot Processing c/o Epiq Bankruptcy Solutions, LLC, 757 Third Avenue, Third Floor, New York, NY 10017.

Ballots cast by facsimile, email or other electronic transmission will not be counted.

3. On **April 21, 2009 at 1:30 p.m. (prevailing Eastern Time)**, or as soon thereafter as counsel may be heard, a hearing will be held before the Honorable Brendan L. Shannon in the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6th Floor, Wilmington, Delaware 19801 to consider confirmation of the Plan, as the same may be amended or modified (the "**Confirmation Hearing**"). The Confirmation Hearing may be adjourned from time to time.

4. The Plan may be modified in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Plan and other applicable law, without further notice, prior to or as a result of the Confirmation Hearing.

5. Objections, if any, to confirmation of the Plan, including any supporting memoranda, must be in writing, be filed with the Clerk of the Court, Third Floor, 824 North Market Street, Wilmington, Delaware 19801 together with proof of service on or before **April 13, 2009 at 4:00 p.m. (prevailing Eastern Time)** (the "**Objection Deadline**"), and shall (a) state the name and address of the objecting party and the amount of its claim or the nature of its interest in the Debtors' chapter 11 cases, (b) state with particularity the provision or provisions of the Plan objected to and for any objection asserted, the legal and factual basis for such objections, and (c) be served upon: (i) counsel for Debtors, Greenberg Traurig, LLP, 200 Park Avenue, New York, NY 10166, Attn: Nancy A. Mitchell, Esq., Fax (212) 801-6400, and Greenberg Traurig LLP, The Nemours Building, 1007 North Orange Street, Suite 1200, Wilmington, DE 19801, Attn: Victoria W. Counihan, Esq., Fax (302) 661-7360 (ii) counsel for the Lenders, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Stephen Karotkin, Esq. and Jacqueline Marcus, Esq., Fax: (212) 310-8007, (iii) counsel to the Official Committee of Unsecured Creditors, Pepper Hamilton LLP, Hercules Plaza, 1313 Market Street, Suite 5100, Wilmington DE 19801, Attn: David Stratton, Esq. and David Fournier, Esq.; and (iv) the Office of the United States Trustee, 844 N. King Street, Suite 2207, Wilmington, DE 19801, Attn: Mark Kenney, Esq., Fax (302) 573-6497 in a manner as will cause such objection to be received by all such parties on or before the Objection Deadline. Any objections not filed and served as set forth above will not be considered by the Bankruptcy Court.

6. The Disclosure Statement and the Plan are on file with the Clerk of the Bankruptcy Court for the District of Delaware, and may be examined by any interested party at the Clerk's office at any time during regular business hours, or by accessing **http://chapter11.epiqsystems.com/syntax** or by calling 1-866-897-6440.

Dated: March 18, 2009

GREENBERG TRAURIG, LLP, /s/ Dennis A. Meloro, Victoria W. Counihan (DE Bar No. 3488), Dennis A. Meloro (DE Bar No. 4435), The Nemours Building, 1007 North Orange Street, Suite 1200, Wilmington, Delaware 19801, Telephone: (302) 661-7000, Facsimile: (302) 661-7360, Email: counihanv@gtlaw.com, melorod@gtlaw.com **and** Nancy A. Mitchell, Allen G. Kadish, John W. Weiss (DE Bar No. 4160), 200 Park Avenue, New York, New York 10166, Telephone: (212) 801-9200, Facsimile: (212) 801-6400, Email: mitchelln@gtlaw.com, kadisha@gtlaw.com, weissjw@gtlaw.com.

Counsel for the Debtors and Debtors-in-Possession

[1]The Debtors are the following entities: Syntax-Brillian Corporation, Syntax-Brillian SPE, Inc., and Syntax Groups Corporation.

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Balancing gilt issues

Faced with ballooning public debt, all governments face a tricky juggling act: finding sufficient buyers for their bonds without pushing up the cost of borrowing.

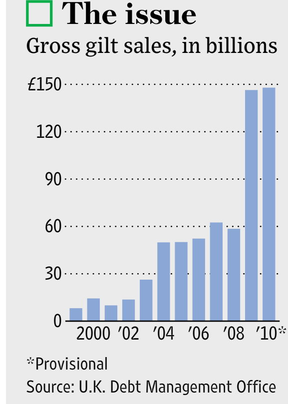
It is a problem the U.K. Debt Management Office already is grappling with, reflecting the scale of the U.K.'s problems. But its provisional plan for this year is too heavily focused on short and medium-dated gilt issuance at the expense of much-needed long-dated issuance. It should consider changing focus as it finalizes its strategy in April.

The scale of the DMO's task will be huge: issuance is likely to rise from an already record provisional £147.9 billion ($213.6 billion), with some forecasts it could reach £200 billion. At that level, issuance for 2008-2010 would equal total issuance for 1998-2008.

In the provisional plan, short- and medium-term gilts with maturities of as long as 15 years make up 65% of supply. That is similar to 2008-2009's sales, driven partly by huge demand for short-dated securities from risk averse investors, and partly by the need to raise billions of pounds to recapitalize the banking system.

