

◆ Summary

Following U.S. option expiration, global equities declined sharply on a worsening global economic outlook and the European debt overhang. Spreads continued to move in favor of "safe haven" U.S. equities. With emerging markets collapsing, "accessible" IPO activity remained mostly shut with mainland China remaining the most active market.

◆ Highlights

- **Global equity index spreads continued to favor the U.S.:** Developed markets slumped last week, with "safe haven" U.S. large caps finally succumbing to the negative sentiment underlined by huge declines in foreign markets on global growth concerns, weakness in Financials on FED-induced yield curve action and the European debt overhang. Equity index spreads continued to move in favor of U.S. equities on liquidation selling and a repatriation of U.S. assets. For example, the spread between the MSCI All-Country xU.S. (MXWDU) and the S&P 500 (NDX) extended to a massive 1100 bps. YTD.
- **IPOX Global Long/Short surges:** Biggest beneficiary in the gyrations in global equities was the market neutral IPOX Global Long/Short Strategy (IPXULSU): The strategy rose +158 bps. on the week, extending the gain to 327 bps since the beginning of the quarter, underlining the powerful negative correlation potential of the global IPO asset as defined by IPOX.
- **Big divergence in IPOX Developed Markets vs. IPOX Emerging markets:** Amid this environment, trading in the IPOX Indexes reflected the trading dynamics in the global benchmarks: In the **United States**, the IPOX U.S. 30 (IPXT) erased all of last week's strong gains and fell 578 bps on the week, outperforming benchmark S&P 500 by 76 bps. A plunge in rare earth CA miner Molycorp (MCP US: -33.14%) infused by a downgrade by JP Morgan was absorbed by big relative strength in credit card processors, including Visa (V: -0.85%) and takeover candidate Mead Johnson (MJN: -1.82%). We note late relative strength in embattled IPOX heavyweight GM (GM: -7.12%).

Key IPOX Indexes Returns YTD:

Ticker (BBG/Reuters)	Return Last Week (%)	Return YTD (%)	Exposure
IPGLC (USD)	-9.82	-19.59	Global
IPGL100 (USD)	-9.12	-14.09	Global
IPGL50 (USD)	-9.42	-13.72	Global
IPGL30 (USD)	-8.19	-12.88	Global
IPXULSU (USD)	+1.58	-5.23	Global
IPXO (USD)	-6.53	-6.90	U.S.A.
IPXT (USD)	-5.78	-5.07	U.S.A.
IXTE (EUR)	-7.56	-21.48	Europe
IPTA (USD)	-9.45	-8.26	Asia-Pacific
IPXUEM (USD)	-11.71	-26.64	Emerging
IPXUBRIC (USD)	-12.77	-34.31	BRIC
IPXUCHCP (USD)	-13.45	-29.78	China
CNI (USD)	-14.01	-31.15	China
IPXUCAUP (USD)	-2.21	-15.69	China A
IPXULATT (USD)	-14.07	-27.05	Latin America

[Week 09/26/2011]

- A reversal in global miner Glencore International (GLEN LN: -9.30%) on broad-based liquidation driven selling in global commodities pressured the **IPOX Europe 30 Index** (IXTE: -7.56%) vs. the benchmarks.
- **Anything China-linked plunges:** With the China-linked markets continued slump, the IPOX Asia-Pacific 30 (IPTA: -9.45%) - resilient for much of the year - plunged in line with Hong Kong's Hang Seng (HSI: -9.18%). Exposure to consumer-linked stocks and Macau-traded casinos, including China Dongxiang (-10.42%), Prada (-17.13%) or SJM (880 HK: -15.13%), pressured the index beyond the pan-Asian benchmarks. Australia's AUD 2.3 bn Treasury Wine Estates (TWE AU: +4.07%), 2011 spin-off, rose strongly.
- **IPOX Emerging Markets** closed with the biggest losses since 2008 with China and Latin America IPOX exposure trading in line with the plunging benchmarks.
- The big fall in IPOX Emerging markets was reflected in the performance of **IPOX Global:** The IPOX Global 30 (IPGL30: -8.19%) lost 64 bps. vs. the MSCI World Index (MXWD), remaining ahead by +300 bps. YTD.

Most significant IPOs launched (Week 09/19):

Company	Ticker	Return / IPO (%)
Hongguo International Holdings	1028 HK	-14.78%
Guangdong Chant Group Co	002616 CH	-3.37%
Shenzhen Danbond Tech. Co.	002618 CH	25.54%
Henan Mingtai	601677 CH	-13.55%
Roshow Technology Co Ltd	002617 CH	13.33%

- Just one deal launched in the "accessible" markets with H.K. shoe retailer Hongguo (1028 HK: -14.78%) falling largely based on the big declines in the H.K. market.

More Asian small-caps in the pipeline:

Company	Code	Country	Lead Manager
Tenfu Cayman	6868 HK	China	CICCHK, CS
KLab Inc	3656 JP	Japan	Daiwa
PNE Solution Co	131390 KS	Korea	Kyobo
Active Group	1096 HK	China	Guotai Junan
Travel Expert Asia	1235 HK	H.K.	N/A
China Hanking	3788 HK	China	BNP, CS, DB

- With H.K. falling by -11.06% over the past 9 trading days, we expect initial performance of the upcoming IPOs to be sensitive to the day-to-day sentiment in the HSI. **Most relative upside is on tea product retailer Tenfu Cayman Holdings (6868 HK).** The company was able to attract key cornerstone investors and is set to follow the initial success of U.S. based July 2011 IPO Teavana (TEA US), dubbed "The Starbucks of Tea".