

From: [REDACTED]
Sent: Wed 11/27/2013 10:59:48 AM
Subject: Early Tour 11.27.13

Good Morning ... European Markets up 0-70 bps (Italy +1.0%, Swiss -0.08%) ... NKY -0.42%, SHCOMP +0.82%, HSI +0.53%, KOSPI +0.31%, TWSE +0.58%, ASX -0.45%

EUR 1.3597 (+0.18%) JPY 101.79 (-0.49%) EUR/JPY 138.40 (+0.68%) AUD 0.9128 (+0.01%)
NZD 0.8204 (+0.11%) GBP 1.628 (+0.43%)

US 10yr 2.72% Japan 10yr 0.61% Germany 10yr 1.70% Portugal 10yr 5.85% Italy 10yr 4.06%
Spain 10yr 4.15%

Futures: Dow +18, Nasdaq +5, S&P +1 DXY \$80.54 (-7c) Crude \$93.30 (-38c) Gold \$1251.30
(+\$9.80) Copper +0.28% Silver +0.99%

Asian markets were once again mixed with indices trading in narrow ranges in quiet trade ahead of the Thanksgiving holiday in the US. The Nikkei closed below 15,500 for the first time this week despite the Yen holding on to mid-101 levels. Shanghai and Hong Kong were stronger following reports the PBOC Governor Zhou Xiaochun was looking to expand QFII/QDII investment quotas and also with the CIRC Vice Chairman looking to increase insurance funds equity investment to 20-30% from 10%. Mainland property plays struggled with more tightening measures in Nanjing and Hangzhou. Also of note, Japanese airlines flew through an air-defense zone claimed by China and disputed by Japan today after US unarmed B-52 bombers entered the airspace yesterday (China has embarrassed itself into a corner here). European markets mostly higher as we approach month end on Friday. Royal Mail Group trading +5.8% after its first set of results since listing. Norwegian oil services company Aker Solutions trading +8% after a reverse inquiry from Aker ASA had them pay up to 115 NOK for 16.44M more shares. And hotel operator Accor trading -4% after announcing a restructuring which will separate its operating and ownership units. In Germany, Merkel's CDU/CSU bloc has reached a grand coalition agreement with the SPD and the details will be presented at 12pm CET (early reports suggest that Merkel has agreed to a national minimum wage as well as increasing spending on pensions & infrastructure without raising taxes). The SPD will now hold a referendum vote amongst its members with the outcome due Dec14-15. There is also an article in *Sueddeutsche* speculating that the ECB is weighing a new LTRO with conditions attached and possibly other measures as well (note many are expecting another LTRO in Q1 2014). Big macro day in the US to as we get the data in before the holiday. HPQ indicated +7% after a strong revenue beat and better cash flow while ADI looking -3% on weaker guidance. SPA's +1 handle = 1803.80 last.

Mortgage Applications @ 7am, Jobless Claims / Durable Goods @ 8:30am

Michigan Confidence @ 9:55am, Leading Indicators @ 10am

China October Industrial Profits tonight

- Hewlett-Packard revs fell beat ests boosted by corporate demand (bookings +30%) (trading +7%)
- Analog Devices Q4 profit up on gm growth but revs missed and sees lower Q1 sales growth (trading -3%)
- TiVo subscriptions continued to rise & revenues grew but net income fell on prior yr litigation gain (inline)
- Tilly's lower third quarter sales & weaker than expected earnings forecast for holiday quarter (trading -15%)
- Zale loss narrowed on broad same-store sales (12th qtr of positive comps) & solid margin growth
- Amec said to be stalking US rival Foster Wheeler with GS advising them according to the *Times*
- Moncler: upcoming luxury apparel IPO in Italy price range is officially out €8.75-€10.20 (pricing Dec 11)
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- Vossloh founding family said to be selling a stake (rumoured 22%), estimated price range of €68-€70 (trading -3.8%)
- Aker ASA buys 16.44mn shares Aker Solutions @ Nok115 via ABG (reverse inquiry) (AKSO NO +8.0%)
- Accor announce new strategy, nothing new on financial and cost goals, clear vision (trading -4.0%)
- Essilor buys 50% of Xiamen Yarui Optical – leader in Chinese mid-range sunglasses (trading +0.50%)
- EADS sells 30 A320's to Chinese budget carrier & identifies €690mn unit synergy potentials (trading +0.80%)
- Colruyt H1 revs inline, EBITDA better, EBIT ahead, outlook muted by consumer spending patterns (trading +5.3%)
- Arcelor & Nippon nearing agreement to buy Thyssen's Alabama plant for \$1.5bn (trading +1.6%)
- Generali investor day in London, increasing cost savings targets, confirms 2015 ROE of 13% (trading +1.8%)
- Popolare approves the merger plan for Credit Bergamasco & Italease, boosts core capital by 50bp (trading +6%)

