

# Euro, pound slide against dollar

## Opel puts best face on GM about-face on sale

**FRANKFURT/BERLIN (Reuters)** — General Motors' Opel unit put the best face on its parent's stunning decision to reverse course and keep its European arm rather than sell it to a group led by Canada's Magna.

"The GM board of directors' decision brings clarity for Opel/Vauxhall," it said in a brief statement on Wednesday.

"We will actively support all parties to implement this board decision as quickly as possible in order to safeguard a successful future for Opel."

General Motors on Tuesday abandoned a long-expected sale of Opel, saying improving business conditions and the strategic importance of Opel had prompted the unexpected move by its 13-member board of directors.

The decision torpedoed months of negotiations. It represented a setback for German Chancellor Angela Merkel, raised the risk of conflict with Opel's European unions and left open the question of how GM would finance its plan to go it alone by restructuring Opel.

German officials who asked not to be named said the decision came as a total surprise to Merkel and her advisers.

GM Chief Executive Fritz Henderson told a German delegation the news during the chancellor's meeting in Washington with the heads of the World Bank and IMF, shortly before her return to Berlin.

Senior German officials expressed anger and frustration with GM. They said they were not worried about getting back the 1.5 billion euros (\$2.20 billion) in bridge financing that must be returned by the end of the month.

Opel labor leader Klaus Franz is expected to be invited to the Chancellery soon to discuss the future of the company's 25,000 German employees, the officials said.

## SocGen misses profit forecast, ups provisions

**PARIS (Reuters)** — Societe Generale missed forecasts even though it doubled third-quarter net profit from a year ago, and the French bank said the outlook remained uncertain due to the lingering effects of the financial crisis.

Like peers Credit Suisse and Deutsche Bank, SocGen's investment banking results powered the profit line although debt provisions rose to cover an expected further rise in bad loans in 2010.

Net profit rose to 426 million euros (\$623 million) euros from 183 million a year earlier, mainly due to the fact that SocGen's investment banking arm swung to a profit from a year-earlier loss.

A Reuters poll of 10 analysts had produced an average net profit forecast of 481 million euros.

SocGen's results kicked off the third-quarter earnings season for French banks, with larger rival BNP Paribas also expected to post higher earnings on Thursday.

Though many of the world's top banks have posted higher profits over the last month, doubts remain over provisions in the sector and the aftermath of the financial crisis.

**LONDON (AFP)** — The euro and the pound fell sharply against the dollar on Tuesday as European stock markets tumbled and Britain unveiled a major shake-up of the banking industry, analysts said.

Meanwhile international monetary policy was in focus after Australia raised interest rates for a second month running and the Federal Reserve prepared to begin its latest meeting.

In late morning London deals, the European single currency hit a one-month low of 1.4636 dollars compared with 1.4772 dollars late in New York on Monday.

Against the Japanese currency, the dollar dropped to 89.98 yen from 90.33 yen late on Monday. Tokyo markets were shut due to a public holiday in Japan.

"The euro has broken down through 1.4700 dollars and stocks are registering hefty losses as the market takes risk off the table in the wake of another run of bad news from the banking sector," said analyst Jane Foley at online trading firm Forex.com.

Britain on Tuesday said it would force state-rescued Royal Bank of Scotland and Lloyds to sell assets in a bid to revive the sector and



address EU concerns, and inject another 30 billion pounds into them.

The government hopes to create new banks, promote competition and guarantee more lending to businesses and individuals as

a result of the sale, which will add up to around 10 percent of Britain's troubled retail banking market.

In return for the state aid, the two banks will have to cut their bonuses. The news weighed

on stock markets, with London's FTSE 100 index of top shares tumbling 2.12 percent to 4,996.53 points -- below the psychological 5,000 barrier for the first time since October 5.

Also on Tuesday, the foreign exchange market digested news that Australia's central bank had decided to hike interest rates by 25 basis points.

Central bank governor Glenn Stevens said the bank had decided to up the official cash rate to 3.50 percent, its highest level since February, citing "noticeably better" conditions for Australia's major regional trading partners.

Australia last month became the first advanced economy to raise interest rates since the global financial meltdown, declaring the risk of a recession over and lifting rates from 50-year lows.

The U.S. Federal Reserve (Fed) is widely expected to hold its key lending rate steady with a range of zero to 0.25 percent until early 2010, in a decision due Wednesday. Interest rate decisions from the European Central Bank and Bank of England are due a day later.

In London on Tuesday, the euro was changing hands at 1.4636 dollars against 1.4772 dollars late on Monday, at 132.40 yen (133.44), 0.9032 pounds (0.9028) and 1.5118 Swiss francs (1.5094).

The dollar stood at 89.98 yen (90.33) and 1.0273 Swiss francs (1.0218). The pound was at 1.6296 dollars (1.6404).

