

# Companies rush to hedge materials

## Commodities price falls prompt action

By **Javier Blas**

The sharp drop in commodities prices this month has prompted companies to rush to hedge their exposure to raw materials at cheaper levels, in what bankers see as a tentative sign of a floor in commodities prices.

Bankers and traders said

there was widespread activity among heavier users of commodities locking forward prices – from airlines hedging their exposure to fuel prices to car manufacturers securing cheaper aluminium deals.

“Consumers are coming into the market and locking in at current prices,” said a senior London-based banker, who added that airlines were particularly active. Another said: “It is not a flood of activity, but it

certainly has picked up significantly.” The current level of hedging was the highest since late 2009, a senior banker said.

Alex Heath, head of base metals at RBC Capital Markets, said that there were signs of “forward buying by industrial users” after the recent sell off in metals prices.

Companies heavily reliant on commodities have for the most part avoided lock-

ing in raw materials prices this year due to volatile prices and credit difficulties. Some companies, particularly the airlines, have also scaled back their hedging programmes after losing money when they locked in commodities prices at peak levels in mid-2008.

Bankers and traders said the return to hedging was an indication that corporate consumers were confident enough about demand in the second half of the year.

But in a sign of the cautious mood amid chief executives, bankers and traders added that companies were limiting their forward buying to about six months.

The return of corporate hedging comes after a commodities sell off amid fears about the impact on raw materials demand of the eurozone debt crisis and concerns that Beijing was moving to cool down the Chinese economy.

The Reuters-Jefferies CRB

index, a basket of raw materials from oil to copper, fell this week to a nine-month low, down nearly 10 per cent in four weeks.

Brent crude, the global crude oil benchmark, at one point dropped more than \$20 this month. It fell from an intraday high of \$89.58 a barrel in early May to an intraday low of \$68.15 a barrel this week. West Texas Intermediate suffered a similar drop.

In another sign that the

market might have bottomed, New York-based traders yesterday discussed a massive order for 10,000 crude oil call options that hit the market late Tuesday. The buyers, whose identity is unknown, spent more than \$26m for the right to buy 10m barrels of crude at \$100 a barrel by May 2011.

Additional reporting by Gregory Meyer in New York

[www.ft.com/commodities](http://www.ft.com/commodities)

## View of the Day



**Laurence Mutkin**  
Morgan Stanley

The recent rise in interbank lending rates is clearly not good news for the global economy – but there is no need to panic just yet, says Laurence Mutkin, head of European rates strategy at Morgan Stanley.

“Higher Libor rates imply higher funding costs for banks and higher charges from banks to non-financial customers,” he says. “This amounts to a tightening of monetary conditions in the non-financial economy – which could prove to be a brake on economic activity.”

But Mr Mutkin says the recent repricing of spreads still does not amount to evidence of anything like the levels of stress seen in the markets in 2008 – and he does not think it will, given that central banks have already revived “backstop” measures.

“Spot three-month dollar Libor has risen above 0.5 per cent, and its spread over the equivalent overnight index swap has risen above 30 basis points from 11bp a month ago.

“This is well below the backstop rate offered last week at the European Central Bank’s three-month dollar tender, which equated to about 1.24 per cent, plus haircut.”

He adds: “Financing markets remain orderly and open, as we see it; and as Libor is near the boundary set by the ECB, and indirectly the Fed, we expect the widening of Libor-OIS spreads to slow. “So, there is reason to hope that recent moves, challenging though they have been, won’t have much effect on the broader economy.”

# Europe dithers over adopting Germany’s short selling ban

## News analysis

A meeting of regulators this week to discuss the issue has proved inconclusive, writes **Jennifer Hughes**

More than a week after Germany stunned its neighbours and global financial markets with a shock ban on naked short selling, Europe is still talking about it.

Regulators from across the European Union met this week to discuss the move and debate whether they should follow suit. Yesterday Eddy Wymeersch, chairman of the Committee of European Securities Regulators, summarised the discussion carefully. An extension of Germany’s move was “not off the cards, but not on the cards either”, he said. “There is not a unanimous view to follow the German approach.”

Officials around Europe were caught completely off-guard when Germany introduced overnight a ban on naked short selling in selected stocks, eurozone government bonds and credit default swaps.

Short selling, or the practice of aiming to profit by betting on price falls, has a long history and is accepted by many experts as a practice that adds liquidity to markets, which in turn

gives investors comfort they can exit quickly if they want to.

However, it is held by some, particularly during market crises, as a tool used by speculators to force down prices. Naked short selling involves selling a security the investor does not own nor has made an arrangement to borrow.

Markets convulsed on news of the German ban as investors feared that other European governments could follow suit. Banks and fund managers scrambled to understand the implications for their own positions and practices.