- Nordex issues 7.35mn new shares, 180 day lock up, said to be covered at €10 (trading -5%)
- Vivendi supervisory board unanimously agree to group planned demerger of SFR/Media assets (trading +1.8%)
- Associated British Foods: *Sky News* reports mulls takeover of Tilda for £250M (trading +0.70%)
- Veripos: Hexagon holds 27.4% of Veripos, seeks to buy more at Nok34-Shr (trading +12%)
- Veolia: EDF places 4.01% stake @ 11.90eur/share overnight (trading -1.7%)
- LEG Immobilien Q3 rental income improving, EBITDA declining, vacancy rate 3%, reaffirms outlook (trading -0.10%)
- Raiffeisen International Q3 net income beats, NII improvement, trading income good (trading -0.10%)
- Royal Mail H1 benefits from one-offs & lower transformational costs, positive parcel rev outlook, GLS solid (trading +5.8%)
- Compass Group FY revs in line, adj pretax ok, new £500mn buyback, encouraging 2014 pipeline (trading +3.6%)
- Matas Q2 net beats, sales fine, EBIT good, positive outlook, StyleBox op costs unchanged (trading +1.5%)
- United Utilities H1 op profit in line, remains confident on goals, looks to maintain dividend policy (trading +1.5%)
- Shaftesbury FY net property income ahead, NAV better, EPS in line, rising on property valuations (trading +2.0%)
- Punch Taverns Q1 profit in line, improving LfL trends, reiterates guidance (trading +4.5%)
- Immunodiagnostics H1 adj EPS & EBIT better y/y, confident will meet all FY goals (trading +5.0%)
- Frontline Q3 revs improve y/y, vessel impairment loss of \$22.4mn, cautious outlook (trading +7.0%)
- Findel H1 revs good, EBITDA solid, op profit improving, H2 trading encouraging (trading +1.6%)
- Solvay cuts 2016 EBITDA goal, confirms strategy/vision, targets higher growth/better returns (trading -2.1%)
- German cartel office starts probe into Rhoen Klinikum and Freensius deal (looking into regional overlap)
- Thailand cuts key rate 25bps to 2.25% in a 6-1 vote (all 19 economists surveyed saw no change)

Leading European Sectors: Basic Res +1.33%, Trav/Les +1.12%, Media +0.86%
Lagging European Sectors: Healthcare -0.09%, Food/Bev +0.02%, Tech +0.10%

GAME revs missed – AVAV rev midpt above ests – GNC \$500M buyback

Notable Options Activity Yesterday:

DG (\$58.79 +0.5%) bullish customer bought the May \$62.5 calls 5000x for \$3.15 to sell the May \$67.5 calls 7500x at \$1.775. The trade looks for stock to trade above \$62.50 at expiration, with a maximum payout at \$67.50.

EBAY (\$48.76 -0.6%) heavy call volume on Tuesday, with the largest trade being a purchase of 50,000 July \$62.5-\$65 call spreads for \$0.275. The trade is cheap on an absolute level, with potential for 9x ROI if the stock closes above \$65.00 at expiration.

Secondaries (announced/priced): PF, BRSS, NDX1 GY, VOS GY, VIE FP

IPO's: Moncler price range announced (€8.75-€10.20) and start of book building (expected pricing 12/11, start of trading 12/16)

US Key Research:

- DB initiates QUNR (hold), FBR initiates FUN (op) & SEAS/SIX (mp)
- Janney downgrades DENN, Jefferies downgrades OGE, Stifel initiates RKUS (buy)
- Piper initiates CMRX/GWPH/INSM/NKTR/RPRX (ow's)
- Piper resumes ALXN/AMGN/BIIB/BMRN/GILD/INCY/PCYC/VNDA (ow) & CELG/ISIS/MNKD (neut)
- Evercore upgrades HPQ & downgrades TIVO, RBC downgrades INTC

Europe Key Research:

- Barc upgrade BVIC LN, Beren downgrade ZURN SW, upgrade HEI GY, Bern upgrade RCO FP
- Citi downgrade DLAR LN, initiate ABG SM (b), CS downgrade ISP IM, Danske upgrade SONG NO