On the London Bullion Market, the price of gold fell to 1,060 dollars an ounce from 1,062 dollars an ounce late on Monday.

## Rising commodities, dealmaking lift stocks

**NEW YORK (AP)** — Investors sidestepped some of their doubts about the economy and bought energy and industrial stocks as commodity prices rose.

Stocks ended back-and-forth trading mostly higher Tuesday as a spike in the price of gold and corporate dealmaking extended an advance from Monday. The gains in commodity prices helped stocks pare early losses.

The Dow Jones industrial average slipped 17 points, while broader indexes rose modestly.

Investors were encouraged by billionaire investor Warren Buffett's decision to pay \$34 billion for the railroad Burlington Northern Santa Fe in what he termed an "all-in wager" on the future of the U.S. economy. Meanwhile, tool maker Stanley Works struck a deal to acquire Black & Decker Corp. for \$3.46 billion in stock.

Investors also took cues from commodities including gold, which jumped to a new high after India's central bank bought \$6.7 billion worth of the metal from the International Monetary Fund.

Still, even with the gains in commodities, traders remained on edge about unemployment and the strength of an economic recovery.

Concerns about unemployment grew after health care products maker Johnson & Johnson said it would cut up to 7 percent of its global work force and streamline its business structure to save up to \$900 million next year.

Investors worry high unemployment will make it hard for the economy to sustain recent growth.

Financial stocks fell after the British government injected more money into Royal Bank of Scotland PLC and Lloyds Group PLC. That fanned worries about the troubles with bad debt still facing many banks.

Traders have been uneasy in recent weeks, wary about whether the economic recovery can maintain its third-quarter growth once government stimulus measures are removed. The Commerce Department said last week the economy grew at an annual rate of 3.5 percent during the summer.

The uncertainty about the economy has led to swings in the market. The Dow has risen or fallen more than 100 points in six of the last eight trading days, the most volatility since March.

Analysts said a break in the advance could ease worries that the market has advanced too quickly.

"This is a much-needed healthy pause and reassessment. It ran so far," said David Darst, chief investment strategist for Morgan Stanley Smith Barney in New York.

The Dow fell 17.53, or 0.2 percent, to 9,771.91, after being down as much as 86 points. The Dow rose 77 points Monday following reports of improvements in manufacturing and housing.

The broader Standard & Poor's 500 index rose 2.53, or 0.2 percent, to 1,045.41. The index is up 54.5 percent from a 12-year low in early March.

The Nasdaq composite index rose 8.12, or 0.4 percent, to 2,057.32.

"We're seeing a natural ebb and flow of risk appetite," said Kevin Gardiner, head of investment strategy for Europe, Middle East and Africa at Barclays Wealth.

Analysts expect trading to be choppy this week, as investors digest a frenzy economic reports. Investors are watching the Federal Reserve, which concludes a two-day meeting Wednesday, for any clues about the economy and the direction of interest rates.

Investors also looked past increases in automobile sales. Ford Motor Co. said sales rose 3 percent from October last

year, while General Motors Corp.'s sales rose 4.7 percent. It was the first monthly sales increase for the nation's largest automaker since January 2008. Meanwhile, Chrysler's sales fell 30 percent, though they improved from September.

Bond prices fell as stocks rose, pushing yields higher. The yield on the benchmark 10-year Treasury note rose to 3.47 percent from 3.42 percent late Monday.

The dollar was mixed against other major currencies. Crude oil rose \$1.47 to settle at \$79.60 a barrel on the New York Mercantile Exchange, while gold surged to a new high of \$1,087 an ounce.

Shares of Burlington Northern jumped \$20.93, or 27.5 percent, to \$97 after the move by Buffett's Berkshire Hathaway Inc., which already owns about 22 percent of Burlington.

That pulled other railroads higher. CSX Corp. rose \$3.13, or 7.3 percent, to \$45.97, while Norfolk Southern Corp. advanced \$2.52, or 5.4 percent, to \$49.15.

Black & Decker jumped \$14.66, or 31 percent, to \$62, while Stanley Works rose \$4.54, or 10.1 percent, to \$49.69.



## Blankfein, Dimon met Feinberg ahead of pay order, records show

Lloyd Blankfein and Jamie Dimon, the chief executive officers of Goldman Sachs Group Inc. and JPMorgan Chase & Co., met Kenneth Feinberg as the Obama administration's paymaster prepared to consider proposals from seven bailed-out companies, government documents show.

Blankfein and Dimon, whose banks are exempt from the pay rulings, had separate meetings in their New York offices in July, according to Feinberg's daily schedules obtained under the Freedom of Information Act. The documents, with some blacked-out entries, list appointments from June 10, when he was named to the position, to Sept. 9. Details of discussions during Feinberg's meetings aren't on the daily schedule.

