From: [redacted]
Sent: Mon 12/2/2013 10:48:01 AM
Subject: Early Tour 12.2.13

Good Morning … European Markets off 10-70 bps (Italy & Spain -1.0%) … NKY -0.04%, SHCOMP - 0.59%, HSI +0.66%, KOSPI -0.69%, TWSE +0.09%, ASX -0.76%

EUR 1.3553 (-0.28%) JPY 102.74 (-0.29%) EUR/JPY 139.22 (unch) AUD 0.9131 (+0.25%) NZD 0.8181 (+0.69%)

US 10yr 2.79% Japan 10yr 0.61% Germany 10yr 1.73% Portugal 10yr 5.85% Italy 10yr 4.06% Spain 10yr 4.15%

Futures: **Dow -4, Nasdaq +1, S&P -2** DXY $80.83 (+15c) Crude $92.67 (-5c) Gold $1237.30 (-$13.10) Copper -0.42% Silver -1.61% Nat Gas -0.83%

The first day of trading for the month began on a slow note in Asia with indices ending mixed and volumes on the lighter side. China underperformed on fears that the government's plan to restart IPOs (after having been suspended for more than a year) would dilute liquidity from existing equities. But Hong Kong closed stronger led by mainland brokers who stand to benefit from the new issues. The HSBC PMI helped lend some support as it beat expectations (50.8 vs est 50.5). The official China PMI was out over the weekend and also came in better to remain at 18-month highs (51.4 vs est 51.1). Japan was flat after erasing earlier gains as the Yen weakened following comments from the former Finance Minister that he expects the currency to trade in a range of 102-108 from his previous range of 95-102. Australia ended near the lows ahead of tomorrow's RBA decision. Australian October Building Approvals fell -1.8% m/m vs est -5.0% and rose +23.1% y/y vs est +17.0%. Meanwhile, anti-government protests escalated in Thailand with the opposition issuing an ultimatum for PM Yingluck Shinawatra to resign (she is former PM Thaskin Shinawatra's sister and many feel that she is merely a puppet for Thaskin who has been living overseas since corruption charges in 2008). There were also mass demonstrations in the Ukraine over the weekend with many calling for a revolution to force the current President Viktor Yanukovich out of office (he failed to sign EU integration agreements on Friday and instead is seeking closer ties with Russia) (FT). European markets tilting for sale and this will certainly be one of the last big weeks of the year in terms of calendar activity. European PMI Manufacturing #'s are out this morning and generally stronger with the exception of Spain: Eurozone 51.6 (est 51.5), Germany 52.7 (est 52.5), France 48.4 (est 47.8), Italy 51.4 (est 50.8), Spain 48.6 (est 51.1), UK 58.4 (est 56.1), Sweden 56.0 (est 53.6). On the US retail front, Shoppertrak has indicated that retail sales for Thursday & Friday alone were +2.3% y/y (appears that Thursday's early opening pulled sales forward from Friday which could hurt margins due to holiday pay and other employee incentives) (FT). It also appears that Saturday and Sunday were a bit quieter as the National Retail Federation says total spending over Thanksgiving weekend (Thurs-Sun) dropped -2.7% from last year. Plenty of macro data this week but the big event will be Friday's labor report given the upcoming FOMC meeting on 12/18. US 10yr yields ticking up 4bps to 2.7879%. SPA's -2 handles = 1802 last.

Markit US PMI @ 8:58am, ISM Manufacturing & Construction Spending @ 10am

- Amazon is developing unmanned aerial drones that could be used to deliver packages (FT)
- Thyssenkrupp sells US steel plant for $1.55 billion & plans capital boost up to 10% (trading -8.1%)
- Outokumpu returns Terni/VDM assets to Thyssenkrupp, €650 million rights offering (trading +22%)
- L'Oreal to buy back as many as €500mn of shares between now and end of Q1 2014 (trading +1.1%)
- Axa to sell its Romanian Life & Insurance operations to Astra Asiguari (trading -0.36%)
- Tel Italia not pursuing Brazilian unit sale, Telefonica may merge Vivo & TIM Brasil (trading -2.1%)
- Raiffeisen in talks to sell its Ukrainian unit Aval to Alfa bank for €1.3bn (trading -0.81%)
- UBS to buy back CHF 2.15bn of outstanding bonds to reduce interest expense (trading +0.06%)
- Sodexo Chairman Bellon tells *Figaro* that his daughter will succeed him in 2016 (trading -0.43%)
- Actelion says DMC recommends cancellation of Phase 3 ulcer study (trading unchanged)
- Greece govt bond rating raised to Caa3 from C by Moody's (reduced likelihood of further PSI)
- South Korea November exports +0.2% y/y vs est +3.0%, imports -0.6% y/y vs est +4.4%
- South Korea November CPI -0.1% m/m versus estimate -0.1%, +0.9% y/y versus estimate +1.0%

Leading European Sectors: Trav/Les +0.48%, Autos/Parts +0.09%, Fin Services -0.09%
Lagging European Sectors: Retail -0.82%, Utilities -0.78%, Food/Bev -0.75%

Secondaries (announced/priced): N/A

IPO's: N/A

US Key Research:

- Barcap initiates BCRH (ew) and ARCX (ow), Jefferies upgrades OII (buy)
- DB upgrades MPC (buy) & downgrades RE & initiates NCFT (hold) and LGIH (buy)
- GS initiates TWTR (buy) & upgrades RKUS/WR (buy) & cuts GAS (sell) , JPM upgrades KNX
- JMP initiates PGIH/KPTI/CUDA (op), JPM initiates TWTR (neut) & WIX/CUDA (ow)
- MLV initiates MMLP/OILT/RRMS/TLLP/TLP (buy) & BKEP/GEL/GLP/NS/WPT (hold)
- Mizuho initiates CST (buy), MS cuts MMM/DOV & upgrades SPG & initiates TWTR (ew)

