

Friday February 5, 2010

Structured Products

Current year	Previous year
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ALL U.S. STRUCTURED PRODUCTS

Year to Date:

\$6.274 billion in 571 deals	\$3.199 billion in 287 deals
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Quarter to Date:

\$6.274 billion in 571 deals	\$3.199 billion in 287 deals
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Month to Date:

\$0.043 billion in 14 deals	\$0.116 billion in 12 deals
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Week to Date:

\$0.043 billion in 14 deals

BREAKDOWN OF YEAR TO DATE DEALS

ALL U.S. STOCK AND EQUITY INDEX DEALS

\$2.230 billion in 425 deals	\$1.216 billion in 227 deals
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SINGLE STOCK U.S. STRUCTURED PRODUCTS

\$0.836 billion in 318 deals	\$0.192 billion in 116 deals
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STOCK INDEX U.S. STRUCTURED PRODUCTS

\$1.359 billion in 99 deals	\$1.020 billion in 110 deals
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BASKET OF STOCKS U.S. STRUCTURED PRODUCTS

\$0.035 billion in 8 deals	\$0.004 billion in 1 deal
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FX U.S. STRUCTURED PRODUCTS

\$0.261 billion in 14 deals	\$0.001 billion in 2 deals
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COMMODITY U.S. STRUCTURED PRODUCTS

\$0.681 billion in 44 deals	\$1.239 billion in 22 deals
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INTEREST RATE STRUCTURED PRODUCTS

\$0.270 billion in 22 deals	\$0.079 billion in 6 deals
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Prospect News

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Barclays likely to get bigger size for second offering of Prosper ETF notes, source says

By Emma Trinca

New York, Feb. 4 – **Barclays Bank plc** plans to price the second issue of its 0% Barclays Perpetual Rolling Open Structure Protecting Equity Returns Exchange-Traded Fund notes due July 24, 2014 using the Barclays Prosper ETF portfolio, an allocation technique pioneered by Barclays last year that modifies the composition of the underlying portfolio using a dynamic allocation mechanism that maximizes the upside potential while maintaining the value of the portfolio at or above a minimum protection level.

“Prosper is innovative. There is nothing quite like it,” said a market participant. “It provides access to a particular underlying portfolio – in this case ETFs – in a risk-controlled manner by adjusting between risk and riskless assets.”

The Barclays Prosper ETF portfolio tracks the value of a notional investment in (a) index-linked cash deposits and (b) a specified basket of ETFs and index-linked cash deposits representing the notional

amount of cash distributed as dividends by those ETFs during the term of the notes.

The ETF basket includes the iShares Russell 1000 index fund, iShares S&P MidCap 400 index fund, iShares Russell 2000 index fund, iShares MSCI EAFE index fund, iShares MSCI Emerging Markets index fund, SPDR Dow Jones REIT ETF, PowerShares DB Commodity Index Tracking fund and iShares Barclays Aggregate Bond fund

The minimum protection level on any day is equal to 85% of the highest unit value recorded up to that point since the portfolio launch date, which was July 22, 2009.

The payout at maturity will be the greater of the unit value on the final valuation date and the minimum protection level on that date.

First issue: \$10 million

Prosper was officially launched in July 2009 in the United States when Barclays

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Goldman Sachs to price notes inversely tied to euro for Eksportfinans

By Angela McDaniels

Tacoma, Wash., Feb. 4 –

Eksportfinans ASA plans to price 0% currency-linked notes tied to the bearish performance of the euro against the dollar via Goldman, Sachs & Co., according to a 424B3 filing with the Securities and Exchange Commission.

The tenor of the notes will be 17 to 19 months.

The payout at maturity will be par plus

the exchange rate return, which will be (a) the initial dollar/euro exchange rate minus the final exchange rate divided by (b) the initial exchange rate.

If the exchange rate decreases over the life of the notes, the dollar has strengthened against the euro and investors will receive a positive return. If the exchange rate increases, the dollar has weakened against the euro and investors will lose some or all of their principal.

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priced \$10 million 0% Barclays Prosper ETF notes due July 24, 2014.

