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Subject: Early Tour 7.17.13

Date: Wed, 17 Jul 2013 09:57:38 +0000

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Good Morning ... European Markets off 25-75 bps (Spain -0.94%)... ASX -0.09%, NKY +0.11%, KOSPI +1.13%, TWSE -0.01%, SHCOMP -1.01%, HSI +0.28%

EUR 1.3149 (-0.10%) JPY 99.58 (-0.49%) EUR/JPY 130.95 (+0.39%) AUD 0.9213 (-0.43%) NZD 0.7859 (-0.43%)

Spain 10yr 4.71% Italy 10yr 4.48% Portugal 7.17% Germany 10yr 1.57% Japan 10yr 0.82% US 10yr 2.535%

Futures: **Dow -33, Nasdaq -3, S&P -4** DXY \$82.56 (+6c) Crude \$105.43 (-57c) Gold \$1286.70 (-\$5.30) Copper -1.44% Silver -0.83%

AsiaPac indices finished mixed with volumes still light ahead of Bernanke's congressional testimony later. China FDI surprised to the upside, coming in at a 15-month high of 20.1% vs expectations of 0.7% and 0.3% previously. SHCOMP initially rallied on the print but faded in the afternoon to end on the lows as FinMin was quoted as saying "China won't roll out large-scale fiscal stimulus policies this year." Copper -1.47% on the heels of that. South Korea outperformed on chatter that the National Pension Fund was actively buying in the market and Japan struggled most of the day, but PM strength in Softbank (+4.9%) helped the Nikkei eke out a gain. Australia was unable to stay in positive territory despite a strong showing from materials stocks after BHP's (+2.3%) quarterly production beat estimates, which follows strong numbers out of Rio (+1.1%) yesterday. European markets mostly lower to start the day. Spain underperforming -0.94% on rumors of a potential two-notch downgrade by S&P (has been on negative watch since Oct 2012) and the PP slush fund scandal not helping either. Earnings heating up in the US with a number of big names in the financials and tech sectors due to report today. Bernanke testifies on Capitol Hill at 10am but the text will be released pre-open at 8:30am. SPA's -4 handles = 1667 last.

Mortgage Apps @ 7am, Housing Starts @ 8:30am, Beige Book @ 2pm

Bernanke's testimony to House Panel released @ 8:30am (delivers testimony @ 10am)

ABT, BAC, BK, GWW, MAT, MTB, NTRS, PNC, STJ, TXT, USB #'s pre-open

AXP, EBAY, IBM, INTC, KMI, NE, SLM, SNDK, XLNX earnings after close

- CSX beat on solid quarter (operating ratio improved) despite coal headwinds (trading +2.5%)
- Yahoo! profits up but decline in display/search revs & sales forecast weak (trading -1%)
- Interactive Brokers weak Q2 as revs & eps light (14c/\$283.9M vs 21c/\$299.8M) (trading -2%)

- Packaging Corp Q2 net +43% helped by higher costs & solid guidance (BMO cuts) (trading +3%)
- L'Oreal Q2 broadly inline, sales growth below, luxury decelerated, FY unchanged (trading -3.2%)
- Accor Q2 LFL's ahead (easier comps), Revpar improving, no margin guidance (trading -0.50%)
- ITV loses the FA cup (oldest cup competition in the world) rights to the BBC (trading -0.70%)
- BHP Q4 prod. strong across the board, iron ore & copper ahead, positive guidance (trading +1.3%)
- ASML Q3 sales inline, gross margins below, tweaking FY sales higher (trading +1.8%)
- Electrolux June AHAM6 +9%, overall good but freezer and aircon below (trading +0.30%)
- Novartis Q2 net income/revs/core EPS inline, raises FY sales and profit outlook (trading -1.5%)
- Handelsbanken Q2 broadly inline, net income ahead, fee income ok, CT1 18.2% (trading -1.7%)
- Nordea Q2 net profit inline, fees slight better, trading income & NII ok, CT1 14% (trading +0.70%)
- SGS H1 below as Europe continues to weigh, sales slight light, confirms outlook (trading -1.6%)
- Fresnillo Q2 production good, silver +6.3% YoY, gold slow to recover, mixed guidance (trading +2.6%)
- Millicom Q2 revs inline, EBITDA ahead, positive outlook on lower than exp losses (trading +1.9%)
- CDON Q2 sales weak due to one off inventory reduction, net loss worse (trading -3.4%)
- TeliaSonera Q2 sales inline, net ahead, organic growth weak, maintains outlook (trading +0.80%)
- Wirecard falls on *FT* article suggesting the EU is to propose a transaction fees cap (trading -4.0%)
- BOE Minutes: 9-0 vote to hold bond program at £375B (Miles & Fisher drop call for more QE)
- UK jobless claims fall at fastest pace in 3 years in June (-21,200 versus estimate -8,000)

Leading European Sectors: Basic Res +0.89%, Retail +0.03%, Trav/Les +0.02%

Lagging European Sectors: Autos/Parts -0.90%, Construction -0.84%, Chemicals -0.74%

