From: [redacted]
Sent: Thur 10/16/2014 9:58:31 AM
Subject: Early Tour 10.16.14

Good Morning … European Markets off 1.7%-3.0% (Portugal -3.8%, Italy -3.2%) … NKY -2.22%, SHCOMP -0.72%, HSI -1.03%, KOSPI -0.37%, TWSE -0.25%, ASX +0.18%

EUR 1.2806 (-0.25%) JPY 105.62 (+0.29%) Greece 10yr 8.71% Italy 10yr 2.71% Spain 10yr 2.40% Portugal 10yr 3.58% 10yr US 10yr 1.99%

Futures: **Dow -162, Nasdaq -47, S&P -23** DXY 84.99 (-0.18%) Crude $80.45 (-1.63%) Gold $1243 (-0.13%)

Asian indices were mostly lower overnight, following the global selloff. Japan underperformed as exporters got sold on back of the stronger Yen (trading below 106 for most of the day). The Topix is now down 11% from the September 25th high. Oil&Gas, Shippers and Steel names led declines. One bright spot was Recruit Holdings (+7.4%) which made a strong IPO debut and was the most actively traded stock on the TSE. China rallied in the AM session, led by railway names on the back of continued talk that China and Russia will build a high-speed transport linking Beijing and Moscow. The SHCOMP could not hold gains in the PM session though and the market closed on the lows. Macro data was mixed with September New Yuan Loans (857.2bn vs est 750bn) and FDI (+1.9% vs est -14%) coming in better than expected and M1 (+4.8% vs est +5.9%) and M2 (+12.9% vs est +13%) Money below estimates. Australia got a boost from the data, outperforming the region despite miners being under pressure throughout the session (FMG -6% post qtrly update). Also note Saudi Araba market is getting hit -5.0% today which takes it to -13% for the month. European markets opened up (with zero conviction) after the US recovered from its worst levels into yesterday's close, but have faded again and moving south very fast. Volumes started out quieter on the initial bounce but have accelerated again on the slide lower. Credit is v weak again today. Greek 10yr yield spiking again, up another 85bps today to 8.71%. An early story out on Reuters suggested that the ECB is reducing the haircut it applies on bonds submitted by Greek banks as collateral, but a *Bloomberg* headline suggests they have not decided on this yet. Other peripheral sovereign spreads also blowing out with Spain 10yr +28bps to 2.40%, Italy 10yr +29bps to 2.71%, and Portugal 10yr +30bps to 3.51%. EMU Bank Index leading us lower today with the SX7E -4.6%. The Abbvie/Shire situation still in focus and Shire is currently -8.0% on the session but +3.7% from the ADR equivalent close. In Luxury, the Jimmy Choo IPO priced at 140p/share which was bottom end of the range (trading debut tomorrow). Heavy earnings day both in the US & Europe and highlights are mentioned below. Netflix hit -25% after the close. US 10yr 1.99% last. SPA's -23 handles = 1823 last.

***Jobless Claims @ 8:30am, Industrial Production @ 9:15am

Philadelphia Fed & NAHB Housing Index @ 10am

ADS,BHI,BAX,BBT,DHR,DAL,FITB,GS,MAT,PM,SNA,UNH #'s pre-open

COF,GOOG,SNDK,SLB, SYK,XLNX,AMD #'s post-close

- Netflix shares hit after hours after saying price increase had slowed subscriber growth (trading -25%)
- Extreme Networks warning, preliminary Q1 adjusted break-even to loss of 2c/share (trading -22%)
- HCA positive pre-announcement, boost FY revenue and eps forecasts, will be relief (trading)
- Las Vegas Sands Q3 profit beats est as mass-mkt gambling grew in Macau casinos (trading +1.7%)
- American Express Q3 profit raises 8.1% on higher customer spending – revs short of est (trading -0.3%)
- EBay eps beat est by penny but guides below estimates after revering from data breach (trading -1.2%)
- United Rentals reports strong Q3 –eps and revs beat, guides higher and accelerates buyback (trading +1.6%
- Abbvie board recommends vote against Shire deal (SHP LN -8% which is +4% from ADR close)
- Nestle 9-month sales growth miss ests, DM growth not picking up, EM softening (trading -3.4%)
- Roche Q3 sales beat estimates, breast cancer drug sales grow, reits 2014 forecast (trading -2.3%)
- Diageo Q1 sales miss estimates (slightly better than whisper), challenging environment (trading -0.61%)
- Remy Cointreau Q2 organic sales growth inline with estimates, weaker China demand (trading -1.6%)
- Carrefour Q3 revs inline with ests as Brazil offsets Europe, China "persistently frugal" (trading -2.0%)
- Syngenta Q3 sales inline but warns on margins amid Russia fx & lower corn seed sales (trading -2.8%)
- Ziggo Q3 update strong, Q3 sales and adjusted ebitda rise, reiterates 2014 forecast (trading -1.3%)
- BSkyB strong Q1, operating profit beats estimates, good progress on Sky Europe (trading -1.0%)
- Commerzbank US settlement postponed on Olympus probe according to Reuters (trading -3.7%)
- Edenred Q3 issue volume LFL's inline with expectations, confirms FY ebit forecast (trading -2.3%)
- Aeroports de Paris September traffic -10.4% to 7.2M passengers, hurt by AF strike (trading -4.5%)
- WH Smith FY revenue and eps inline with estimates, additional buyback, ups div (trading +3.2%)
- Bwin.Party trading update inline with ests, strong sports performance, keeps outlook (trading

