

- § New product pipeline appears robust (new iPad, 5 inch iPhone, new Macs)
- § Potential for China mobile deal and/or larger capital return program
- § Buy rated; Price target 575 (15% upside from current 500)
- § TRLA -  
<https://ger.gm.cib.intranet.db.com/ger/document/pdf/0900b8c08762a9f9.pdf>
  - § Upside potential driven by inventory expansion effort
  - § Favor TRLA over Z given under-monetization and valuation
  - § Buy rated; Price target 51 (18% upside from current 43.06)
- § INTC -  
<https://ger.gm.cib.intranet.db.com/ger/document/pdf/0900b8c087689a52.pdf>
  - § Delivered better Q3 results and profitability remains solid
  - § Profitability and incremental 2014 growth drivers remain underappreciated
  - § Buy rated; Price target 26 (10% upside from current 23.54)
- § TJX -  
<https://ger.gm.cib.intranet.db.com/ger/document/pdf/0900b8c08766dd14.pdf>
  - § Potential upside in HomeGoods; analyst day on October 22nd is possible catalyst
  - § Buy rated; Price target 62 (10% upside from current 56.20)

#### Puerto Rico Sales Tax Bond

- § Cofina sales tax srs 0% '54 yielding 6.83% based on 10/16 average price of 6.456
  - § Recent Moody's downgrade from Aa3 to A2 had more to do with rating discrepancy between sales tax and G.O. bonds than concern about quality of sales tax revenues

#### Euro curve steepening trade (10s/2s) - See attached presentation

- § Principle-Protected Note - Issuer: JPMorgan, Maturity: 5 years, Underlying: EUR Swap Annual, Spread: EUR 10 year swap rate - EUR 2 year swap rate, Coupon: 4.75% per annum x n/N
  - § N = # of days in coupon period, n = # of days where spread is between upper & lower barriers
  - § Upper barrier: 2.5%, Lower barrier: 1.5% (equal to current spot spread), Commission: 1%
  - § Unique monetary environment causes curve steepening during an economic recovery (e.g. Treasury curve has steepened over the last six months)
  - § 5 year forward spread is 65 bps for 10s/2s - Market is pricing in curve flattening
  - § In addition to taking a curve steepening position, this note effectively sells volatility, which is currently high on long-term rates

#### EURUSD puts

- § 6-month ATM (1.3664) EUR put costs 218 bps; break-even is 1.3382
  - § AWM GIC year-end EUR/USD forecast is 1.31

#### Longer-Term Themes

Rates/Yield: Take advantage of recent rally (10 year Treasury yield has dropped from 2.96% on 9/10 to 2.67% on 10/16) ahead of expectations for rising rate environment.

- § Interest rate hedging
  - § 5 year swap rate is 1.51%; historical 10-year average is 3.15%
    - § Interest rate swap still makes sense given AWM GIC 12-month Treasury forecast of 3.70% and 5 year forward rate has come down 40 bps from September highs (current: 4.24%)
- § Floating rate investments
  - § DWS Floating Rate Fund (Ticker: DFRTX)
    - § YTD return of 3.81% vs. index return of 0.79%; 12 month yield: 4.69%
    - § Duration is essentially zero due to LIBOR funding for senior bank loans

Global Equities: Bullish (global) equities. Global Markets forecasts S&P to hit 1750 by year-end, driven by increased earnings growth and a recovery in capex. S&P 500 volatility has dropped back to normal levels (VIX closed at