

Sir Win Bischoff frontrunner to chair Lloyds

Sir Win Bischoff, the former chairman of Citigroup, has emerged as the frontrunner to take the chairmanship at Lloyds Banking Group, the part-nationalized High Street lender.

Sir Win, 67, and British trade minister Lord Davies have been viewed as strong candidates to succeed Sir Victor Blank, who announced his imminent departure earlier this year.

However, there has been some doubt in the past week over Lord Davies' interest in the role. The former chief of Standard Chartered was reportedly offered the role but turned it down.

Lord Davies, who joined Lord Mandelson's team at the Department for Business in January, is thought to be enjoying his role too much to want to switch back to commercial life. He was brought in by Gordon Brown to help fix the banking system.

Sir Win is an established investment banker and has the credentials necessary for the role at the partially nationalized bank. A candidate with a strong track record as an investment banker has been viewed as key to this high profile role.

Other candidates who have been mooted for the chairman role in recent weeks include Lord Leitch, Lloyds' deputy chairman, and Lord Digby Jones, a former trade minister. Lord Leitch has the necessary experience, having headed Zurich Financial Services, although sources have suggested an external candidate is more likely.

(Source: Telegraph.co.uk)

Investors put record amount into funds

Sales of investment funds rose for the fourth month in a row during May as consumers hunted for higher returns on their cash, new figures show.

New investments into British-based unit trusts and Oeics (open-ended investment companies) made by individuals reached £2.84b during the month, according to the Investment Management Association (IMA).

The figure was more than a third higher than during April and was the strongest month for sales outside the Isa season since the group's records began in 1960. It is thought the increase is being driven by a rise in confidence among investors that now is a good time to buy into the stock market.

Record low interest rates are also causing people to look for alternative homes for their money as returns on savings accounts have fallen to zero in some cases.

Around £1.3b of the total was invested in bonds, which are less volatile than shares and can be used to provide a regular income, making them a good alternative to savings accounts for investors who are prepared to take more risk.

Just under £1b was also put into equity funds, the highest level for 13 months, suggesting investors are ready to return to the stock market. Investments into tax-free Isas fell to £312.4m during the month, down from £672.4m in April, when inflows were boosted by the turn of the tax year.

(Source: Telegraph.co.uk)

Wal-Mart's health scare for big business

Wal-Mart, the former poster child for corporate villainy, once again has surprised both its critics and its corporate peers by backing President Barack Obama's plans to force employers to provide health insurance to workers, the Wall Street Journal reports.

This show of support from the nation's largest private employer could give much-needed momentum to "one of the most-contentious aspects of legislation taking shape in Congress to fix the health system," and help provide cover for the 46 million uninsured Americans the paper notes. It's also making many CEOs choke on their coffee this morning.

As the WSJ describes, the National Retail Federation, the industry's main lobby, said it was "flabbergasted" by Wal-Mart's move. The New York Times meanwhile shines a spotlight on the growing number of people who are forced into personal bankruptcy by huge medical bills.

Three quarters of them actually had health insurance to begin with the NYT writes, reflecting that, "even as Washington tries to cover the tens of millions of Americans without medical insurance, many health policy experts say simply giving everyone an insurance card will not be enough to fix what is wrong with the system." Advocates argue that any



universal health insurance program must guarantee a "base level of coverage" for all those it covers.

Sticking with health issues, a federal advisory panel yesterday voted to recommend a ban on Percocet and Vicodin, two of the most popular prescription painkillers in the world, because of the damage they can cause to the liver the NYT reports. Both drugs contain a narcotic com-

bined with acetaminophen which, when taken in high doses, has been identified as a leading cause of liver damage.

People who take Percocet and Vicodin for long periods often need higher and higher doses to achieve the same pain relief effect, the advisory panel noted.

The ruling doesn't guarantee a ban from the Food and Drug Admin-

istration but this expert advice normally governs the agency's thinking. The panel also recommended that the recommended daily dose of Tylenol - one of Johnson & Johnson's best-selling products and another that contains acetaminophen - be cut from 4,000 to 2,600 milligrams. The company said it "strongly disagreed" with the ruling.

Good news, investors. The Dow

Jones Industrial Average gained 11% in the quarter that just ended, and the blue-chip index is up an even more impressive 29% from the 12-year low hit on March 9, the WSJ reports. The S&P 500-stock index had an impressive Q2 as well, finishing up 15% for the quarter and it is up 1.8% for the year.

