News paper summary

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Financial Crisis Most Wall Street managers who predicted the U. S. housing crisis have predicted another bubble. Thewarnings, which may not represent another major downturn, come from managers such as Joshua Birnbaum and Greg Lippmann. Whitebox Advisors LLC is almost starting a fund to venture on the debt of some European countries. The hedge funds want to profit from prices that may undergo a correction. However, the shift from most closely followed names indicates growing worry about potential distress. Investors have been warned that several markets could face some crises. Most of these investors have placed bets that are not essentially feasible.

Argentine Debt

Argentina has defaulted on its $29 billion debt triggering a stock-market panic and finger pointing between the government and creditors. But investors are optimistic about a resolution to the crisis. Their source of the optimism is the efforts by Argentinean and U. S banks. The Argentinas bonds due in 2033 fell from 96 cents to about 90 cents on Thursday. Little Argentine debt was transacted on Thursday; many investors prefer to watch what happens next. Analysts and investors view a deal between creditors and banks as the best optimism to solve the crisis.

Asset Managers Notch an Important Win

Large asset managers have won a battle against tight financial regulations after months of lobbying. The financial regulators decided to overhaul their evaluation of asset-management firms to concentrate on conceivably risky products and activities instead of individual firms. The shift in evaluation lessens the possibility individual asset managers will be labeled " systemically important." The council made the move after concluding that a focus on industrywide activities would be better in managing potential risks

coupled with the asset-management industry. The FSOCs new strategy could hand more responsibility to the Securities and Exchange Commission in regulating specific risky activities.

Bonds Have another Think Coming

Global markets started the year braced for cuts in the bond purchases for the Federal Reserve. The markets were right, but the impact of the cuts on the benchmark treasury yields dropped instead of rising. However, economists and strategists are convinced that the rise in bond yields will be faster and more disruptive than the current market anticipation. Markets were braced for rising yields at the beginning of the year, but that may not happen today, a fact that could worsen a bond-market rout.

Junk bonds sink

On Thursday, investors avoided risky corporate debt, heightening fears of an end to junk bonds. The U. S. junk-bond finances recorded their third consecutive declines in weekly outflow. The declines indicate that U. S. growth is picking up strongly, a trend that would eventually prompt an increase in Federal Reserve interest rate, which would squeeze bond returns. The developments highlight the markets susceptibility following a multiyear rally that this year took the yield on major junk-bond indexes to record lows. There is much cushion of yield that protects investors from an increase in susceptibility.

‘ Systematically Important’ tag

In 2010, the Dodd-Frank law categorized large U. S. regional banks as “ systematically important,” subjecting them to strict regulations. Some regional banks are mobilizing support for the cancellation of the systematically important label. The banks claim the “ strictly important”

designation imposes unnecessary costs such as time and money spend on meeting rules designed for much riskier entities. However, the banks are likely to face tough challenges from a divided Congress and White House’s reluctance to reopen Dodd-Frank. Nevertheless, a coalition of regional lenders is lobbying lawmakers to scrap the $50 billion threshold.

“ Too Big To Fail” Report

According the Government Accountability Office (GAO), large U. S. banks may still have an edge over small banks because they are perceived “ too big to fail.” The unclear findings from GAO support both sides in the debate about whether big banks still receive subsidies in the form of lower borrowing costs. The study concentrated on perceptions of future bailouts and borrowing costs that big banks incur in bond markets. The borrowing-cost privilege for big banks existed in 2006, expanded during the financial crisis, and has eroded since then. The findings also indicated that large banks had higher funding costs than smaller banks from 2011 to 2013.