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The latest news for Deutsche BankPage 2 Credit Suisse shares rose despite reporting losses, and CS shares may be poised for profit as CS completes its restructuring plan. I'm still bullish on finances as I think they are one of the most undervalued sectors of the economy. The euro is still very undervalued and when it starts to move up that should really help the bank's European shares as well. (As yet No Reviews) Write Review Number Price Applied (No Reviews Yet) Write review Item: #217037 Weight: 1.00 LBS Author: Boris Valley Author: Jerome Lenhardt Bestseller: Breadcrumb Series: HBS Global Research Center: Europe Research Center Classic: FALSE Copyright Perm Flag: TRUE Educator Message Flag: TRUE Industry: EXCLUSIVE: Months Related Topics: Financial Markets Related Topics: Financial Strategy Related Topics: Asset Management Related Topics: Stocks Related Topics: Bonds Related Topics: Markets Capital Related Topics: Financial Banks Related Topics: Annuities Related Topics: New Product Marketing Topics Related Topics: Product Development Related Topics: Product Price Related Topics: Investment Source: Harvard Business School Special Value: FALSE : Financial Markets, New Product Marketing, Product Development, Product Positioning, Interest Rates, Investment Type Filter: Hardcover/Hardcopy (BWH) Type Filter Format: PDF Item: #217037 Industry: Financial Services Pages: 18 Publish Date: November 22, 2016 Publish Date: November 22, 2016 Industry: Financial Services Source: Harvard Business School Describes how Deutsche Bank, the leading bank in Europe, decides whether to launch a new structured retail product in Germany: Will this product find a market and how will it fit into the bank's product portfolio? The case explores how Deutsche Bank manufactures and distributes its structured retail products, and more broadly explores the opportunities and challenges associated with offering financial products to households. The case also dwells on the scale and scale of retail banking business in an increasingly regulated environment. Related topics: Newsletter Promo Summary and excerpts from recent books, special offers, and more from the Harvard Business Press Review. What's German for too big to fail? There's probably some alphabetical procession, as Mark Twain described the multi-complex monsters mash-up of German words in his reflections on Horrible German to describe the state of the world's largest financial institutions. Perhaps more linguistic inclinations of the 21st century who have dubbed them G-SIBs, for globally systemically important banks. Either in German or in government, too big to fail, as Deutsche Bank describes, and that would be true even if you didn't share your name with your homeland. But fears about this, which has been a low buzz for months, have flared up in recent weeks. And recalling another of Twain's aphorisms, the story seemed to rhyme, if not repeat. Deutsche Bank's shares (ticker: DB for its U.S. depositary receipts) and debt securities fell last week, amid reports that hedge funds had withdrawn money held as collateral in the bank for their derivatives transactions and other positions. This recalled the exodus of hedge funds from Lehman Brothers shortly before its collapse almost exactly eight years ago. The storm has been brewing since it was revealed in mid-September that the U.S. Department of Justice was seeking a $14 billion fine for alleged Deutsche Bank breaches of the mortgage bubble and bust. This led to denials from Angela Merkel's government that the bank's bailout had been provided. Given the long history of statements in previous crises that there was no chance of action, and then often the crisis markets heard the rhyme of Lehman's history. Friday brought some relief, however, as Deutsche's chief executive, John Cryan, sent a message to his troops that the bank had strong fundamentals and that reports of hedge fund collateral withdrawals had raised undue fears. Perhaps more importantly, Agence France-Presse history on Friday said the bank is close to settling with the Justice Department for a $5.4 billion-more than 60% less than the $14 billion fine leaked earlier in reports. (Where did the last issue come from? there seems to be an accidental symmetry with a 13 billion euro ($14.6 billion) tax bill the European Union sent to Apple (AAPL) in late August, which CEO Tim Cook described in direct English as complete political crap.) Coincidences abound throughout the Deutsche episode, which sent the bank's shares tumbling to lows not seen in decades and the yield on its bonds and the cost of insuring its debt soaring. It's a bad wind that blows not well, however. The Wall Street Journal reported on Friday that some hedge funds were profiting nicely by closing Deutsche shares, including some that are said to have yanked their collateral, news of which helped propel stocks lower. Another coincidence, no doubt. Deutsche's failure was never an option. As for the $14 billion allegedly requested by the Ministry of Justice, that number is unrealistic. U.S. regulators want to squeeze as much out of DB as they can, but it doesn't make sense for them to push DB into a capital crisis in the process, and meaning for DB to agree to such terms, writes Kathleen Shanley of the razor sharp and furiously Gimm Credit. This does not mean that investors in Deutsche Bank securities are not on the hook. Its stock market capitalization was about $18.1 billion, even after a sharp 14% rebound on Friday, which was undoubtedly helped by short coverage. Whatever the momentum, pop at DB has managed to push its market value above troubled Twitter, to about $16.3 billion, according to the ever-cheerful, if not bullish, head of Seabreeze Partners. Before the start of the week, Deutsche's common stock was trading at about a quarter of its book value, weighed down by the massive haircut of the market