‘There is not a unanimous view to follow the German approach’

**Eddy Wymeersch,**  
CESR chairman

Germany’s fellow EU members were furious and much of Tuesday’s CESR meeting focused on their anger, according to people familiar with the discussion.

At the meeting, the UK and France were particularly critical of the German move and most regulators said they were not interested in following Germany’s example, at least in the short-term.

However, several countries have expressed some interest in following the German lead, but are wait-

ing to see what might be proposed at a Europe-wide level.

Yves Leterme, prime minister of Belgium, one of the more interested, yesterday told the Financial Times that “[a ban] is an interesting idea, which may have merit. For us the key thing is to act together [in Europe]. If it came up in discussions at that level, we might support it. We are studying the dossier.”

The German move also upset regulators’ efforts to produce cross-border consensus. Days after Lehman collapsed in 2008, the UK’s Financial Services Authority shocked its peers, like Germany, with a sudden short selling ban, triggering similar moves around the world. Last year, as regulators began shaping the post-crisis world, they pledged to act together. Germany’s move is seen as threatening that consensus, which is held to be better for the financial system as it is less likely to allow regulatory arbitrage between jurisdictions.

Germany’s ban was also notable because it targeted sovereign credit default swaps, a form of insurance against default that are widely used by investors as a hedge against a range of instruments. These have attracted particular fire for allowing investors to bet on a default without actually owning the bonds that would be affected. Their use has generated suspicions in some parts of Europe that



A trader in Paris yesterday, where France has banned naked short selling of selected financial stocks

Bloomberg

they were responsible for worsening the Greek crisis, although studies by regulators, including Germany’s Bafin, have shown this was not the case.

The European Commission is already committed to legislation in the autumn that will include “appropriate” measures for sovereign CDS. These will almost certainly include more disclosure and possibly a ban on some naked activity.

For market participants still trying to clarify the implications of the German ban, and for any regulators trying to craft new regulations, the issue is made more complicated by the fact that not all countries are starting from an equal footing, particularly regarding stocks.

Naked short selling of stocks – or *venta al descubi-*

*erto* – has always been explicitly prohibited by law in Spain.

What is more, any attempt to buy and sell a share without having actual possession of the security is complicated by a country’s stock market clearing and settlement system.

France also has a ban on naked short selling of selected financial stocks.

The UK last year removed a ban on any short selling of particular financial stocks, but retained rules requiring anyone with significant short positions to disclose them. Germany already had

a disclosure rule, but it did not go as far as the UK’s.

Additional reporting by Brooke Masters in London, Nikki Tait and Stanley Pignal in Brussels, Scheherazade Daneshkhu in Paris, Mark Mulligan in Madrid, Giulia Segreti in Rome and Michael Steen in Amsterdam

# SEC vote backs audit trails for equities

By **Michael Mackenzie**  
in New York

Stock exchanges in the US will have to collate audit trails for equity trades under a proposal put forward by regulators to clean up market practices in the wake of the “flash crash” earlier this month.

At an open meeting yesterday, the Securities and Exchange Commission voted in favour of establishing a market wide audit trail for US equity trades and orders.

Under the proposal, exchanges would be required to collect and pro-

vide significant detailed information regarding each quote and order for stocks and listed equity options, before sending that data to a newly created central repository.

The vote came as the SEC sifts price data associated with some 19bn trades on May 6, across multiple market venues.

On that day, the US market plunged and rebounded within 20 minutes in what has become known as the “flash crash”.

Regulators are still trying to identify a specific trigger for the dramatic plunge in stocks.

Their task has been complicated by the absence of an automated system that collects price and trade data across various trading venues, which execute transactions in equities, options, futures and exchange traded funds between a diverse array of traders and investors.

Mary Schapiro, chairman of the SEC, said its “efforts to reconstruct the trading on that day are substantially more challenging and time consuming than we would have liked because no standardised, automated system exists to collect data across the various trading

venues, products and market participants.

“This consolidated audit trail would, for the first time ever, allow the SEC and self-regulatory organisations to track trade data across multiple markets, products and participants simultaneously, in real time,” said Ms Schapiro.

The consolidated audit trail comes after recent proposals that restrict the use of flash orders, improve the transparency of “dark pools” and prevent broker-dealers from allowing customers to access exchanges directly without risk controls.

# Carbon trading sector still buoyant

By **Fiona Harvey**

The market in greenhouse gas emissions showed surprising growth last year, despite the financial crisis and depressed prices.

The carbon market was worth \$144bn, up 6 per cent on 2008, according to the World Bank’s annual report on the trade. Although the growth was anaemic compared with the rapid expansion in the fledgling market seen before the financial crisis and recession, it was better than expected considering the tough trading conditions.

