

**From:** [REDACTED]  
**Sent:** Wed 10/15/2014 9:43:14 AM  
**Subject:** Early Tour 10.15.14

Good Morning ... European Markets off 25-100 bps (UK -1.1%, Turkey +0.80%) ... NKY +0.92%, SHCOMP +0.60%, HSI +0.40%, KOSPI -0.17%, TWSE -1.29%, ASX +0.73%

EUR 1.2649 (-0.07%) JPY 107.21 (-0.14%) RUB -0.25% AUD +0.17% NZD -0.09% CAD -0.59% GBP +0.21% US 10yr 2.19%

Futures: Dow -30, Nasdaq -8, S&P -7 DXY \$85.98 (+7c) Crude \$80.98 (-85c) Gold \$1223.90 (+\$10.40) Copper -0.79% Silver -1.74% Nat Gas +0.86%

Asia indices ended mostly on a firmer note despite ongoing Ebola fears and as energy remains under pressure. The Nikkei finished on the highs on what some described as a relief rally after the recent drubbing without any particular catalyst for the turnaround other than holding the 15K level. The ¥ weakening also helped as well as reports that TPP talks have been constructive between Obama and Abe. China and Hong Kong are firmer following the release of macro data showing September CPI came in at +1.6% was slightly below +1.7% consensus and PPI came in at -1.8% vs. -1.6% consensus. Mainland brokers got a lift from local press talking about HK-Shanghai Connect approval and Macau names were stronger with the market starting to talk about sentiment bottoming. The KOSPI ended lower after the BoK cut rates to a four year low at 2.0% and lowered 2015 GDP growth forecast to 3.9% from 4% previously. Taiwan (-1.3%) underperformed as the Apple supply chain weighed. European markets are generally softer this morning after yesterday's US gains evaporated in the afternoon. Inversion plays under pressure as risk-arb accounts unwind after Abbvie surprised the market with the announcement that its board will re-consider the Shire deal this Monday given the Obama administration's tax crackdown (SHP LN -24%, AZN LN -3.6%, SN/ LN -2.5%, SYR LN -4.7%). Airlines were initially squeezed earlier this morning following the oversold bounce in US peers yesterday, but they have all come back in with the broader market – and news that a second healthcare worker in Dallas has tested positive for Ebola is not helping (ie Air France has gone from +6.9% to +0.75% currently). Luxury outperforms on a small oversold relief rally after LVMH numbers missed slightly but better than feared, while Food & Beverage also acting ok following Danone's beat. Crude Oil trading lower again -1.1% this morning which takes it to -11% in the last 2 weeks. Earnings heating up and we will get BAC before the bell and AXP, EBAY, NFLX, LVS after the close amongst others. SPA's -7 handles = 1867.10 last.

\*\*\*Mortgage Apps @ 7am, Empire Manufacturing / Retail Sales / PPI @ 8:30am\*\*\*

\*\*\*Business Inventories @ 10am, Treasury Budget Statement @ 3pm\*\*\*

\*\*\*BAC, BLK, SCHW, KEY, PNC, STJ, ADTN, BLX report pre-open\*\*\*

\*\*\*AXP, EBAY, KMI, NFLX, LVS report #'s after close\*\*\*

- CSX beat profit estimates on solid revs & sees strong activity in oil transport (trading +2.8%)
- Intel Q3 topped as penny better & net income climbed 12% on better PC sales (MS d/g) (trading +1%)
- Linear Tech Q1 missed & Q2 guidance light as rev midpoint below (CFO to retire) (trading -2%)
- Avista "quietly" talking to potential buyers (TheDeal.com reported) with Berkshire interest (traded +6%)
- Ann Inc entered non-disclosure pact with private equity group Golden Gate (trading +8%)
- Bullish sentiment decreases to 37.8% from 45.5% in the latest US Investor's Intelligence poll
- Hewlett-Packard has officially ended merger talks with EMC according to sources ([Reuters](#))
- Qualcomm agrees to buy UK chipmaker CSR for \$2.5B = 36.7% premium (CSR LN +30%)
- Abbvie board to meet on Oct 20 to re-consider Shire deal given US tax crackdown (SHP LN -24%)
- LVMH 9m organic sales growth 4.0% vs est 4.4%, sentiment was low into the print (trading +0.80%)
- ASML revs touch light, gm's better, confirms FY, strong backlog, EUV progress ok (trading ~ flat)
- Danone beats on baby food, Q3 organic revs +6.9% (est +5.8%), confirms FY outlook (trading +3.5%)
- Hennes & Mauritz (H&M) Sep sales slightly better (+8.0% y/y versus estimate +7.2%) (trading +0.69%)
- Casino Q3 revenues beat estimates helped by growth outside home market of France (trading -0.41%)
- TNT Express CEO Tex Gunning does not rule out takeover of company in interview to *FD* (trading +0.20%)
- Prosieben CMD today in Munich, confirms positive 2014 outlook, meets 2015 targets early (trading +4.4%)
- Fresnillo production update, says on track to reach full-year gold and silver output (trading -1.9%)
- Weir Group to buy China's Trio Engineered Products for enterprise value around \$200M (trading -1.1%)
- Airbus: Indigo signs agreement for 250 A320NEO's (biggest single order in co. history) (trading +0.03%)
- PGS issues Q3 profit warning due to deteriorating market conditions, cuts FY ebitda (trading -2.7%)
- Zurich Airport passenger stats after the close yesterday look better, raises forecast (trading -0.42%)

