

## Editorial

Dear reader,

The IESEG Finance Club is proud to announce it took a step forward by deciding to communicate mostly in English, following its desire to reach more and more people.

News are numerous for this present issue, both on global finance and IESEG levels.

First, the Eurozone situation hadn't been as tremendous as it is today. While the Brussels agreement signed on the 26th of October forecasted a more promising future, Greece quickly ended this short-lived euphoria by announcing a referendum on whether to accept the rescue package proposed some days

ago. This new hit promises intense debates in the months to come.

Second, the IESEG Finance Club has prepared plenty of events for you. Very soon will take place the Wall Street Traviat' 2.0 as well as the new edition of the investment challenge. Meanwhile, we still take care of your knowledge-building and future career by training you to the AMF certification and organising very soon the investment clubs.

We hope this November issue will please you and are looking forward to meeting you on our future events!

**Benoît D'Halluin**

## Wall Street Traviat' 2.0

IT IS BACK! Come to the Traviata (Omega) on the 8th of November from 7pm to 10pm to experiment stocks' trading on the beer market. New year, new traders (you!) but the concept stays the same: pinte prices will variate on three different beers (Leffe, Rince-Cochon and Stella) depending on market conditions. Your call to speculate on

whether these prices will turn to your advantage! Good guessers will pile up their glasses while losers die of dryness... Entry's free of course, so come along with your friends to make this event a huge success! We count on you!

## Introducing Parisian members

The IESEG Finance Club is pleased to introduce the first Parisian members of the association to you. Indeed it is the first year that the club is active in the French Capital.

### Office:

Geoffroy Villard - President  
Kouider Bennaghmouch - Vice-President / Treasurer  
Charles Devevey - Secretary

### Members:

Mhamed Mengad

Cyril Boelle

Romain Batut

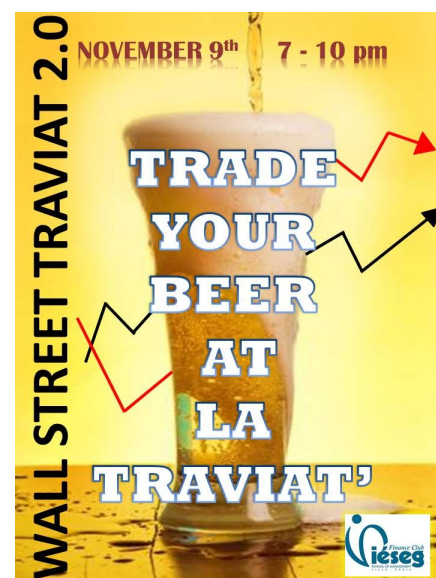
Matthieu Rauscher

Morgane Hayot

Guillaume Monsel

Alix Desjardin

Sylvain Robine



## French public debt: where are we headed?

The French public debt reached 86,2% of its GDP this year. This is 20% more than in 2005. Unfortunately, trends are obvious: the debt can't stop growing (see chart).

The French president Nicolas Sarkozy has been fighting against the public debt and under pressure of the euro zone announced a new austerity plan last summer, as a reaction to the plummeting of shares' prices for French banks. First of all, taxes on high revenues (over €500,000) increased, and reached a three percent "exceptional contribution". Secondly, other taxes have been increased (notably on sodas, cigarette and alcohol). Sarkozy also announced his determination to cut through public expenses and raise receipts, confirmed by his recent apparition on TV.

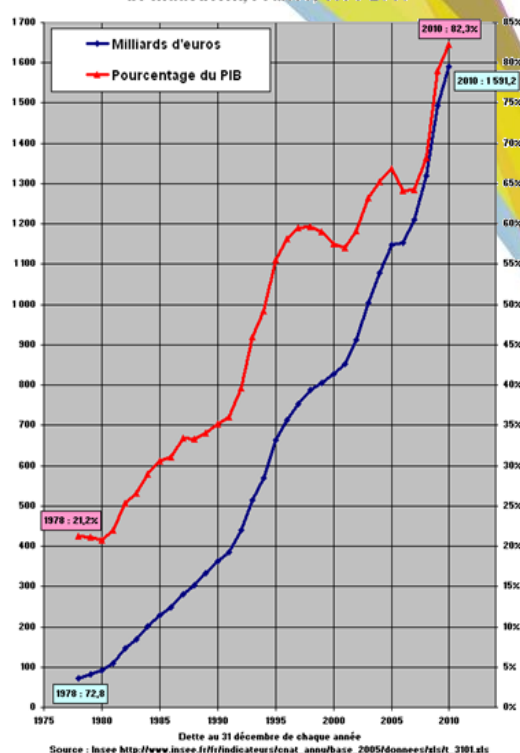
One of the objectives of this austerity package is to allow France to keep its pledge on deficit reduction

and maintain its "AAA" credit rating. This is crucial for France, as this rating expresses the level of solvability of the country. While several European countries (Greece, Spain, Italy) are facing difficult economic situations and have been downgraded by the rating agency Moody's, France is also threatened mostly because of its high public debt. If France were downgraded, it could lead to huge consequences, and the country's influence within Europe would probably be reduced.