Carbon dioxide prices in the European Union, the biggest carbon market, where heavy industries must buy permits to produce the gas, slumped early last year to less than €8 – far off the highs above €30 reached in previous years. With output depressed, companies needed fewer

permits, and many sold them to raise cash.

Prices recovered somewhat later in the year, to trade between about €12 and €15.

The market in carbon credits under the Kyoto protocol, which makes up a minor part of the market, was also beset by jitters as traders worried that the

supply of credits was drying up. Carbon credits are issued by the United Nations to projects in the developing world that reduce greenhouse gas emissions. The credits can be bought by EU companies to top up their carbon quota.

But the main provisions of the Kyoto protocol are

due to expire in 2012, with no international treaty to replace it. Talks in Copenhagen last December failed to produce a commitment to continue the carbon markets beyond the cut-off date, which sliced a few percentage points off carbon prices. Last year EU transactions were worth \$118bn while the value of transactions under the Kyoto protocol fell 54 per cent to \$3.4bn. The rest of the market was made up of unregulated and smaller markets.

● One of the best-known carbon market specialists has been bought. PointCarbon, an analyst company that has become known as an authority on the fledgling market since its inception in 2005, has been acquired by Thomson Reuters, the information group, for an undisclosed sum. PointCarbon has nearly 200 employees and more than 30,000 clients.



Heavy industries must buy permits to produce CO<sub>2</sub>

AFP

## Contracts & Tenders

### NOTICE FOR THE SUBMISSION OF BINDING OFFERS FOR THE ACQUISITION BY PRIVATE NEGOTIATIONS OF THE BUSINESS AND THE SHAREHOLDINGS OF MAFLOW S.P.A. IN AMMINISTRAZIONE STRAORDINARIA AND OF THE BUSINESS OF MAN SERVIZI S. R.L. IN AMMINISTRAZIONE STRAORDINARIA

Whereas

- Maflow S.p.A. in A.S. (“Maflow Italy”) and Man Servizi S.r.l. in A.S. (“Man Servizi”) are active in the automotive components business and, in particular, in the design and manufacturing of vulcanized rubber hoses and assembled parts for air-conditioning devices, power steering and other fluid transfer applications;
- The Maflow Group together is among the world leaders in its business;
- On May 11, 2009, the Court of Milan (Italy) declared Maflow Italy in state of insolvency pursuant to Legislative Decree No. 270/1999 and appointed as judicial commissioners Avv. Stefano Coen, Avv. Francesco Pensato and Prof. Avv. Vincenzo Sanasi d’Arpe (the “Commissioners”);
- On July 6, 2009, the Commissioners published on national and international newspapers an invitation to express interest in respect of the business of Maflow Italy, the text of which is available on the website [www.maflow.net](http://www.maflow.net);
- On July 6, 2009, the Court of Milan (Italy) opened for Maflow Italy the insolvency procedure of *Amministrazione Straordinaria* and, thereafter, the Commissioners were appointed as extraordinary commissioners for Maflow Italy;
- On October 26, 2009, the Court of Turin (Italy) declared Man Servizi in state of insolvency pursuant to Legislative Decree No. 270/1999 and appointed the Commissioners as judicial commissioners. On December 4, 2009 the same Court opened for Man Servizi the insolvency procedure of *Amministrazione Straordinaria* and, thereafter, the Commissioners were appointed as extraordinary commissioners for Man Servizi;
- On December 10, 2009, the Commissioners published on national and international newspapers an invitation to acquire information in relation to the businesses of Maflow Italy and Man Servizi, the text of which is available on the website [www.maflow.net](http://www.maflow.net);
- On April 13, 2010, the Commissioners published on national and international newspapers, as well as on Maflow Italy’s website [www.maflow.net](http://www.maflow.net), an invitation to submit binding offers for the acquisition by public tender of: (i) the business of Maflow Italy, inclusive of the Italian business branches located in Trezzano sul Naviglio (Milan) and in Ascoli Piceno; (ii) the shareholdings directly and indirectly held by Maflow Italy in certain foreign subsidiaries of the Maflow Group; (iii) the business of Man Servizi, inclusive of the Italian business branches located in Trezzano sul Naviglio (Milan) and in Ascoli Piceno, (jointly, the “Reference Perimeter”), at the office of notary public Mr Angelo Busani in Milan within the final term of 6:00 PM CET on May 13, 2010;
- The sale procedure by public tender has been terminated without award;
- Having acknowledged the negative outcome of the public tender procedure and the subsequent urgency reasons, the Ministry of Economic Development, having heard the Supervisory Committee, has authorized the Commissioners to invite the subjects which have already submitted offers or expressions of interest for the Reference Perimeter, or are however interested in its acquisition, to private negotiations in respect thereof;

In the light of the above, the Commissioners

INVITE

All the interested subjects under recital 10) to submit a binding offer for the acquisition by private negotiations of the Reference Perimeter within the final term of 7:00 PM CET on **June 11, 2010** at the office of the Notary Angelo Busani at via Cordusio No. 2, 20123 Milan (Italy), in compliance with the general terms and conditions for the sale by private negotiations of the Reference Perimeter published on the website [www.maflow.net](http://www.maflow.net).