+0.42%)

- Balfour Beatty wins $533M order to expand Texas Medical Center campus in Houston (trading -1.1%)
- Man Group assets rise +25% to $72.3 billion on acquisitions net inflows look better (trading +5.8%)
- Getinge Q3 pretax profit misses estimates significantly, sees slower growth ahead (trading -13.8%)
- Axis Communications (AXIS SS) Q3 operating profit and sales slightly below ests (trading -3.8%)
- Fortescue Q1 shipments +66%, lower iron ore prices will temper investment (closed -6.0%)
- Taiwan Semi posts record profit as Apple shifts chips from Samsung (out after the close)

Leading European Sectors: Media -1.45%, Real Estate -1.65%, Fin Services -1.68%
Lagging European Sectors: EMU Banks -4.6%, Oil & Gas -3.25%, Construction -3.13%

Secondaries (announced/priced): ESPR, NURO, SMBC, TTPH, MWW

IPO's: Jimmy Choo prices bottom end (140p/share)

US Key Research:

- ➢ BMO upgrades BMY/CFR, Baird upgrades LPNT, Drexel Hamilton initiates RNET/FTK (buy)
- ➢ JPM upgrades FEYE/AXP, FBR upgrades BAC, ISI upgrades LLTC
- ➢ Macquarie upgrades TIF & downgrades JWN/URBN/FRAN/LULU, Wells downgrades AKAM
- ➢ Macquarie assumes ANN/M/RL (op) and CHS/FOSL/MNK (neut), Nordea upgrades DO
- ➢ Pareto upgrades GLOG (buy), RBC downgrades EBAY, SunTrust initiates BMRN/GEVA/RARE (buy)

Europe Key Research:

- ➢ Citi positive AVG/P SM, Banca IMI downgrades SO IM, Bofa reinstates VIV FP (buy), Barcap downgrades RTKM RU
- ➢ Bereberg upgrades MIC SS & initiates GNC LN (buy), DnB upgrades RCL NO, Exane upgrades GKN LN

- Equinet upgrades CON GR (buy), GS upgrades HAV FP, Pohjola upgrades PKC1V FH (buy), SocGen upgrades DANSKE DC,
- Jefferies upgrades AVV LN (buy), JPM upgrades CNCT LN, KBC downgrades BELG BB, Kepler downgrades CNHI IM/O2D GY/VOLVB SS
- LBBW upgrades AMAG AV (buy), Nordea upgrades FUM1V FH and HUH1V FH (buy), Numis upgrades WTB LN and BGEO LN (buy)
- Nomura upgrades LXS GR/SDF GY and AKZA NO (buy) & downgrades DSM NA/CGG FP/SDRL NO & initiates AKSO NO (neut)
- Swedbank upgrades ELUX.B SS and TRELB SS/TLSN SS (buy), Panmure upgrades SHP LN (buy), Pareto downgrades SKF.B SS
- UBS upgrades ANTO LN and & removes FXPO LN from Least Preferred List, HSBC initiates ILD FP (ow) & upgrades HAV FP

Reporting Pre-Open: ADS, BHI, BAX, BBT, DHR, DAL, FITB, GS, MAT, PM, SNA, UNH, GWW, AMRB, BX, CBF, MYCC, CY, DOV, FCS, FRC, HOMB, HLSS, IIIN, VAC, NTCT, ORB, POOL, PPG, PFBC, PVTB, SASR, SIFY, SON, SVU, SYNT, TZOO, WBS, WGO, WNS

Reporting Post-Close: COF, GOOG, PBCT, SNDK, SLB, SYK, XLNX, AMD, ASBC, ATHN, BBNK, CPHD, COBZ, CCK, CYT, EGP, INDB, QLGC, WDFC, WTFC