We can thus measure how important this ranking is, and how it should be one of the main topic for the presidential election of 2012. For instance, François Hollande (left-wing candidate for presidency) already announced that one of the first reforms he would conduct would be fiscal, in order to decrease the public debt.

Cyril Boelle

Dette des administrations publiques au sens de Maastricht, France, 1978-2010



## Going into recession?

Here's the question that shouldn't be asked at the moment, the question that scares most governments on a global scale. The consequences of a recession are quite long to enumerate since they impact the financial, economic and social sector: increases in unemployment and debt, numerous decreases in purchasing power, number of loans granted, propensity to buy (thus lower yield), stocks' prices, real estate price, etc. To say it differently: governments' nightmare, for which the principal source of revenue (companies' and privates' income taxes, VAT, etc.) would decrease, making them face an even tougher situation regarding their debt burden.

The great economic powers of the world have got reasons to worry, since forecasts are getting worse with time. To the 29<sup>th</sup> of September, 75% of investors forecasted a recession of the Eurozone starting from 2012 (Bloomberg Survey). This result has to

be balanced with the IMF forecasts, estimating the probabilities of entering into recession at 38% for the USA and 18% for UK & France.

How to avoid going into recession? It's hard to tell. The solutions offered are diverse, but nobody holds the magic formula. However, a basic idea regularly comes up: we need to slow down on expenses! The biggest economic nations are living way above their means, and should consequently reduce their public expenses. An idea from Francois Fillon goes in this direction despite its non-originality: increase the retiring age to 67, so as to align on Germany's policy on the matter. This idea will most probably not see the light of day before the presidential elections of 2012, due to its major unpopularity. But it is at least one example of what could happen to France and its European colleagues in the years to come.

Charles Gosset-Grainville

You would like to contribute to this newsletter?

Write an article, draw cartoons?

Or you've got a question?

Contact us!

[iesegfinance@gmail.com](mailto:iesegfinance@gmail.com)

## The Brussels agreement

After 10 hours of negotiations, the Brussels Agreement eventually saw the light of day at 4 in the morning of the 26<sup>th</sup> of October 2011. Here is a small summary of what needs to be remembered from these intense discussions:

- 50% of the Greek debt held by the private sector (banks) to be eventually erased.
- Increasing of the financing capacity of the FESF (European Fund of Financial Stability) from €440 billion to €1,000 billion.
- Banks agreed to recapitalize themselves to the height of €106 billion, against the €200 to €300 billion originally planned. Anyhow, this remains quite an achievement on the European leaders' part.
- Deficit objective: 3% of the GDP by 2013 for every country in the Eurozone (to comply with the Maastricht convergence criterion)



Obviously, the 50% loss for banks holding Greek debt was the toughest point to negotiate, and the “Merkozy” duo had to take the matter in their own hands to come to an agreement on this. The banks' recapitalization, despite being minimal, is already a step forward on the financial stability of these institutions and coupled with the erasure of half of the Greek debt shows willingness to improve. Some might argue the GDP objective of 3% is highly optimistic, and one can't help but thinking the same.

Overall, France and Germany got what they came for. France obtained a stronger FESF with a higher capacity, and set a budgetary and fiscal convergence for the Eurozone. Germany got the banks to significantly contribute to the problem, the ECB not being linked to the FESF and financial discipline is starting concretely in southern European countries. On the other hand, Greece got a breath of fresh air that was desperately needed, but it will be accompanied by new austerity measures by the end of the year. That is, if Greece accepts those measures. This is far from certain now that it is up to the Greeks to vote on whether to accept them through a referendum...

Thomas Van Hezel

## Investment challenge: get ready!

The new season of the Investment challenge will take place from the 10<sup>th</sup> of November to 10 on the IESEG Finance Club the 10<sup>th</sup> of December. Every IESEG student is very welcome to participate in this exciting virtual trading game. You will be provided with a fictitious portfolio of €100,000 that you have to make thrive on the CAC 40, the French Stock Exchange. Daily rankings

will be published on the online platform, as well as the final top 10 on the IESEG Finance Club website. Thus awaken the sleeping investor that you are! Best players will receive prizes, the first one being a netbook!

An advertisement for the "CONCOURS BOURSIER" (Investment Challenge) organized by IESEG. The ad features a man in a suit holding a cigar, with a background of a stock market board. Text on the ad includes: "CONCOURS BOURSIER Du 10 Novembre Au 10 Décembre", "« Je ne lance pas des flechettes sur un mur. Je parie sur les valeurs sûres. » Gordon Gekko", "Tu penses faire mieux que Gekko ? Viens le prouver et remporte un netbook !", "Plus d'informations sur www.iesegfinance.fr", and logos for IESEG, abc bourse, and Rue du Commerce.com.

## Last but not least...

The IESEG Finance Club is glad to announce its new partnership with the French e-commerce company Rue Du Commerce. We expect this new long-lasting agreement to be fruitful for both parties. As an excellent start, Rue Du Commerce is graciously providing you with most of the prizes for the investment challenge!

Do not forget to register for the tests we help to organize or prepare!

- You will be able to take the BAT on the 17<sup>th</sup> of November

- You can register for the training sessions for the AMF certification

**BLOOMBERG ASSESSMENT**  
>>> UPCOMING TEST SESSIONS

