From: Ike Groff
Sent: Fri 7/25/2014 9:48:08 AM
Subject: Early Tour 7.25.14

Good Morning … European Markets +/- 50 bps (Greece +3.3%, Russia -1.4%) … NKY +1.13%, SHCOMP +1.02%, HSI +0.33%, KOSPI +0.36%, TWSE -0.93%, ASX -0.08%

EUR 1.3477 (-0.12%) JPY 101.92 (-0.10%) EUR/JPY 137.05 (-0.02%) AUD -0.15% NZD -0.35% RUB -0.17% US 10yr 2.51%

Futures: **Dow -20, Nasdaq -13, S&P -2** DXY $80.95 (+8c) Crude $102.07 (unch) Gold $1294.70 (+$2.00) Copper +0.12% Silver +0.32% Nat Gas +0.36%

Asia mixed overnight with a positive bias. Japan outperformed as the Nikkei rallied sharply into the close to finish on the highs. There appeared to be no clear catalyst and the move seemed to be fairly isolated with S&P futures and the USDJPY barely moving over the same time span. Nationwide and Tokyo CPI numbers were inline with expectations. China and Hong Kong also continued the recent upward trend as indices rallied for a third day. KOSPI printed new yearly highs again as locals break their 18-day sell streak while foreigners continued to add for the ninth day. European markets are also mixed to finish the week but have started to fade a bit from the best levels of the day. Russia lagging -1.46% into the weekend as Europe continues to weigh further sanctions, Dutch/Australians send special forces to protect MH17 crash site/investigators, and the US says they have evidence of artillery fire across border from Russia to Ukraine. Greece outperforms +3.2% on some incrementally positive political developments yesterday as well as a positive MS note saying Greek equities are oversold (periphery banks getting squeezed and general lack of selling today as well). Luxury the weakest performing sector in Europe after LVMH misses estimates with luxury demand in Asia under pressure (MC FP -6.9%). Banks acting well and led by RBS which is trading +13.8% after its H1 profit doubled. In Consumer Staples, Danone numbers disappoint but the stock is only -0.14% as expectations were already fairly low. On the M&A front, BSkyB is bidding €6.75/share for the rest of Sky Deutschland (and announces a 156M share accelerated book-build thru Barclays & MS), and Balfour Beatty and Carillion confirm they are in merger talks (engineering/construction). In the US, Amazon & Pandora were both -10% in after-hours trading while Visa & Starbucks were -3.0% post numbers. Durable goods orders out before the open. SPA's ~ flat = 1980.20 last.

LYB,MCO,SWK,TYC,LEA #'s pre-market, Durable Goods Orders @ 8:30am

- Pandora slight beat on revs but subscription growth slowed & loss widened (trading -10%)
- Amazon sales soared but loss widened on higher cloud costs (margin outlook weak) (trading -10%)
- Baidu mobile growth reason for 34% profit gain & revenue beat (guidance higher) (trading +6%)

- Starbucks strong Q3 (US sales up) boosted by coffee price hikes but growth concerns (trading -3%)
- Verisign Q2 adjusted eps beat & revenues missed, also narrowed 2014 rev forecast (trading inline)
- Visa eps topped & reported higher profit but lowered revenue outlook for fiscal year (trading -3%)
- HomeAway eps matched but boosted year revenue outlook (trading +10%)
- Altera reported solid telecom/wireless growth & rev view topped (18c div vs 15c) (trading +0.05%)
- CR Baird eps & revs beat ests & raised 2014 adjusted eps forecast (gm's growing) (trading up)
- Chubb missed as profit fell 14% & lowered forecast as margins worsened (trading -3%)
- KLA-Tencor 6c eps miss & revenues roughly inline (outlook touch light) (trading -4%)
- Riverbed swung to second quarter profit but mixed #'s as eps inline & revs missed (trading +1.5%)
- Maxim Integrated Q4 missed also eps & revenue view below street estimates (trading -13.5%)
- SBA Communications 16c eps beat & revs ahead plus boosted yr rev view (trading higher)
- BSkyB offers €6.75/share for rest of Sky Deutschland, BSY LN ABB 156M shares (trading -3.2%)
- LVMH misses estimates, Asia demand under pressure, negative fx effects as well (trading -6.9%)
- Luxottica operating profit beats estimates, price increase positive for 2015 (trading +1.9%)
- Danone H1 disappointing but expectations low, dairy volumes -7.4%, baby LFL's -9.2% (trading -0.14%)
- Valeo (auto supplier) H1 net income misses estimates, revs inline, confirms outlook (trading -2.3%)
- Lafarge generally inline, Q2 ebitda €812 million vs est €816 million, confirms outlook (trading +0.53%)
- Thales generally inline, H1 sales touch light, cash weak, confirms 2014 outlook (trading -1.1%)
- SES H1 results solid, inline with estimates, reiterates full-year forecast (trading -1.2%)
- TF1 H1 ad revenue falls even with World Cup, says conditions remain tough (trading -5.8%)
- Vodafone organic saels growth beats ests, confirms outlook, Southern Europe difficult (trading +2.5%)
- Statoil profit drops -12% in Q2 on lower output, 8% below consensus, weak E&P Norway (trading -2.8%)
- Air France Q2 ebit beats, revenues miss, reaffirms outlook (high short interest name) (trading +5.1%)
- Technicolor H1 sales drop, net income rises, cuts net debt by €166M y/y, confirms targets (trading +3.8%)