The issue

Gross gilt sales, in billions



*Provisional

Source: U.K. Debt Management Office

But this is a sharp reversal from the three previous years where long-dated and inflation-linked bonds with maturities of over 15 years accounted for an average 62% of issuance.

The DMO's task is made more complicated by the Bank of England's policy of quantitative easing, which involves buying gilts maturing in between five and 25 years. The government has confirmed this shouldn't affect its issuance strategy but it is definitely affecting investors: last week saw poor demand at the auction of a 2014 gilt that has a maturity just too short to fall in the BOE's sights.

Even so, the DMO needs to issue more long-dated and index-linked gilts to help pension funds, which are being hit hard by the fall in long-term yields used to discount liabilities since quantitative easing began. Citigroup estimates liabilities have risen 16% to 17% since the end of February. More supply could push yields higher, easing this pressure. And with long-term yields now down to about 4%, such a move needn't add too heavily to the government's interest bill. It also would reduce the suspicion that the U.K. is simply monetizing its deficit via BOE purchases of gilts.

There are signs more long-dated issuance is in the cards. One of them: the DMO is likely to use banks to syndicate debt regularly. It has only used syndication once in the past, and on that occasion it sold a 50-year index-linked gilt.

—Richard Barley

Daimler holders get traction in Aabar

Middle Eastern investors haven't had much luck with their efforts to rescue the financial system. But Abu Dhabi's **Aabar Investments** might have more success with its €1.95 billion ($2.65 billion) stake in **Daimler**.

Daimler shareholders should certainly be grateful for a deal that brings minimal dilution. Aabar is paying a 5% discount to Friday's closing share price. That effectively falls to less than 3% because Aabar isn't being paid the 2008 dividend.

More important, the deal shores up Daimler's balance sheet after a loss of more than €1 billion in the last quarter. Daimler had €15 billion in gross cash just over a year ago, with debt of €55 billion. Before Aabar's capital injection, the cash pile had dwindled to less than €7 billion, with €3.6 billion eaten up in the last quarter alone.

Daimler says the capital will be used for green projects and company growth, including in the Middle East. Encouragingly, it has also ruled out acquiring **General Motors**' troubled Opel unit, a move that would be politically popular but would require big up-front restructuring costs.

But if Aabar is expecting a quick return on its investment, it is likely to be disappointed. Daimler has a more robust balance sheet than many of its European peers, but that is reflected in the shares, which trade at 13 times 2009 forecast Ebitda, ahead of the sector's 10 times, though less than BMW's 16 times.

—Sean Walters

Hungry for new leadership in Budapest

Help wanted: prime minister, one-year contract, medium-size Eastern European country, economy on International Monetary Fund life support. Top priority: big cuts in public spending to keep budget deficit to 3% of GDP this year just as growth goes sharply into reverse and ahead of an election due in spring 2010.

Whoever succeeds Hungarian Prime Minister Ferenc Gyurcsany following his resignation has an unenviable task. As the recession intensifies, Budapest may have to find $1.4 billion to $2.3 billion in extra budget cuts to hold the deficit to the level demanded by the IMF.

To add to the challenge, Hungarian politics is divided between pro- and antireform camps. There are no obvious neutral candidates. But Mr. Gyurcsany is betting he can find a successor who can muster enough support to avoid early elections, in which his Socialist Party and its allies would likely get a drubbing.

There are glimmers of hope. IMF and EU aid have helped stabilize the forint and the local banking system. Further aid is likely available. Rich countries are making progress toward beefing up the IMF's resources and the EU has doubled emergency funds available for non-euro-zone EU member states to €50 billion ($68 billion). But further aid will be conditional on Hungary's commitment to reform. It is hard to see how that can be provided by a lame-duck prime minister. *—Matthew Curtin*

How TARP cuts CEO pay

Restrictions limit severance packages, ban some bonuses

By Phred Dvorak

To see how the government's bank-bailout program is curbing executive compensation, compare the paychecks of Ronald E. Hermance Jr. and Thomas E. Hoaglin.

Mr. Hermance is chief executive of **Hudson City Bancorp** Inc., a Paramus, N.J., lender with $55 billion in assets, where revenue rose 24% and net income rose 50% last year. For that performance, Mr. Hermance received $9.2 million, including salary, bonus and the value of perquisites, pension benefits and equity grants.

Mr. Hoaglin was until Feb. 28 the CEO of a similar-size lender, **Huntington Bancshares** Inc., of Columbus, Ohio. With bad loans mounting, Huntington in November received a $1.4 billion capital injection from the Troubled Asset Relief Program.

As a result, Mr. Hoaglin had to forfeit $11.5 million in severance pay, leaving the CEO with reported compensation of $1.9 million in his final year. That total included $600,000 of equity grants that hadn't vested when Mr. Hoaglin stepped down, leaving him with about $1.3 million. Mr. Hoaglin wasn't available for comment.

The difference in payouts suggests that the curbs on executive compensation at TARP recipients have some bite—despite the furor over hefty bonuses at **American International Group** Inc. and at Merrill Lynch, now a part of **Bank of America** Corp.