All requests of information shall be submitted to the attention of the Commissioners’ Office via e-mail at [commissari@proceduramaflow.com](mailto:commissari@proceduramaflow.com).

This notice and any activity in connection therewith or subsequent thereto shall not imply any liability whatsoever, even of pre-contractual nature, upon Maflow Italy, Man Servizi and the Commissioners, nor any obligation whatsoever to proceed with the sale of the Reference Perimeter.

The release of this notice shall not constitute an offering invitation, nor an offering to the public pursuant to section 1336 of the Italian Civil Code nor a solicitation of public savings pursuant to section 94 and following of Legislative Decree No. 58/1998.

This notice shall be governed according to the Italian laws and any dispute arising in connection therewith shall be exclusively submitted to the Court of Milan. This notice is published in Italian and English language. Trezzano sul Naviglio, May 27, 2010.

The Extraordinary Commissioners

Avv. Stefano Coen

Avv. Francesco Pensato

Prof. Avv. Vincenzo Sanasi d’Arpe

## Target the best in business with FT Special Reports

### Business Education - Financial Training Report

Next issue: 21 June

To advertise, please contact:  
Elli Papadaki in London  
Tel: +44 020 7873 4906  
Fax: +44 020 7873 3098  
Email: [elli.papadaki@ft.com](mailto:elli.papadaki@ft.com)

Find out more and get a full list of representatives at [www.ft.com/advertising](http://www.ft.com/advertising)

Back issues of printed FT Reports can be obtained from: Historic Newspapers, Signature Online Limited, No 1 Waterside Station Road, Harpenden, Herts, AL5 4US. Tel: 0870 165 1470, Fax: 01852 469 248, Email: [info@back-issue-newspapers.co.uk](mailto:info@back-issue-newspapers.co.uk)

We live in FINANCIAL TIMES®

## Franchising

**B2B Financial Service Franchise.**  
NO Staff;  
NO Premises;  
NO Inventory;  
NO Hard Work

[www.interfacefinancial.co.uk](http://www.interfacefinancial.co.uk)

## Businesses for sale

FT BUSINESS  
Classified Business Advertising  
UK: +44 20 7873 4563  
US: +1 212 641 6500  
ASIA: +852 2905 5554

## Notice to advertisers

Calls to the Financial Times advertising department may be monitored. Acceptance of any advertisement for publication will be subject to the then current terms and conditions of insertion of advertisements in FT publications. A copy of the terms and conditions of insertion of advertisements in FT publications can be obtained from +44 (0)20 7873 3000, or viewed at [www.ft.com/advertising](http://www.ft.com/advertising)

## Legal Notices

MIDAS FUND, LTD  
(In Voluntary Liquidation)  
The Companies Law  
(2007 Revision – as amended)  
Notice of a Meeting of Creditors and Investors

A meeting of the Creditors and Investors of the Midas Fund, Ltd – in Voluntary Liquidation, a company registered in the Cayman Islands, will be held on Thursday, 10 June 2010 at 10:00am EST at Zolfo Cooper, 4th Floor, Building 3, Cayman Financial Centre, George Town, Grand Cayman, KY1-102, Cayman Islands. Please note that attendance at the meeting is not mandatory and that stakeholders are entitled to appoint a proxy to attend and vote on their behalf. It will also be possible to join the meeting by conference call. Creditors and investors that wish to attend the meeting, either in person or by telephone, should complete and return the proxy form that will be provided upon application. For those choosing to participate by telephone, we will provide you with dial-in details for the conference call and contact details for this purpose are provided below. Completed forms should be returned no later than 12:00 noon EST on Tuesday, 8 June 2010. Dated this 20th day of May 2010. Richard E.L. Fogarty. Contact for enquiries: Barr Hunter, Zolfo Cooper, 4th Floor Bermuda House, Dr. Roy’s Drive, Grand Cayman KY1-1102, Cayman Islands. Telephone: +1 (245) 814 4039. Fax: +1 (245) 946-0082. Email: [barry.hunte@zolfocooperky.com](mailto:barry.hunte@zolfocooperky.com)