- Anglo American H1 profit rises on higher output & lower production costs at copper division (trading +1.8%)
- Deutsche Boerse Q2 revenues inline, EBIT & EPS beat, reits operating cost guidance (trading +0.18%)
- Sika H1 solid but stock had been very strong into the numbers, lifts sales forecast (trading +0.56%)
- Pearson H1 revenues inline with estimates, better organic growth, reiterates 2014 targets (trading +2.3%)
- United Utilities inline with ests, ahead of schedule meeting regulatory performance targets (trading -0.77%)
- Balfour Beatty & Carillion confirm preliminary talks on possible merger (BBY LN +9.6%) (CLLN LN +10.5%)
- RBS H1 profit doubles, lower credit impairments, on track to meet cost-cutting targets (trading +13.8%)
- Barclays seeks dismissal of New York AG dark pool lawsuit citing clear & substantial factual errors
- Lloyds to pay up to £300M to US/UK regulators to settle allegations of manipulating Libor (FT)
- UK economy grew +0.8% q/q in Q2 (matching forecast), +3.1% y/y versus estimate +3.1%
- Germany July IFO business climate 108.0 (est 109.4), current assessment 112.9 (est 114.5)

Leading European Sectors: Banks +1.05%, Telco +0.79%, Fin Services +0.40%
Lagging European Sectors: Real Estate -0.79%, Autos/Parts -0.56%, Oil & Gas -0.52%

CERN revs beat – LEG eps topped – PFG div raised to 34c

RSG eps/revs beat – SRCL eps inline, revs topped – DTLK big eps beat

ECHO higher income – LOGM #'s better – QLIK year views beat

ACTG #'s beat ests – SWI boosted forecast – DECK raised outlook

BJRI eps topped – LSCC sees revs down – NTGR rev view trailed

GIMO loss worse – TPX larger loss – FLEX view midpt trailed ests

Secondaries (announced/priced): FPI, AGTC, GSJK

IPO's (filed/priced): El Pollo Loco (LOCO) 7.14M shares priced at $15, Advanced Drainage (WMS)

14.5M shares priced at $16 (below), Ocular Therapeutix (OCUL) 5M shares priced at $13 (below)

US Key Research:

- DB downgrades GM, Atlantic downgrades IPG, B. Riley downgrades AMZN & upgrades OSTK (buy)
- Barcap upgrades PBR & downgrades XOM/CVE, Buckingham initiates BURL (buy)
- Citi upgrades VRSN & initiates CYOU (sell) & JMEI/VIPS/WB (buy) & NTES/PWRD/GOMO (neut)
- GS initiates OPHT (neut), CS downgrades INFA, DnB downgrades RCL, Danske upgrades RCL (buy)
- GS removes PCP from Conviction Buy List, HSBC downgrades RGLD, Imperial initiates PQ (in-line)
- ISI downgrades EQT, Jefferies upgrades DECK (buy), JPM upgrades LOGI & upgrades NTRS
- PacCrest downgrades BCOV/CCI, Pareto upgrades RCL (buy), Raja initiates TWTR (mp) & upgrades PTEN
- Baird downgrades INFA/COG, Wellington Shields upgrades GNTX (buy), Wells downgrades HOT

Europe Key Research:

- Barclays initiates TEF LN (ew) & upgrades A3M SM, Exane downgrades DSY FP, Jefferies upgrades MOBB BB
- Berenberg upgrades BOY LN and initiates TPT LN (buy), IRV LN (buy), RCDO LN (buy), Kepler downgrades UNA NA
- BofA initiates GEN DC (buy) & MOR GY (buy), Aurel downgrades MC FP, Bryan Garnier downgrades MC FP
- SocGen upgrades GAM SM and downgrades PFC LN, Numis upgrades DLAR LN, Natixis downgrades PGS NO
- Danske upgrades RCL NO, Carnegie downgrades OUT1V FH, DB downgrades ATS AV, Jefferies downgrades REX LN
- DNB downgrades DANSKE DC & RCL NO and upgrades TEC FP, Handlesbank downgrades DANSKE DC
- JPM upgrades LOGN SW & BMPS IM, Kepler upgrades MAP SM, Oddo upgrades MOBB BB, GENP PF, SK FP
- Oriel downgrades RBS LN, CS upgrades MAP SM, Swedbank upgrades COIC SS, MS upgrades EBS AV

➢ Jefferies downgrades KGF LN, Citi downgrades KGF LN & initiates LNZ AV (sell), Pohjola downgrades FSC1V FH