The initial restrictions, included in bailout legislation in October, limited severance payments for top executives at banks taking government money and required boards to ensure they weren't rewarding executives for taking excessive risk. The second round, adopted earlier this year, added pay limits for some firms, and banned bonus and severance payments.

To be sure, much of the difference in pay for Messrs. Hoaglin and Hermance appears to be the result of performance rather than government regulation. Mr. Hermance got a $2.3 million annual bonus for "record earnings on record mortgage volume," according to Hudson City's proxy, filed Thursday.

He also received stock-option awards valued at $3.6 million that will vest in 2011 if the bank hits return-on-equity and earnings-per-share targets. CEOs at TARP recipients can't get bonuses, and any equity grants must be less than one-third of total compensation and can be pocketed only after the government's investment is repaid.

Huntington missed its goals for both annual and long-term incentive awards, so Mr. Hoaglin didn't get those. A spokeswoman confirms that the TARP curbs forced Mr. Hoaglin to give up any severance pay.

Huntington's shareholders also will get to weigh in on whether they think the bank is properly compensating executives. As required of all TARP recipients, Huntington will be giving investors an advisory vote on its pay practices at its annual meeting on April 22.

Alcatel gains contract in China

By Jethro Mullen

PARIS—**Alcatel-Lucent** said Monday that it was chosen by **China Unicom** Ltd. to deploy third-generation mobile networks in 14 Chinese provinces, widening its foothold as a supplier to the Chinese operator.

The contract, obtained via Alcatel-Lucent Shanghai Bell, the company's joint-venture with the Chinese government, adds four new provinces to the regions Alcatel-Lucent was serving as a second-generation supplier to China Unicom.

Operators in China, the largest mobile-phone market by users, have just begun to build 3G networks.

Initial deployments of China Unicom's Wideband Code Division Multiple Access, or WCDMA, network in the cities of Tianjin, Baoding, Wenzhou, Taizhou, Guiyang and Guilin are slated to be completed in May, said Alcatel-Lucent. Financial details weren't disclosed, but China Unicom said in August it plans to invest 100 billion yuan ($14.6 billion) in 3G mobile services from next year through 2010.

Alcatel-Lucent's contract provides more support for the company's decision to stick with its unprofitable WCDMA unit despite calls from analysts in 2007 and 2008 to shed the business.

U.S. operator Verizon Wireless, owned by Verizon Communications Inc. and Vodafone Group PLC, gave Alcatel-Lucent a boost last month by selecting the company as a key supplier for its fourth-generation Long-Term Evolution network.

Helping hand for job seekers

Continued from page 29

tacted her on LinkedIn. "This isn't something I would normally do," says Ms. O'Donnell. But the woman, who was looking for a senior-level art design position in the San Francisco Bay Area, impressed Ms. O'Donnell with her intelligence and ability to communicate. When a job came up at a firm where Ms. O'Donnell knew the human resources director, she referred the woman. She didn't land the position, but Ms. O'Donnell is still helping her and the experience led her to launch a Twitter effort to get career coaches to answer job-seeker questions for free.

Giving back was part of what prompted Mark Stelzner, a management consultant in Washington, D.C., to start JobAngels early this year. That morning, he says, he wondered to himself, "What if each of the folks who followed me on Twitter helped one person find a job?" At the time, Mr. Stelzner had about 650 followers, mostly clients and associates of his firm, Inflexion Advisors LLC, which works with executives in the human-resources industry. He posted a message—or "tweet"—describing his idea and within hours received several replies from people saying they'd be willing to participate.

Mr. Stelzner opened a separate Twitter account for JobAngels, a name he says he came up with off the cuff, and created JobAngels groups on LinkedIn and Facebook. He posted a message on each offering to help anyone with their job search and encouraged others to do the same. It has 3,894 followers to date on Twitter and nearly 1,200 group members on Facebook.

Among the first to seek help was Mary White-Cornell, a marketing professional who was laid off in September from a restaurant franchise company. Mr. Stelzner agreed to edit her resume and any cover letters she wanted to send to employers. He also emailed 10 people in his network asking to contact Ms. White-Cornell if they knew of any jobs matching her background and interests. Several quickly responded. "I was amazed by how many people would take time out of their day to help a virtual stranger find a job," she says.

As she continues her job search, Ms. White-Cornell is also looking to help to others in her situation by making introductions and forwarding links to employment ads. "It feels good to give back," she says. "And it's the right thing to do."

Of course, there are potential downsides to offering support to strangers. "There are those who will take advantage of the kindness of others," says Mr. Stelzner. "You don't want to represent someone who's lied about their background."

Paula Marks, a career coach in New York and executive recruiter, recommends that do-gooders prescreen potential mentees to get a sense of whether they are serious about finding a job.

Mr. Blais says he takes several steps to ensure he's helping people he can trust. "I try to get a feel for what kind of work they're after and gain some insight through what is essentially a phone screening," he says. "I also make it clear to employers that this is an altruistic initiative."

Of course, those seeking help should also do their own due diligence. Ms. O'Donnell advises help-seekers to do some Internet research on their would-be mentor and take a little time to build a relationship before you accept a referral from a stranger.