

Date: 07/01/2014 08:22 AM

Subject: DB Early Morning Reid 7/1/14 + some Banco Espirito (BES PL) trading color [C]

Classification: Confidential

Good Morning -

Please see Jim Reid's 1H/2Q/Month-end summary below citing multi-century low sovereign yields, concerns vs. elation over persistent asset price performance, and a highlight of the underperformance of European financials - Portugal's Banco Espirito Santo (BES PL) tumbled 17% yesterday. See today's inter-day bounce in chart below (be aware that naked short selling was temporarily banned today). On that note, DB's BES PL trader points out that the name was crowded to start the year (long onlies as well as US HFs), and now sees selling pressure from pan-european continent long-only sellers. Note the bounce (but also increased supply) post the company's 1.04bn euro capital raise on 5/22 (rights of, struck at 0.65). Recall Portugal's Espirito Santo Financial Group (ESFG) owns 27.4% (Reuters) of Banco Espirito post raise. Please call the desk to discuss further.

Please see the Early Morning Reid below/attached.

Speak with you soon,
Tazia

[attachment "EMR 7.1.14.pdf" deleted by Tazia Smith/db/dbcom]

Banco Espirito (BES PL) Interday Trading 7/1/14
(Embedded image moved to file: pic16105.gif)

Banco Espirito (BES PL) 1-Year Price History
(Embedded image moved to file: pic00967.gif)

Deutsche Bank - Fixed Income Research

Early Morning Reid - Macro Strategy
01 July 2014 (6 pages/ 178 kb)

Download the complete report:
http://pull.db-gmresearch.com/p/17805-C28E/90612075/DB_EMR_2014-07-01_0900b8c088724b5b.pdf

Key Market Data
(Index @ Close // Change)
(ITX Crossover @ 242 // +3)
(ITX Europe 125 @ 62 // +1)
(CDX 125 @ 59 // +1)
(CDX HY - pts @ 108.66 // -0.154)
(S&P 500 @ 1960 // -0.04%)
(Brent Oil[^] @ 112.55 // -0.66%)
(Gold[^] @ 1327 // +0.83%)
(10 yr Treasury[^] @ 2.52 // -1 bp)
[^] - Change from previous day's 5:30 GMT to 05:30 GMT