➢ Raja downgrades MC FP, SocGen upgrades POM FP & NYR BB and downgrades SAB SM, Vontobel downgrades STGN SW

➢ Investec upgrades MTX GY, Commerzbank downgrades ANN GY & GFJ GY

Reporting Pre-Open: ABBV, AEP, AON, AVY, COV, DTE, LYB, MCO, SWK, TYC, XRX, AAN, ACAT, B, BBGI, BIN, CPLP, FET, FNFG, IDXX, JMP, LEA, LPNT, MGLN, MOG.A, NS, NSH, OFC, PB, PFS, SLAB, SMLR, SQBK, SR, TCB, VVI, WBC, WLB, WTBA

Reporting Post-Close: BCRH, HVB

Economic Data: Durable & Capital Goods Orders @ 8:30am

Conferences: No major conferences

Analyst/Investor Days: N/A

Non-Deal Roadshows: NVS, VTL

Shareholder Meetings: PETS, SWY

Equity/Mixed Shelfs: N/A

Other Newspaper Articles & Stories

WSJ positive: Qualcomm (QCOM) WSJ, Baidu (BIDU) WSJ

- BSkyB to Buy German, Italian Sister Firms WSJ

- U.S. Says Russia Firing Into Ukraine WSJ
- Struggling Life Insurers Look to Middle-Class WSJ
- New-Home Slowdown Pressures Recovery WSJ
- Wall Street Takes a Shine to Argentine Bonds WSJ
- Barclays Files to Dismiss Dark-Pool Suit WSJ
- U.S. Corn Farmers Face a Cash Crunch WSJ
- Morgan Stanley to Pay $275 Million in RMBS Settlement WSJ
- Ex-Banco Espírito Santo Head Detained WSJ
- Google's New 'Moonshot:' The Healthy Human Body WSJ
- American, United Plan Buybacks WSJ
- Amazon's Ambitious Bets Pile Up, and Its Losses Swell NYT
- The Muddled Case of Argentine Bonds NYT
- Yellen Settles for a Slingshot Instead of a Shotgun NYT
- Obama Seeks to Close Loophole That Firms Use to Shield Profits Abroad NYT
- UK economy returns to pre-crisis level FT
- BSkyB to pay up to £7.4bn in Europe deals FT
- Lloyds to pay up to £300m Libor fines FT
- Junk bonds turn negative as rally stalls FT
- Goldman to Babble on own chatroom FT
- Lloyds to pay up to £300m Libor fines FT
- Barclays defends 'dark pool' venue FT
- London brokers face research shake-up FT
- Gaza causes split between main UK parties FT
- US builders slide as home sales dip FT
- Accounting standards change hits banks FT
- Nokia: tower of strength Lex
- Walmart: way to grow Lex

- General Motors: past tense Lex
- Balfour and Carillion in talks to create multi-billion pound construction giant Independent
- Barclays fights for dismissal of US legal action over dark pool Independent
- UK economy finally returns to its pre-financial crisis level Telegraph
- Sky Europe: what you need to know about the £7bn deal Telegraph
- Green Deal cashback scheme shuts with immediate effect Telegraph
- Barclays 'dark pool' defence a refreshing change Guardian
- UK GDP finally back above pre-crisis levels City AM
- IMF Admits: The UK is on top of the world City AM

Key Events Next Week

Monday: US flash services PMI July, Pending Home Sales June, Dallas Fed Manufacturing Activity Index, Markit US Composite & Services PMI, KBW Community Bank Investor Conference (NYC), Earnings (CMI, ROP, EMN, GGP, JEC, MAS, PCL, RRC, XL)

Tuesday: S&P/Case-Shiller Home Price Index, US Consumer Confidence July, Earnings (AET, CNX, GLW, ECL, FIS, IP, MHFI, PFE, PCAR, SIRI, RAI, WM, AMX, ESXR, MAR, OI, X)

Wednesday: ADP Employment Change, FOMC Rate Decision (no press conference), US Q2 GDP, US core Q2 PCE, Earnings (ADT, GRMN, HES, HUM, LO, MWV, PSX, ROK, SEE, WEC, ALL, HIG, KRFT, LNC, MET, MUR, WFM)

Thursday: Challenger Job Cuts, Chicago PMI, US employment cost index Q2, Eurozone unemployment rate June, Eurozone CPI July, Earnings (APA, BLL, BWA, CME, CL, COP, DTV, XOM, IRM, LM, MA, MCK, MOS, OXY, TWC, DVA, EXPE, MHK, PKI, TSLA, WU)

Friday: July Employment Report, US ISM manufacturing July, US construction spending June, US auto sales July, Eurozone manufacturing PMI July, Earnings (CVX, CLX, GHC, HCN, SWN, WY)

Key Events on the Horizon

August – Fed Jackson Hole Conference

Aug 25 – LSE Closed

Sep 1 – Labor Day – US Markets closed

Sep 18 – Scotland's referendum on Independence

October – Brazil elections

Nov 4 – US mid-term elections

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