- DBK upgrade BIJ GY, DNB downgrade YAR NO, GS initiate ELI BB (n), HSBC downgrade MOBB BB
- Exane initiate CGG FP (op), SUBC NO (op), WG/ LN (op), PFC LN (n), SDRL NO (n), GBB FP (up), SPM IM (up)
- Exane initiate TEC FP (n), AMEC LN (up), Oddo downgrade RCO FP, UBS downgrade MTX GY, MTO LN
- JEFF initiate BREE LN (b), TYMN LN (b), MLSH LN (h), KepChev downgrade HOLMB SS, SKG ID
- BofAML initiate ABG SM (n), Goodbody downgrade SMDS LN, RAYJ downgrade RCO FP, upgrade VER AV
- RBC upgrade UBSN VW, Sarasin upgrade BUCN SW, SEB downgrade UNIB SS, SocGen upgrade ZURN VX

Reporting Pre-Open: ATV, CHOP, FRO, GLNG, GMLP, SFL, SRLP, WUBA

Reporting Post-Close: RENN

Economic Data: MBA Mortgage Applications @ 7am, Jobless Claims / Durable & Cap Goods Orders / Chicago Fed National Activity Index @ 8:30am, Chicago PMI / Bloomberg Consumer Comfort @ 9:45am, U. of Michigan Confidence @ 9:55am, Leading Indicators @ 10am

DOE crude oil inventories @ 10:30am, EIA natural gas storage @ 12pm

Conferences: No major conferences

Analyst/Investor Days: N/A

Non-Deal Roadshows: N/A

Shareholder Meetings: FORTY, DQ, VIDE, YY

Equity/Mixed Shelves: N/A

Other Newspaper Articles & Stories

WSJ cautious: US Banks [WSJ](#), Men's Wearhouse (MW) [WSJ](#)

- Profits surge at newly privatised Royal Mail [FT](#)
- Angela Merkel secures right-left German coalition deal [FT](#)
- Iran opens contacts with oil groups [FT](#)
- Putin leans on Kiev as protests persist [FT](#)
- Vivendi: two is better than one [FT](#)
- S&P says banks may have to spend extra \$104B on mortgage cases [FT](#)
- Free movement within Europe needs to be less free [FT Opinion](#)
- Rogers, NHL agreement is a big loss for TSN [Globe & Mail](#)
- US expands China hiring probe to Morgan Stanley [Reuters](#)
- Bayer / Algeta: the piper pays [Lex](#)
- Hugo Boss: marginal call [Lex](#)
- Surging Nasdaq Pierces 4000 [WSJ](#)
- Obama Administration Proposes New Curbs on Campaigning by Tax-Exempt Groups [WSJ](#)
- Volatile Loan Securities Are Luring Fund Managers Again [WSJ](#)
- Durable Goods Look Soft Around the Middle [WSJ](#)
- Morgan Stanley and Citi Got SEC Inquiries on Foreign Hiring [WSJ](#)
- 'Black Friday' Feels Like a Month [WSJ](#)
- I'm a Teen, Watch Me Shop [WSJ](#)
- New Boom in Subprime Loans, for Smaller Businesses [NYT](#)
- Risky Investment Vehicle With High Yields Gains Prominence [NYT](#)
- Amec lining up £5bn deal to capture American rival [The Times](#)

- Fraud inquiry threat looms over Royal Bank of Scotland [The Times](#)
- Ofgem 'would back Miliband's 20-month energy bill freeze' [The Times](#)
- Chancellor 'must take control of the national debt' [The Times](#)
- Fruit Shoot puts the lid on its product recall [The Times](#)
- Tiffany glitters on Asian taste for bling [The Times](#)
- Mark Carney: RBS allegations 'deeply troubling and extremely serious' [Guardian](#)
- WTO faces existential crisis [Guardian](#)
- Mark Carney calls for formal powers over bank leverage ratios [Independent](#)
- We should have let banks go to the wall. They don't care about our wellbeing [Independent](#)

Key Events This Week

Thursday: Thanksgiving (US market closed), BOE Financial Stability Report, Germany CPI, Eurozone confidence

Friday: US markets close early 1pm, ISM Milwaukee, JCP removed from SP500, EU banks face 11/29 deadline to submit data to ECB for current risk assessments, Earnings (FRO)

Saturday: China November manufacturing PMI

Sunday: China November HSBC manufacturing PMI

Key Events on the Horizon

Dec 4 – OPEC meets in Vienna

Dec 5 – BOE & ECB rate decisions

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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