
From: Tazia Smith [REDACTED]
Sent: Wednesday, October 30, 2013 1:22 PM
To: jeevacation@gmail.com
Cc: [REDACTED]
Subject: S&P puts into FOMC, AAPL ticking up, ARIA holder seeks board seat [C]

Classification: Confidential

Good Morning Jeffrey –

Into FOMC decision today, worth waiting on your USDJPY risk reversal, but consider this-week put spread (or outright long put) on S&P (month-end isn't Friday, and S&P is up +7% since 10/8, even without less-dovish Fed speak may be a bit of reversion):

B SPY Nov1 176 put ~\$0.35
S SPY Nov1 173 put ~\$0.05

B SPX Nov1 1765 put ~\$4.20
S SPX Nov1 1745 put ~\$1.20

Interesting that yesterday: soft us econ data -> expectations for delayed tapering -> higher equities -> but lower EURUSD?

AAPL: Ticking up in pre-market, ~\$519 (negative news out on supply constraints in iPad mini, but bullish market chatter of a deal with China Mobile)

ARIA: up 12% in the pre-market (touched a high of \$4.35) on news that holder Sarissa Capital is seeking representation on the board.

Comments below from Jim Reid. He writes a good daily summary of global market action. Summarizes his thoughts about "less dovish than expected" risks to the FOMC meeting. Curious for your views.

Speak with you soon,

Tazia

Source: Bloomberg, streetaccount, 10/30/13

----- Forwarded by [REDACTED] on 10/30/2013 09:02 AM -----

From: "Jim Reid, Deutsche Bank" [REDACTED]
To: [REDACTED]
Date: 10/30/2013 02:28 AM
Subject: Early Morning Reid - Macro Strategy

Deutsche Bank - Fixed Income Research

Early Morning Reid - Macro Strategy
30 October 2013 (2 pages/ 111 kb)

Download the complete report: http://pull.db-gmresearch.com/p/16171-352B/14365328/DB_EMR_2013-10-30_0900=8c087778c47.pdf <http://pull.db-gmresearch.com/p/16171-352B/14365328/DB_EMR_2013-10-30_0900b8c087778c47.pdf>

Key Market Data

(Index @ Close // Change)

(ITX Crossover @ 340 // -7)

(ITX Europe 125 @ 83 // -2)

(CDX 125 @ 71 // -1)

(CDX HY - pts @ 107.97 // +0.063)

(S&P 500 @ 1772 // +0.56%)

(Brent Oil^ @ 108.84 // -0.64%)

(Gold^ @ 1345 // -0.72%)

(10 yr Treasury^ @ 2.48 // -3 bp)

^ - Change from previous day's 5:30 GMT to 05:30 GMT

Macro Strategy (J. Reid, A. Ip)

So will today's FOMC be as surprising to the market as the September meeting? Almost certainly not but you can't completely rule out a small taper for the following reasons: 1) In the September meeting a large majority of FOMC participants expected the taper to start before December; 2) the fiscal situation has been kicked down the road for a while; 3) financial conditions have arguably eased since the last meeting with rates lower and equities higher and 4) many of the members won't be on the committee into next year and may want to make a statement before leaving; and 5) they may feel a little bruised by the market's verbal reaction last time.

Overall we continue to think the Fed are trapped to a large degree by the liquidity they've provided financial markets over recent years which could destabilise assets if they reversed course without a strong economic recovery. Indeed the current data uncertainty is probably the biggest reason for holding fire at the moment, especially so soon after the shutdown. Indeed our view is that the Fed may have to adjust their criteria for tapering if they want to make regular cuts to QE in 2014. We're not sure how employment is going to suddenly pick up at this relatively mature stage of the cycle.

However when all said and done, the Fed do seem to want to taper and although we think they won't until well into next year, we can't help but think that the Fed are currently unpredictable enough at the moment that we need to be vigilant tonight and indeed in December. The story of the next 6 months could be very little tapering but a swing between liquidity complacency and liquidity fear. Maybe we're veering towards the former at the moment. DB's Peter Hooper expects today's FOMC to be most likely a "wait and see event" though he sees the case for a taper now is about as strong as it was in September when it was a very close call.

Aside from the FOMC, today will also see the release of the October ADP employment report which has become an increasingly good guide to payrolls over the last few months. DB's Joe Lavorgna points out that since October 2012, when the vendor responsible for compiling the ADP survey changed from Macroeconomic Advisors to Moody's, the

absolute forecast miss between ADP and private payrolls has been just 38k. Looking just at the last six months to September, the average discrepancy between the two surveys has been around 36k on an absolute basis, including a couple of recent months (June and August) where the two measures were virtually the same. For the record, the consensus is expecting today's ADP report to show a +150k gain, lower than last month's +166k result. At the moment, Bloomberg consensus is pointing to a +155k gain in next week's BLS private payrolls, and just a 115k gain in nonfarm payrolls (though these estimates will probably get revised after today's ADP). The ADP report is due before the opening bell in New York, which will set the tone for trading before we get to the FOMC later in the day.

Overnight markets are trading with a positive tone across the board led by the TOPIX (+0.8%) and Hang Seng (+1.0%). The release of weaker than expected Japanese IP numbers (1.5% MoM vs 1.8% expected) hasn't dampened sentiment in Japanese equities, and a strong gain in USDJPY (+0.5%) is probably helping. The Chinese seven day repo rate continues to climb (+45bp to 5.85%) after yesterday's small RMB13bn liquidity injection by the PBoC was seen as mostly a symbolic move. Market chatter continues to suggest that the PBoC is attempting to limit recent consumer and house price inflation while others are attributing the recent money market rate rises to month-end effects and corporate tax payments. The rise in the repo rate hasn't stopped A-shares from posting solid gains (+1.0%) today. Elsewhere S&P500 futures are flat, after a strong run late yesterday.