Then why all the worried looks? Simply because few Wall Street watchers are convinced the bounce-back signals a full-blown recovery. "At current levels, the market is well through pricing even a tepid economic recovery," an equity strategist at Deutsche Bank tells the WSJ.

"Earnings are going to have to deliver." And while the markets look fine when viewed through the lens of the past three months, the extended picture is ugly. BusinessWeek chooses to conduct a half-year stock market report, likening the past six months to a jarring roller coaster ride.

"Halfway into a tumultuous 2009, investors are no doubt ready for their summer vacations," BusinessWeek writes. But there is one crucial positive development: credit is flowing again. "No one could get credit six months ago," Brian Reynolds, chief market strategist at WJB Capital Group, told BusinessWeek. Now, "we're shoveling money at companies."

While there may be signs of hope for investors, there's nothing but pain, it seems, for the nation's newspaper publishers. Gannett, the nation's largest newspaper publisher and the owner of "USA Today," will cut between 1,000 and 2,000 jobs at local dailies across the country as advertising revenues continue to fall precipitously, the WSJ reports, citing a source familiar with the plan.

(Source: Reuters)

Fiat CEO says Chrysler cash burn slows: report

MILAN (Reuters) — U.S. automaker Chrysler Group LLC has stemmed the pace at which it uses cash after emerging from bankruptcy last month as a slimmer company, Chief Executive Sergio Marchionne said in an interview with Bloomberg published on Wednesday.

Chrysler went through \$9.6 billion in cash in 2008. The Detroit car maker reorganized around what it considered its best assets and \$6 billion in fresh financing from the U.S. and Canadian governments.

"We are still burning cash, but it's slowed down by far," the agency quoted Marchionne, also the chief executive of Italy's Fiat SpA (FIA.MI), as saying. "The question is how quickly we can stop the bleeding. That is priority No. 1." He declined to say how quickly the company is using cash.

Marchionne is cutting inventory and adding new platforms and engine technology to redefine the product portfolio.

Fiat acquired 20 percent of the new Chrysler formed from the bankruptcy. The combined company is the world's sixth-largest carmaker, with annual sales



of 4.5 million vehicles.

Marchionne said he wanted to disclose Chrysler's financial information even though the automaker was not publicly listed, Bloomberg said. He said he was working with the U.S. Treasury to decide what information Chrysler might report and when.

By the end of the month, Marchionne wants to decide how the new company will manage its Dodge and Alfa Romeo brands, which he sees as American and European counterparts.

One solution might be to sell Alfa Romeo models under the Dodge brand in the United States and Dodge cars as Alfa Romeos in Europe, Marchionne said. Chrysler should be able to take control of

its European dealer network by September, Marchionne added.

Marchionne said he was not searching for another partner in Europe or Asia, even though his offer for General Motors Corp's (GMGMQ.PK) came up short.

He said on Friday he would not sweeten his bid to top frontrunner Magna International Inc's (MGa.TO) offer to buy the company, even though he is still interested in the German brand.

The executive said a plan to spin off or list the Italian company's car-making operations has been put on hold since its bid for Opel is not moving forward. Fiat does not need cash, Bloomberg quoted him as saying.

The company met its operating profit and cash-generation objectives in the second quarter, Marchionne said.

Marchionne said he expected Fiat to generate even more cash over the next 12 months as market conditions improved.

If Fiat decides to issue bonds, it would be to lengthen maturities on its debt, not for getting fresh cash, he said. Fiat has about 4.5 billion euros of debt coming due this year.

BofA's asset management unit gets lukewarm bids: report

Bank of America Corp's (BAC.N) primary investment management unit is drawing lower than expected bids after its likeliest suitor, BlackRock Inc (BLK.N), inked a blockbuster deal to buy Barclays Global Investor (BARC.L), the Financial Times reported, citing people close to the matter.

Bank of America has been trying to sell its Boston-based Columbia Management unit since earlier this year, but the bank has so far not announced a deal for the unit.

The company is hoping to get at least

\$3 billion from a sale of Columbia Management, but bids so far have come in closer to \$2 billion, the paper said, citing the people.

BlackRock was a leading candidate to buy the business, but its hands have become full since agreeing to buy BGI for \$13.5 billion last month.

But buy-out firms remain interested in First Republic, a private bank that Bank of America has been trying to sell.

A group led by former bank executive Gerry Ford -- which includes private

equity firms Carlyle Group (CYL.UL), Blackstone Group LP (BX.N), Oak Hill Capital Partners and TPG -- appears to have the highest degree of interest in the business, FT said, citing people close to the matter.