- Rio Tinto Q3 iron ore output +13% = inline with estimates, raises copper targets (trading -1.5%)
- Balfour Beatty names Qinetiq's Leo Quinn as new CEO starting Jan 1 (BBY LN +8.4%) (QQ/ LN -9.2%)
- Statoil CEO Helge Lund resigns to join BG Group in the same capacity (STL NO -3.2%) (BG/ LN +0.68%)
- Greek Banks: Fitch publishes report last night relating to stress tests for Greek Banks ([link](#))
- Fitch places France's 'AA+' IDR on rating watch negative (material increase in deficit targets)
- Germany September final CPI inline (+0.0% m/m vs est +0.0%, +0.8% y/y vs est +0.8%)

**Leading European Sectors:** Trav/Les +0.69%, Food/Bev +0.03%, Retail -0.05%  
**Lagging European Sectors:** Healthcare -2.33%, Basic Res -1.48%, Oil & Gas -1.36%

**Secondaries (announced/priced):** CUBE, INGN (holders), ESPR

**IPO's (filed/priced):** Forward Pharma (FWP) 9.5M shares priced at \$21 (mid), Great Western Bancorp (GWB) 16M-shares priced at \$18 (below), Dominion Midstream (DM) announces 17.5M units priced at \$21.00 (high-end), Ocean Rig Partners LP (ORLP) files \$305M IPO through Barclays, BofA M/L, Credit Suisse and Deutsche Bank, China Customer Relations Centers (CCRC) files \$28.8M share IPO through Newbridge Securities, Jimmy Choo books close 12pm GMT tomorrow (140-160p range)

**IPO's (lock-up expired):** Benefitfocus (BNFT) 17.5M shares (69.7% of outstanding)

**US Key Research:**

- Barcap upgrades SBRA/HST & initiates CAPL (ew), BMO initiates FIS (mp), Stifel initiates GSM (buy)
- Drexel Hamilton initiates BAH (buy), GS initiates RCPT (buy) and adds MNST/NKE to Conviction Buy List
- JMP upgrades CAVM, Key downgrades THS, ISI initiates NBR (buy), MS downgrades INTC
- Piper upgrades UNFI, Raja upgrades DIOD (strong buy), Roth downgrades DRTX, SunTrust upgrades CRL (buy)

**Europe Key Research:**

- Bofa upgrades SSAB.A SS/VWS DC and NDA GR (buy) & downgrades OKEY LN/KCO GR/ROSN RU/MVID RU
- Barcap upgrades LAD LN/DAI GR/SDF GR/SOB BB/AI FP and resumes CGG FP (uw), Berenberg initiates RUI FP (buy)
- Bernstein upgrades SREN SW, Canaccord initiates TSB LN (sell), Cantor LHA GR reinstates LHA GR (hold)
- Citi upgrades HL LN, CS upgrades SWED.A SS/SAN FP/LUN DC/VWS DC/LIN GR/AVN LN, Soc Gen upgrades ALO FP/PIG FP (buy)
- DB upgrades BBVA SM (buy) & downgrades CEZ CP, Danske Bank upgrades YAR NO (buy), UBS upgrades HEI GR
- HSBC upgrades SHB LN/NAS NO, Exane upgrades VWS DC/LEO GR, GS upgrades HEIA NA (buy)
- Helvea upgrades BAS GR (buy), JPM initiates BAYN GR (ow), Kepler downgrades UBM LN/SFER IM, LBBW upgrades SZU GR
- Nordea upgrades WRT1V FH, Oddo upgrades GLO FP (buy), Oriel downgrades AFR LN/HICL LN, RBC downgrades SAB LN

**Reporting Pre-Open:** BAC, BLK, SCHW, KEY, PNC, STJ, ADTN, BLX, CBSH, IGTE, MTG

**Reporting Post-Close:** AXP, EBAY, KMI, NAVI, NFLX, URI, AF, BPFH, BGG, BNK, CNS, EGBN, HNI, KMR, LVS, PTP, RLI, UMPQ, UFPI, ZHNE

**Economic Data:** MBA Mortgage Applications @ 7am, Empire Manufacturing / Retail Sales / PPI @ 8:30am, Business Inventories @ 10am, Treasury Budget Statement @ 3pm