Economic Data: Jobless Claims @ 8:30am, Industrial Production & Capacity Utilization / Bloomberg Consume Comfort & Economic Expectations @ 9:45am, Philadelphia Fed / NAHB Housing Market Index @10am, TIC Flows @ 4pm

Fed Speakers: Plosser @ 8am (Allentown, PA), George @ 12:15pm (NJ), Bullard @ 1pm (Washington), Kocherlakota @ 2pm (Billings, MT)

Conferences: No major conferences

Analyst/Investor Days: RGEN, SAFM

Non-Deal Roadshows: AFSI, ARCP, CAK, CERU, CNAT, CNCE, CUDA, GME, GPT, HPQ, INFI, MCS, MRTX, NMBL, OMN, OPK, PTX, RGEN, SYRX

Shareholder Meetings: ACM, LQMT, URS, PPHM

Other Newspaper Articles & Stories

WSJ cautious: Bank of America (BAC) WSJ

- Risk of Deflation Feeds Global Fears WSJ
- Stocks Swoon in Frenzied Trading WSJ
- AbbVie Drops Plan to Acquire Shire WSJ
- Shire Punch Bruises Hedge Funds WSJ
- Market Tumult Squeezes Big Banks WSJ
- Where Do Stocks Go From Here? WSJ
- HBO Changes the Channel WSJ Heard on the Street
- Traders Fight to Keep Clients' Fears in Check WSJ
- Coming Soon: Japan's First Plane in 50 Years WSJ
- CSX CEO Warns About Rail Mergers WSJ
- A Year of Living on the Brink WSJ Editorial
- New Push to Check Spread of Ebola WSJ
- Risk of Deflation Feeds Global Fears WSJ
- Putin Trip to Europe Sparks Flurry of Diplomacy Over Ukraine WSJ
- New Failures Emerge in Case of 2nd Nurse With Ebola NYT
- Airbnb Listings Mostly Illegal, State Contends NYT
- Samsung's Superior Note 4 Smartphone Gives Glimpse of Computing's Future NYT
- We're living through a new industrial revolution FT
- Technology will hurt the banks, not kill them FT
- Pre-election risks to the British success story FT
- Labour plans to block buy-to-let investors FT

- David Cameron floats ‘emergency brake’ on EU immigration FT
- Hedge funds face their worst year since 2011 FT
- Singapore jostles with Hong Kong for financial crown FT
- UK blocks €5bn Russian North Sea deal FT
- Isis makes ‘substantial gains’, says general FT
- China eyes rules-based system but flexes extrajudicial muscles FT
- Sanctions noose begins to tighten on sanguine Russia FT
- Ikea unpacks in Indonesia FT
- BlackRock’s Fink takes swipe at Pimco turmoil FT
- HBO/Netflix: tearing down the wall Lex
- AbbVie and Shire: the tail of the tax tale Lex
- Oil prices: Saudi slick measures Lex
- Qualcomm / CSR: rival perspectives Lex
- Why Germany and the European Central Bank must pay attention to the risk of falling prices The Times
- We can cope with failing banks, but global recession is a challenge too far The Times
- China inches towards deflationary black hole The Times
- They’re so useless it makes me want to scream The Times
- Hillary Clinton hits the campaign trail but no White House move yet The Times
- James Moore: Sorry, guys - poorly paid, part-time jobs are nothing to boast about Independent
- James Moore: They call it tax inversion, we call it outrageous Independent
- Eurozone in crisis: Germany’s success rests on the euro - now it must save it Independent
- The great British money launderette: At least 19 UK firms under investigation for an alleged conspiracy to make $20bn of dirty money seem legitimate Independent
- Politicians and regulators to blame for market madness Telegraph
- World economy so damaged it may need permanent QE Telegraph
- Retirement shake-up should let savers privatise some of their state pension, says think tank Telegraph

- Public service strikers are standing up for the real Britain Guardian
- Hong Kong chief executive calls for talks with student protesters Guardian
- The crackdown on no win, no fee risks handing a victory to dodgy directors CityAM

Key Events This Week

Friday: Yellen speaks at Boston Fed, Options Expiry, Sept Housing Starts & Building Permits, Oct Michigan Confidence, Yellen speaks at Boston Fed on Inequality (8:30am), Earnings (BK, GE, HBAN, MS, STI)

Key Events on the Horizon

Oct 23 – EU Leaders Summit begins (Brussels)

Oct 26 – ECB “Comprehensive Assessment” results for European Banks (AQR + stress tests)

Oct 26 – Brazil run-off election between incumbent Dilma Rousseff & center-right challenger Aecio Neves

Oct 29 – FOMC rate announcement (expected to officially announce the end of monthly bond purchases at this meeting)

Nov 4 – US mid-term elections