Barclays plans to price more of the notes this month.

“This will be the second tranche of what was a very well-received product,” said the market participant. “There is an expectation to price a much bigger size for this second deal.”

Dynamic allocation

What makes the Prosper notes so “unique,” said the market participant, is that the allocation between cash and investments is constantly adjusted through a dynamic allocation mechanism, which constitutes the algorithm.

The most innovative part of Prosper consists of allowing the amount of protected capital to increase when the market goes up without decreasing again.

“The Prosper mechanism gives the investor a protected level that rises with the market value of the reference portfolio. This protection varies but will not go down by definition,” Samson Koo, Barclays’ director of equities structuring for the Americas, told *Prospect News* when the product debuted in the United States in July 2009.

Koo said to *Prospect News* on Thursday, “The rise in interest in Barclays Capital’s Prosper note shows that with education and increased awareness more investors are seeing this instrument as an attractive alternative to ETF portfolios.”

Replicating a call

“Prosper is a way to dynamically replicate a call option,” said Bradley Kay, an ETF analyst at Morningstar.

“The payoff of a call gives you excellent protection. If you’ve invested in a call that costs you 3% of your investment and if the market declines by 10%, you’re only losing the 3% price of your call instead of the 10% downside.”

Kay said that the benefit of Prosper is

to “give the investor very limited exposure to downside movements while trying to capture the upside.”

“Most structured investments can give you market upside, but it’s limited in a number of ways – it can be severely capped or very slowed. What this product does is trying to give something that is a little bit more attractive on the upside so that if there is a sustained rally, you’re going to capture a good deal of it,” Kay added.

“As the portfolio reaches a new record NAV, or high-water mark, they’re changing the strike price of the call they’re trying to replicate. The model redefines the allocation in a dynamic way in terms of how much is allocated to cash and how much goes to the performing assets,” Kay noted.

“They’re chasing a changing benchmark in terms of the underlying call they’re replicating. It gives you a dynamic payout structure versus most products, which only provide you with a static payout structure,” Kay said.

Bigger deal

Matt Medeiros, president and chief executive officer of the Institute for Wealth Management in Denver, is the registered investment adviser who manages Prosper’s underlying ETF portfolio, according to the prospectus.

“We’re very excited with this new Prosper note that comes on the heels of a very successful first issue in July,” he said.

“The \$10 million issue sold out. Ten million is relatively small for a structured product, but it’s a good number for a brand new type of issue. It’s proof that the concept is very appealing, and we expect to raise a substantial amount of money,” Medeiros said.

A market source said that Barclays is hoping to raise anywhere between \$10 million and \$100 million when the deal prices sometimes this month.

Barclays did not give an exact pricing date and declined to comment on the

upcoming issue.

“There was a very good reception of the first issue. Investors saw a product that gives them protection while capturing some of the upside. They also found it to be very transparent and easy to understand,” said Medeiros.

Adjusting to volatility

“Prosper is an algorithm that allows you to be more heavily invested in performing assets in times of lower volatility. But as volatility increases, the model switches to substantially larger positions in cash,” Medeiros said.

The dynamic allocation between cash and investments based on volatility moves offers investors “the potential of never needing the buffer because Prosper provides a better protection than the buffer,” Medeiros noted.

Medeiros compared a Prosper note with a typical structured product linked to an index and concluded that Prosper gives investors an alternative to liquidation.

“With the traditional index-linked note, the volatility of the product is as high as the index. And when your volatility goes up, you have to divest your portfolio in order to increase your cash bucket,” he said.

He noted that when volatility surged at the end of 2008 and the beginning of 2009, the two most effective ways to manage a portfolio were to “either go cash or go short.”

“For a long-only investor, the best alternative in the high-volatility environment at the time would have been to liquidate,” Medeiros said.

“Prosper gives investors the ability to be invested in the most efficient portfolio in most markets. The model allocates more to cash when the market is volatile and more to performing assets when volatility declines,” he said.

The notes will price and settle in February.

Barclays Capital Inc. is the agent.