**Conferences:** Canaccord Global Resources (NYC)

**Analyst/Investor Days:** CGA, SFE, MELI, TWX, ULTA, QLYS, SAFM

**Non-Deal Roadshows:** AFSI, ASNA, ATRS, CAK, CBK, CERU, CUDA, EGLT, EGY, HCKT, HL, ITCI, KERX, KIN, KW, LDRH, LEN, MCF, MCS, MRTX, NGHC, PLPM, PTX, TIVO, TRVN, VEEV, WMC, ZINC, MNK

**Shareholder Meetings:** KOSS, DPSI, IDSA, UWN, DRAM, SCX

**Equity/Mixed Shelves:** MEMP (\$250M), ACTC (\$100M), PSTI (\$200M)

***Other Newspaper Articles & Stories***

WSJ cautious: Iliad (ILD FP) [WSJ](#)

- Global Oil Glut Sends Prices Plunging [WSJ](#)
- Hilton Readies a Boutique Reboot [WSJ](#)
- AbbVie Reconsiders Shire Merger Pact [WSJ](#)
- A High-Speed Trader Looks to Slow Critics [WSJ](#)
- Big Banks Struggle to Return to Form [WSJ](#)
- Market Swoon Bruises Some Hedge Funds [WSJ](#)
- Ireland to Close Tax Loophole [WSJ](#)
- For Southwest Airlines, Steep Learning Curve [WSJ](#)
- Army Wants to Revive Ground Combat Vehicle Program [WSJ](#)
- Global Oil Glut Sends Prices Plunging [WSJ](#)
- Hong Kong Police Crackdown Escalates [WSJ](#)
- Stem Cells Show Potential Benefits for Eye Diseases [WSJ](#)
- Look Who's Investing in France Now [WSJ](#)
- The Secret Victims of Iraq's Chemical Arms [NYT](#)
- Fed Is Silent on Doomsday Book, Its Blueprint for Fighting A.I.G. Crisis [NYT](#)
- Another Scandal Hits Citigroup's Moneymaking Mexican Division [NYT](#)
- How to do better than the 'new mediocre' [FT](#)
- Can Europe wean itself off Russian gas? [FT](#)
- Erdogan's final chance to make peace with the Kurds [FT](#)

- Live longer — and thank economics [FT](#)
- Regulators shine a light on the banking shadows [FT](#)
- Economic windfall for India as global growth slows [FT](#)
- Saudi billionaire Alwaleed warns over impact of falling oil price [FT](#)
- WHO predicts Ebola cases in west Africa will soar up to tenfold [FT](#)
- Concern mounts in China over Yangtze diversion project [FT](#)
- US agency aims to grow tri-party clearing [FT](#)
- Rio Tinto defends expansion strategy as iron ore output surges [FT](#)
- WTO sides with US in Indian poultry fight [FT](#)
- Tesla: bumps in the road [Lex](#)
- Anta: slam dunk? [Lex](#)
- Beef: sitting bulls [Lex](#)
- Middle classes won't pay inheritance tax, Tories promise [The Times](#)
- Saviour carries a heavy burden [The Times](#)
- Leak or a lucky guess? Traders ditch pound just before figures go public [The Times](#)
- 'Dishonest hedge fund founder lost £380m put up by investors' [The Times](#)
- We can cope with failing banks, but global recession is a challenge too far [The Times](#)
- Nicola Horlick: Heard of crowdfunding? Entrepreneurs certainly have [Independent](#)
- Chris Blackhurst: We'll all pay for it if pensioners use their new freedoms to splurge [Independent](#)
- Jim Armitage: Squeezed households likely to punish main parties at the polls [Independent](#)
- JPMorgan, HSBC and the trillion-dollar game [Independent](#)
- Jim Armitage: Businessmen in sanction-hit countries can push for change [Independent](#)
- The best cure for inequality is an ownership society [Telegraph](#)
- ECB's stress test dead on arrival as deflation hits [Telegraph](#)
- If Ed Miliband is to survive, he must show less fear and more honesty [Telegraph](#)
- Ireland to abolish controversial 'double Irish' tax arrangement [Guardian](#)
- The AAA-rated club: which countries still make the grade? [Guardian](#)

- Labour sets out plan to reach 200,000 homes-a-year target [Guardian](#)
- Fears of triple-dip eurozone recession as Germany cuts growth forecasts [Guardian](#)
- Evo Morales has proved that socialism doesn't damage economies [Guardian](#)
- Africa isn't a country: Don't judge this thriving continent by the Ebola crisis [CityAM](#)
- Waterstones still able to book a place in nation's hearts - Brand Index [CityAM](#)
- The happy band of the self-employed is remaking our economy for the better [CityAM](#)

### ***Key Events This Week***

Thursday: Philadelphia Fed, US Sept IP, NAHB Housing Market Index Oct, Euro Trade Balance & CPI Sept, Earnings (ADS, BHI, BAX, BBT, HAL, GS, MAT, PM, UNH, COF, SNDK, WDFC, XLNX)

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

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