

UBS daily guide Americas

Today... looking ahead

Moody's alters rating method for hybrid securities

This week, Moody's released its new methodology for rating bank hybrid and preferred securities. Its general approach has not changed as Moody's will continue to notch the ratings lower on these instruments to account for their lower status in the capital structure. However the starting point for this notching process has now changed. Previously, hybrid ratings were notched from the bank's debt ratings, which incorporate a certain degree of systemic, or government support, that would likely benefit the bank during periods of crisis. Under the new guidelines, however, the starting point for the notching is now a bank's baseline credit assessment, which does not include the benefits of government support. Junior subordinated debt will be notched one or two lower and perpetual preferreds will be notched two to four lower from this new starting point. While we do not expect marking repricing to occur solely on the basis of the new methodology, ratings are likely to migrate lower under the new method with ratings likely to be capped in the BBB area, even for the highest quality banks.

Barry McAlinden, Analyst, UBS FS

Yesterday...market recap

- **Economics:** *Initial jobless claims* rose by 505k last week, matching the prior's week increase. The four-week average continued to edge lower, to 514k, suggesting further gradual amelioration in labor market conditions. Further improvement will be necessary to signal positive payroll growth. *The Philly Fed* manufacturing climate index rose a bit more than expected from 11.5 to 16.7 in November. At that level it signals moderate growth in the manufacturing sector in the greater Philadelphia area. Key growth components such as new orders, shipments and employment rose. *The MBA delinquency rate* for first-lien mortgages on one to four unit houses rose from 9.2% to 9.6% in 3Q09. The foreclosure rate rose from 4.3% to 4.5%. The deterioration shows that rising foreclosures will continue to be a problem in the housing market as the oversupply situation is not relieved.
- **Equities:** The Dow fell 93 points or 0.90%. The S&P 500 fell 14 points or 1.34% and the Nasdaq Composite dropped 36 points or 1.66%.
- **Fixed Income:** Treasuries fell with 3-month bill rates turning negative for the first time since the financial markets froze up last year. Investors are concerned the rally in higher yielding assets has been overdone.
- **Commodities:** Crude oil fell as stocks fell sharply but gold recovered at the end of the day when the dollar pared some of its gains.
- **Forex:** The dollar strengthened against the euro as falling stock prices cut risk demand.

No Economic Indicators Expected Today

Today's Earnings Announcements

Company	Quarter	Time (EST)	WMR Analyst
D.R. Horton, Inc.	Q4 2009	Before Market	Jonathan Woloshin 212-713-3635

The Earnings Calendar provides publicly announced reporting dates and times primarily of select U.S. companies covered by UBS FS Inc. as of the posting date. Reporting dates and times are subject to change by the reporting companies.

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Suggested reading... today's highlights

For copies of these reports, contact your UBS Financial Advisor.

[ING Global Equity Div and Premium Opportunity Fund](#), 19 November 2009

Closed-End Fund Report

After the close on November 16, 2009, ING Global Equity Dividend and Premium Opportunity Fund (IGD) cut its dividend by 20% to align the distribution in line with the funds earnings...

[US Equities Utilities: Monthly: Earnings head lower](#), 19 November 2009

Equity Investment Theme

Regulated utilities are holding up better. With regulatory fears probably peaking, we are seeing some signs that estimates have bottomed out. However, we remain underweight on the sector given our pro-cyclical stance on the S&P 500.

[Climate change: Efficiency first, but renewables catch up](#), 19 November 2009

Equity Investment Theme

Energy efficient and renewable sources already offer viable solutions to protect the climate. Global efforts to increase energy efficiency and renewable energies are driven by tightening policies on climate change, an increased focus on the security of energy supply and volatile energy prices. A legally-binding agreement on how to protect the global climate is an unlikely outcome of the UN Climate Change Conference in Copenhagen. We expect negotiations to follow.

In Case you missed it... highlighted recent research

- **"ING Global Equity Div and Prem Opport Fd: Divd Cut,"** 17 November 2009
Closed-End Fund Report
- **"Fault lines: Part 23: The Fed's trouble with bubbles,"** 17 November 2009
Economic Theme
- **"Watching economic releases,"** 16 November 2009
US Pocket Summary
- **"UBS Investor's Guide,"** 13 November 2009
- **"Froth subsides,"** 11 November 2009
Municipal Report
- **"US equities: Stocks and the battered buck,"** 11 November 2009
- **"The future of the US dollar,"** 10 November 2009
Research Focus
- **"Financial crisis thermometers: Bi-weekly update,"** 10 November 2009
Economic Theme
- **"Technical Take,"** 9 November 2009
Technical Strategist
- **"Top 25 Stock List,"** 9 November 2009
- **"Dividend Ruler Stocks: Monthly Update,"** 9 November 2009
Equity Investment Them
- **"US Fixed Income: November Update – One for the Record Books,"** 4 November 2009

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Bond Investment Theme

- **“Currency Markets: The carry trades take it to the limit in 2010,”** 4 November 2009
Forex Investment Theme
- **“Getting late early,”** 29 October 2009
Investment Strategy Guide
- **“US Economics: Sustainable expansion ahead,”** 27 October 2009
Economic Theme
- **“ADR Top List: International equities-our best ideas,”** 26 October 2009
- **“UBS on Retirement Planning Now: How much risk is enough?, ”** 7 October 2009
Market Update

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