Europe Key Research:

- GS resumes RR/ LN, EAD FP, MGGT (buys) and BA/ LN, COB LN, SAABB SS, HO FP, ULE LN (neutrals)
- UBS downgrades SHP LN & TCG LN, Barclays downgrades DEB LN, Citi initiates ESUR LN (buy)
- Citi downgrades RDW LN & upgrades BDEV LN, BofA upgrades OUT1V FH, CS downgrades ADN LN
- Nomura upgrades TEL2B SS & SCMN VX and downgrades TEL NO, DTE GY, Berenberg downgrades VIG AV
- Berenberg initiates STCK LN (buy), Soc Gen downgrade ELPE GA, SEB upgrade REC NO, downgrade NES1V FH
- HSBC initiate BELA GA (ow), FFGRP GA (ow), OPAP GA (n), downgrade TSCO LN (uw)
- KepChev initiate ANN GY (h), P1Z GY (b), Mainfirst downgrade SK FP, upgrade CON GY, Vontobel downgrade KUNN SW
- DB downgrade CNA LN, KRA1V FH, LXS GY, TESB BB, upgrade SY1 GY, AZEM LN, UBS downgrade TCG LN, SHP LN

Reporting Post-Close: ASNA, ENVI, GMAN, KKD, SCVL, THO

Economic Data: Markit US PMI @ 8:58am, ISM Manufacturing / Construction Spending (Sep & Oct)

@ 10am

Fed Speakers: Potter @ 7pm (NY)

Conferences: DB BioFest (Boston), Bofa Leveraged Finance (Boca Raton)

Analyst/Investor Days: VALE

Non-Deal Roadshows: ASH, CALX, DCI, IMAX, INGR, KERX, MHK, MILL, OSUR, PGH, VTNR, SGMO, RATE

Shareholder Meetings: STM, CMGE, GRMH, YONG

Equity/Mixed Shelfs: BDSI ($75M)

Other Newspaper Articles & Stories

Barron's cover: Explanation of the shortfalls of the philanthropic efforts in Africa Barron's

Barron's positive: Capital One Financial (COF) Barron's

Barron's interview: Robert Shiller and Jeffrey Gundlach Barron's

- Cameron defends backing of China-EU trade deal FT
- Business still favours UK tax regime FT
- Square Mile job vacancies hit seven-month high FT
- Industry near 'crisis point' over green taxes FT
- US Thanksgiving sales set to be down FT
- Beijing must pull off a mix of Mao and markets FT
- EU must improve its aim on energy FT

- Thailand's Yingluck rejects call to resign FT
- Tablet shopping to triple to £4.7bn FT
- Drone deliveries beckon for Amazon FT
- Corporate default: slim pickings Lex
- ThyssenKrupp: uncertainty continues Lex
- Hewlett-Packard: valuation puzzle Lex
- Hedge accounting: more use, some problems Lex
- Chinese Territorial Strife Hits Archaeology WSJ
- Italian Banks' Woes Hurt Small Firms WSJ
- Reversal of Europe Deal Jolts Ukraine WSJ
- For Rent in Europe: Trendy Jeans, Washing Machines WSJ
- Iran Deal Opens Door for Businesses WSJ
- Yellen Keeps Stock-Market Gloom at Bay WSJ
- Web Companies Embrace TV Ads WSJ
- Out of Print, Maybe, but Not Out of Mind NYT
- Quiet Boss at Citigroup Setting Tone for Wall Street WSJ
- Boost for Cameron as China looks to back HS2 The Times
- As mortgage rates rise, Tories must cut taxes The Times
- Green energy could kill Britain's economy The Times
- Chancellor demanding more spending cuts from departments to fund Autumn Statement giveaways Independent
- Fresh fears of housing bubble as demand soars and supply shrinks Independent
- Scotland may prefer to go it alone, but the EU has lessons for countries that secede Telegraph
- Retailers need the Government to come up with a clear strategy to reflect 21st-century trading Telegraph
- Banking reform is still unfinished business Telegraph
- Bali talks are make or break for World Trade Organisation Guardian
- Nobel prize economist warns of US stock market bubble Guardian

- Cutting energy bills a good move – but Osborne must do more CityAM
- Forget Gatwick bluster: A mega-hub east of London is our only real option CityAM
- Quant hedge funds: Computer says no Economist

Key Events This Week

Tuesday: Global Auto Sales, Eurozone PPI, China non-manufacturing PMI, Citi Materials Conf, CSFB Industrials Conf (NYC), Goldman Industrials Conf (London), MSCO Transportations Conf (Boston), Piper Healthcare Conf (NYC), Earnings (BMO CN, LTXC, BOBE, UTI)

Wednesday: US ADP report, US New Home Sales, Fed's Beige Book, Bank of Canada rate decision, Eurozone retail sales/GDP/PMI services, SunTrust Lodging Conference (Boston), Earnings (BF.B, AVGO, CFRM, WTSL)

Thursday: US GDP revision, US Factory orders, Retail Sales Nov, BOE & ECB rate decision, FinMin Osborne to release UK autumn statement, William Blair Deal Economy 2014 (NYC), Earnings (DG, KR, RY CN, ZUMZ, ULTA)

Friday: November Labor Report, Earnings (BIG, AEO, BNS CN)

Saturday: China trade data

Key Events on the Horizon

Dec 13 – Congress budget deal deadline

Dec 18 – FOMC rate decision

Jan 15 – Current CR runs out

Jan 21 – State of the Union Address

Feb 7 – Debt ceiling deadline (Treasury can use extraordinary measures for ~ 1 month past this date)

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