from the declared value of its assets, as well as uncertainty about how many pounds of flesh could be extracted by regulators. That's not all. The elephant in the DB room is a $60 trillion derivative book, writes Michael Levitt, letter editor at Credit Strategist. This amount represents the gross impact of the bank's contracts, many of which are long positions that will be offset by short exposures, resulting in a much smaller net position. It's in an ideal world, he argues. If in a financial crisis counterparties cannot fulfill their obligations, then this grid of positions will not happen. In any case, DB's clean exposures are big enough to blow up the financial system, Levitt warns. The deep discount on the book also reflects the potential for a very diluted capital emission. In catch-22 fashion, that in turn makes it difficult to raise the necessary capital to strengthen the balance sheet. And politics also rules out the crisis. Germany, which has sanctioned austerity measures for other eurozone countries, will find it difficult to save its biggest banks, Gimme Credit's Shanley notes. All these difficulties go back to the simple fact that, eight years after the financial crisis, some institutions remain too large to fail. Which also suggests that they are too big to help out. ALL THIS STUFF About the big European banks and their derivatives exposure is seemingly quite foreign back in the U.S. year, outside the leafy enclaves of Connecticut where many hedge funds reside (and some of the biggest suck on public ota subsidies are taxpayers). But some U.S. homeowners are willing to pay for market snarls caused by Deutsche and other large, financially strained European banks. Dollar funding is stressful, according to Citigroup's Money Market Research Group. Negative headlines last week pushed up European bank spending on financing, leading to the highest jump in dollar borrowing from the European Central Bank since the 2012-13 European crisis, they write. Of course, the reforms of the American money fund that will take effect in the middle helped push up short-term rates, particularly the benchmark London interbank rate, as I wrote earlier (Is the market doing the dirty work of Yellen? 10 August). Libor Libor base rate on many U.S. loans, including some mortgages. The three-month Libor rose more than 50 basis points (half a percentage point) over the past year to 0.8456%, while the Fed increased its target range of federal funds by just 25 basis points, to 0.25-0.5%. These are real dollars and cents for American homeowners. In a commentary, David Kotok of Cumberland Advisors quotes Madeleine Schnapp, whom he describes as a superb economist and researcher of the housing market in the West: Taking a $700,000 adjustable-rate mortgage tied to Libor, a 25-point rate rise on a loan to 3.5% with a 3.25% increase in the monthly payment of about $100, to $3,150, which would be tolerable. But if Libor jumps to 1.5%, the resulting increase in the regulated mortgage rate to 4.25% will result in an increase in the monthly payment of about $3,500. Yikes! She writes. As for loans that were as much as 97% of the original purchase price, what happens to the high price San Francisco Bay Area properties bought at this kind of meagre? She notes that sales there have been trends lower on a year-on-year basis. And prices have flipped in two Bay Area counties, with a third county apartment suggesting we may be on top or near, she adds. One month does not make a trend, but in the east, there are also well-advertised toppy signs at the high end. If the rise of Libor encroaches on the housing market, the Federal Reserve will have another reason to go slowly on a further rate hike. The probability of a rate hike in December is 59%, based on Bloomberg data on futures at the Fed. But the odds are against further increases in 2017. Indeed, the probability that the Fed's target range remains at the current 0.25%-0.5%, roughly equals the probability of its hit by 0.75%-1%. OCTOBER MEISIT POSTSED BASEBALL and stock market volatility. To show that anything can happen on any score, this year could see the once incredible matchup of the Boston Red Sox and Chicago Cubs. October has a terrible reputation for stock investors from the crashes of 1929 and 1987, but according to the almanac of stock trader Jeffrey and Yale Hirsch, the month is actually a bear killer. October turned the tide in 12 bear markets after World War II: 1946, 1957, 1960, 1962, 1974, 1987, 1990, 1998, 2001, 2002 and 2011. But the best of October was followed by a terrible Sept. The month just concluded managed to finish mostly flat on the S-P 500, with a rise from a good 0.8% gain on Friday. There is one important exception for Hirches to note: October is the worst month of election years, according to their records, which date back to 1950. The S'P 500 index was down 0.7 percent on average and the Dow Industrials index was down 0.8 percent. But the more volatile Nasdaq and Russell index With a small cap noticeably worse, with average failures of 2.1% and 2.6%, respectively. From nothing is average about this election year. Despite the risk of a market backlash to the political surprises that led to the November 8 election, Barclays strategists do not declare their concerns. If the financial and economic background supports greed rather than fear, markets are unlikely to accept the worst interpretations of political events - as a point of view - the reaction to Brexit, they comment. Following the UNITED Kingdom's vote to leave the European Union, the S'P 500 index rose about 3.3 percent in the third quarter. This was facilitated by the fed's continued weakness and the weakening of the Bank of England. Central banks, rather than policies, seem a more reliable backstop for markets. Email:randall.forsyth@barrons.com Follow Barron on Twitter as Barron on Facebook pawns in the game deutsch pdf. pawns in the game buch deutsch