Indeed yesterday saw another round of slightly softer US data that helped drive the S&P 500 (+0.6%) and Dow Jones (+0.7%) to fresh highs. European markets started off on a weaker footing, after a number of earnings misses from banks saw financial stocks struggle at the open. The sentiment improved later in the day, thanks to stronger earnings from the likes of BP. Indeed, the DAX (+0.48%) managed to break above the 9000 mark for the first time in the minutes before the close. The positive sentiment was evident across asset classes including credit where the European senior and sub financials indices grinded to new series highs. In the UK, there is increasing market chatter about what the Chancellor will decide in terms of RBS' problem assets. RBS subordinated paper continues to be better bid, perhaps on reports that Osborne will avoid a breakup of the group.

Yesterday's US dataflow supported those arguing for a later start to the taper. US retail sales for September were down 0.1% MoM (vs 0% expected) and retail sales ex auto and gas were up 0.4%, lower than the 0.5% expected. On the inflation side, September PPI was lower than expectations in the headline (-0.1% vs. +0.2% expected). Consumer confidence for October dropped sharply to 71.2 (vs 75.0 expected, 79.7 previous) probably due to the impact of the fiscal standoff in Washington. Most surprising of all was the gain in the USD (dollar index +0.46%) which strengthened in spite of the weaker than expected US data. This weighed on EURUSD (-0.3%) which had its sharpest fall in three weeks. Treasuries traded in a tight range between 2.50% to 2.53%. An uneventful 5yr UST auction helped 10yr yields close at 2.50%, not far from where they are trading this morning.

Today will be mostly about the FOMC announcement and the ADP employment report. Ahead of that, German CPI and unemployment data will be released together with the Spanish preliminary Q3 GDP report. It will be a busy day on the government bond calendar with new Italian 5 & 10yr, German 10yr and 7yr UST supply. In the US, the other data releases of note are the monthly budget statement and CPI (consensus 0.2% MoM vs 0.1% in August). General Motors reports earnings today before the opening bell – its always interesting to hear management's view on global demand, particularly in light of Ford's upbeat assessment last week.

Other Market Data

(ITX Sen Fin @ 118 // -5)
(ITX Sub Fin @ 176 // -8)
(CDX EM @ 277 // +2)
(ITX Japan @ 88 // -1)
(ITX Australia @ 104 // -2)
(ITX Asia XJ @ 131 // -3)
(Euro NonSov @ 99.33 // unch)
(Euro Corp @ 133 // unch)
(Euro BBB @ 180.79 // -1)

(Sterling NonGilt @ 131 // -1)
(Sterling Corp @ 160 // -1)
(Sterling BBB @ 219 // -1)
(WTI Oil^ @ 97.71 // -1.05%)
(Dollar Index^ @ 79.66 // +0.52%)
(EUR/USD^ @ 1.374 // -0.51%)
(DJ Stoxx 600 @ 321 // +0.40%)
(NIKKEI @ 14444 // +0.83%)
(Hang Seng @ 23049 // +0.89%)
(VIX @ 13.41 // +0.10)

Key Economic Data

(Release // DB // Prev // Con)

(ADP employment survey (Oct) // +160K // +166K // +150K) (Consumer price index (Sep) // +0.2% // +0.1% // +0.2%) (Ex food & energy // +0.2% // +0.1% // +0.2%) (FOMC statement // // //)

Topical Deutsche Bank Publications

* US Economics Weekly - A less dovish Yellen-led Fed, 18 Oct 2013, <= href="http://pull.db-gmresearch.com/p/1958-65EA/91217783/DB_USEconWkly_013-10-18_0900b8c087685286.pdf">http://pull.db-gmresearch.com/p/1958-65EA/91217783/DB_USEconWkly_2013-10-18_0900b8c087685286.pdf

* FX Daily - Do not slip into Fed complacency, 18 Oct 2013, http://pull.db-gmresearch.com/p/2050-EE46/92110176/DB_FXDaily_2013-10-18_0900b8c=876b93c8.pdf

* US Daily Economic Notes - Despite apparent loss of momentum, underlying job growth unchanged, 24 Oct 2013, <=ont size=2 color=blue face="Arial">http://pull.db-gmresearch.com/=/1711-22E3/3260203/DB_USEconDly_2013-10-24_0900b8c087713b51.pdf <http://pull.db-gmreseach.com/p/1711-22E3/3260203/DB_USEconDly_2013-10-24_0900b8c087713b51.pdf> =/a>

* Asset Allocation - When Will EM Stop De-rating?, 24 Oct 2013, http://pull.db-gmresearch.com/p/1288-1307/1573426/0900b8c087705fa7.pdf

* Q3 Reporting Preview - Cloudy with a chance of sunshine 3, 18 Oct 2013, http://pull.d=-gmresearch.com/p/3241-2F92/91602577/0900b8c08767d576.pdf <http://pull.db-gmresearch.com/p/3241-2F92/91602577/0900b8=08767d576.pdf>

* Consensus Earnings Trends - Broad-based downgrades in Europe... it remains a multiple expansion story, 24 Oct 2013, http://pull.db-gmresearch.com/p/3248-9C=B/2028754/Consensus_Earnings_Trends.pdf <http://pull.db-g=research.com/p/3248-9C6B/2028754/Consensus_Earnings_Trends.pdf>

* FX Strategy Weekly - Sorry Is the Hardest Word

[REDACTED] - http://pull.db-gmresearch.c=m/p/16171-352B/14365328/DB_EMR_2013-10-30_0900b8c087778c47.pdf<=a>. If you have any difficulty accessing the report, please forward this email with the word 'PDF' in the subject line to [REDACTED]

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