"It's like a consultant trying to get as much information on what a peer group is doing," said Kenneth Raskin, head of the compensation practice at White & Case

LLP in New York.

Feinberg ordered 2009 pay cuts for executives at Citigroup Inc., Bank of America Corp., American International Group Inc. and four other firms that received more than one U.S. bailout. The companies sent proposals in August and Feinberg on Oct. 22 cut total pay for 136 executives by an average of 50 percent.

Feinberg's agenda showed June and July meetings with Federal Deposit Insurance Corp. Chairman Sheila Bair, Securities and Exchange Commission Chairman Mary Schapiro, House Financial Services Committee Chairman Barney Frank and former Treasury Secretary and Citigroup Inc. Chairman Robert Rubin.

Spokesmen for Goldman Sachs, JPMorgan, the SEC, FDIC and Rubin declined to comment. A spokesman for Frank said the lawmaker's office received the request for comment and was considering a response.

"It is important to understand the competitive landscape," Treasury spokesman Andrew Williams said in an e-mail, referring to Feinberg meeting executives from companies such as Goldman Sachs and JPMorgan that are exempt from the review because they report the government this year.

Feinberg, 64, met AIG executives and Treasury officials most often. At the time, he was negotiating pay for Robert Benmosche, who started as AIG CEO on Aug. 10 and received a \$10.5 million compensation package.

Feinberg met Treasury Secretary Timothy Geithner at least twice, met or spoke by telephone with Deputy Treasury Secretary Neal Wolin at least five times and with Herb Allison, the assistant Treasury secretary in charge of the Troubled Asset Relief Program, at least four times, the schedules showed.

(Source: Bloomberg)



## Buffett's lower Burlington breakup fee shows confidence in deal

Berkshire Hathaway Inc., the holding company that agreed to buy Burlington Northern Santa Fe Corp., accepted a lower-than-usual breakup fee in a sign Warren Buffett expects to complete his biggest takeover.

Berkshire will receive \$264 million if Burlington, the biggest U.S. railroad, cancels the agreement, according to a filing yesterday. That's less than 1 percent of the deal's value including net debt and compares with the 2 percent to 3 percent that is typical of these deals, said Elizabeth Nowicki, a professor at Tulane University Law School.

"Berkshire recognizes there's a very, very small chance Burlington is going to have the desire or the opportunity to back out," Nowicki, who is a former mergers and acquisitions lawyer at New York-based Sullivan & Cromwell LLP, said in an interview. "In this difficult economy, I doubt the Burlington board is going to have other bidders wanting to acquire them."

Buffett, who built Berkshire over more than four decades, is taking on debt and spending the company's cash as the economic crisis curbs expansion at some U.S. firms. Berkshire agreed to pay \$26 billion for the 77.4 percent of Fort Worth, Texas-based Burlington it didn't already own and assume \$10 billion in net debt.

"I don't think anyone has the firepower to do this deal" besides Berkshire, said Paul Howard, an analyst with Janney Montgomery Scott LLC's Langen McAlenney division in Hartford, Connecticut. "Maybe a foreign entity, but the U.S. government is not going to let that happen."

The two non-governmental takeovers this year bigger than Burlington's included termination fees of 3.1 percent and 2.6 percent. Pfizer Inc.'s \$64 billion agreement to purchase Wyeth carried a termination fee of as much as \$2 billion, and Schering-Plough Corp. would pay Merck & Co. \$1.25 billion if it backed out of their \$47 billion deal.

Buffett, Berkshire's chief executive officer, didn't respond to a request for comment left with his assistant Carrie Kizer. Law firm Cravath Swaine & Moore LLP advised Burlington, and Munger Tolles & Olson LLP was Berkshire's legal adviser.

The Burlington agreement gives Buffett the "elephant"-sized acquisition he said he's been looking for to deploy accumulated earnings from Berkshire's insurance units and investments. It marks a shift from Buffett's strategy in the recession of drawing down Omaha, Nebraska-based Berkshire's cash hoard, valued at more than \$24 billion at the end of June, to finance firms including Goldman Sachs Group Inc. and Harley-Davidson Inc. whose funding costs rose last year.

Buffett's Burlington purchase "is a much more traditional deal than his extracting a pound of flesh for liquidity" in the financing deals, said Justin Fuller, a partner at Midway Capital Research & Management who runs the buffettologist.com Web site. "He buys a traditional business and holds it forever."

Buffett, the world's most celebrated investor, bought General Reinsurance Corp. in 1998 for more than \$17 billion and expanded into power production with the purchase of MidAmerican Energy Holdings Co. Last year, he bought Marmon Holdings Inc., a collection of more than 100 businesses, from the Pritzker family. Berkshire previously purchased car insurer Geico Corp. and luxury plane-leaser NetJets Inc.

(Source: Bloomberg)