If sold, First Republic could be priced at about its tangible book value -- ranging from \$600 million to \$800 million depending on how its assets were marked and the degree to which Bank of America agreed to share losses, the paper said.

(Source: Reuters)

European stocks, U.S. futures advance

European stocks rose, extending the Dow Jones Stoxx 600 Index's best quarterly gain this decade, after Marks & Spencer Group Plc reported its smallest quarterly sales decline in almost two years and manufacturing in China expanded for a fourth straight month. U.S. futures climbed.

Marks & Spencer, the UK's largest clothing retailer, added 2.5 percent. Novo Nordisk A/S rose 1.4 percent as Goldman Sachs Group Inc. recommended the world's largest insulin maker.

Europe's Stoxx 600 added 0.7 percent at 8:17 a.m. in London after closing out the biggest quarterly rally since 1999 yesterday. The gauge has still lost 3.5 percent since June 11 after a three-month, 36 percent jump drove valuations to 25.4 times earnings, the highest level since 2004, according to weekly data compiled by Bloomberg.

Futures on the Standard & Poor's 500 Index increased 0.4 percent today. The benchmark index for U.S. equities trimmed

its biggest quarterly advance since 1998 yesterday, after consumer confidence unexpectedly slid and delinquencies on the least-risky mortgages more than doubled.

The MSCI Asia Pacific Index fell 0.2 percent after earlier adding 0.5 percent. China's Purchasing Managers' Index climbed to 53.2 in June from 53.1 in May as a 4 trillion yuan (\$585 billion) stimulus plan and record bank lending revive the world's third-largest economy. Japan's Tankan index of business confidence trailed economists' forecasts, while speculation that share sales by Japanese companies will dilute the holdings of equity investors also weighed on Asian stocks.

Marks & Spencer increased 2.5 percent to 313.75 pence. The clothing retailer reported a smaller sales decline as promotions and warmer weather boosted sales of summer fashions and food.

(Source: Bloomberg)

General Motors' sale hearing set to continue

NEW YORK (AP) — A hearing to determine General Motors' fate was to continue Wednesday, with the automaker expected to face more objections to its plan to sell the bulk of its assets to a new company and quickly emerge from bankruptcy protection.

Attorneys, bondholders, consumer groups and others packed a Manhattan courthouse Tuesday to hear about five hours of testimony by GM CEO Fritz Henderson, who said the No. 1 U.S. automaker's sale is necessary to get GM back on its feet quickly. Henderson cautioned that the government could walk away from the deal if the sale doesn't close by July 10.

General Motors Corp., whose June 1 filing for bankruptcy protection was the fourth-largest in U.S. history, is hoping to avoid a lengthy sale hearing that could postpone its emergence from Chapter 11. Last month, objections from a group of bondholders and others dragged out rival Chrysler LLC's sale hearing for three days.

Despite U.S. Judge Robert Gerber's urging for the attorneys to keep their arguments concise and to avoid redundancies among their questioning, the Tuesday hearing dragged on as a parade of lawyers made their way up to the podium to question Henderson.

"I think people have forgot why we're here and what we have to accomplish," Gerber said sharply after several tedious hours of testimony. "I'm not going to deny anybody due process, but I expect the questioning to be more focused."

Gerber appeared particularly annoyed when Henderson and other officials were questioned by Oliver Addison Parker, an attorney from Florida who claimed to own \$5 million in GM bonds. Parker spent much of his time at the podium searching for documents, at times asking opposing counsel to provide them, prompting Gerber to put his head in his hands.

"I don't think it's fair to ask the others and the court to fetch for you," Gerber said tersely while Parker was cross-examining Albert Koch, GM's chief restructuring officer.

At the same time, Henderson wasn't fazed by his lengthy stay on the stand, answering questions quickly and directly for the most part, and making eye contact with the attorneys.

When asked about the current condition of GM, Henderson testified that the automaker's June sales were "slightly better than expected" excluding fleet sales, which he partly attributed to the company's progress toward a quick exit from Chapter 11.

In addition to Henderson and Koch, J. Stephen Worth, one of GM's restructuring advisers for the past year, also testified Tuesday.

Under a government-backed deal, GM will sell most of its assets to a newly created company, 60 percent owned by the U.S. government. The Canadian government will get a 12.5 percent stake while the United Auto Workers union will take a 17.5 percent share to fund its health care obligations. Unsecured bondholders receive the remaining 10 percent.