ZAGG cuts rev forecast – WTFC eps beat – MRTN eps/revs missed

RLGY guides eps higher – CRR increases div – URI returns to profit

FLOW postpones 10-k reaffirms – BNNY registers shares for Solera – TRGP div

Notable Options Activity Yesterday:

XLK (tech select etf) (32.04 +.1%) opening custs bought aug 33 calls throughout the day 65k total up to .16 most likely an earnings play with almost every component of etf reporting by aug expiration (8.17) and more than a third reporting this week (AAPL, MSFT, GOOG ~30% of etf combined)

SKS (14.55 -.6%) opening cust bought 7000 aug 13 puts paying up to .25 company is expected to report earnings 8.20 which is after august expiration

WAT (103.5 -1.1%) opening cust bought 2500 nov 115 calls paying up to 2.05 cust gets 2 earnings reports with nov options breakeven 13% higher

Secondaries (announced/priced): VSTM, RLG, CASM, EQM

IPO's (filed/priced): NRG Yield (NYLD) 19.6M class A share IPO priced at \$22

US Key Research:

- William Blair initiates CIEN/INFN (op's) & JDSU/FNSR (mp's), Piper cuts HOLX
- RBC initiates FIG (op), Susq initiates NOW (positive) & WDAY/DATA (neutral)
- DB cuts JNJ/TWTC/JMI/ANH & initiates BXMT (buy), Evercore initiates GOGO (ow)
- Miller Tabak initiates AREX/FANG (buys), KBW upgrades TAYC/MBFI
- FBR upgrades ADBE, Baird upgrades BWA, Canaccord downgrades GSS (sell)
- Raja downgrades ININ, BMO cuts PKG, Williams Capital cuts NVE

Europe Key Research:

- CS downgrade ULVR LN, JMAT LN, GS cut TLPR LN from conv buy, reit conv buy MONI LN
- UBS add to most pref & upgrade TCG LN, add FLU AV to least pref, reit buy PSON LN
- JPM downgrade SWEDA SS, SMIN LN, Barc downgrade CRDA LN, GIVN VX
- BofAML upgrade SXS LN, RBC downgrade CPI LN, SocGen initiate FNAC LN (b)
- JEFF initiate LHA GY (b), IAG (b), AF FP (up), EZJ LN (h), RYA ID (b)
- DBK downgrade SWEDA SS, KepChev pushing UBM LN & INF LN, Fidentis d/g PIA IM
- Natixis upgrade BATS LN, downgrade IMT LN, Exane upgrade SOLB BB
- MainFirst downgrade AF FP, Numis initiate CWD LN (h), HSBC downgrade YAR NO
- Jyske downgrade PNDORA DC, Espirito resume ZON PL (b), KBC downgrade WES NA

Reporting Pre-Open: ABT, BAC, BK, GWW, MAT, MTB, NTRS, PNC, STJ, TXT, USB, CHFC, FBRC, FRC, IGTE, KNL, LEE, MIICF, NVS, PJC, WNS

Reporting Post-Close: AXP, EBAY, IBM, INTC, KMI, NE, SLM, SNDK, XLNX, AF, ALB, BPFH, CATY, CCK, CLB, CNS, CVA, CVBF, CYS, EPB, EWBC, GHL, HNI, JAKK, KMP, KMR, LHO, PCBK, PLXS, PTP, RLI, SCSS, STLD, UFPI, UMPQ, ZHNE

Economic Data: MBA Mortgage Applications @ 7am, Housing Starts & Building Permits @ 8:30am, Beige Book @ 2pm

Treasury auction in 10yr TIPS @ 1pm (\$15B)

Fed Speakers: Bernanke delivers semi-annual testimony to HFSC @ 10am (DC), Stein at Fed Conference @ 12pm, Raskin to Exchequer Club @ 1pm (DC)

Conferences: Wells Fargo Fiber Summit (NYC)

Analyst/Investor Days: N/A

Non-Deal Roadshows: AERL, BXMT, CRK, EMKR, EXPR, GPS, GPT, MNRO, NPSP, TUP, EDE

Shareholder Meetings: BPAX, SEAC, MPG, SCS, SMTX, VNR, ENVI, LRAD

Equity/Mixed Shelves: IDN (\$25M)

Other Newspaper Articles & Stories

WSJ negative: Intel (INTC) [WSJ](#)

WSJ cautious: Goldman Sachs (GS) [WSJ](#)

- Record fine for Barclays over power prices [FT](#)
- Cuba claims ownership of arms seized on N Korean-flagged ship [FT](#)
- Ford lashes out at Japan's entry into TPP trade talks [FT](#)
- Yahoo's deals fail to boost revenue growth [FT](#)

- Falling pension scheme numbers highlight need for auto-enrolment [FT](#)
- Stimulus tapering years away, says BoE's Paul Fisher [FT](#)
- Card transaction fees to be capped under EU proposal [FT](#)
- Globalisation in a time of transition [FT](#)
- Unorthodox injections sustain China's healthcare system [FT](#)
- India eases curbs on foreign direct investment to boost growth [FT](#)
- Return of the blueblood macro hedge funds [FT](#)
- Spain's Socialists to force Rajoy's hand in vote of censure [FT](#)
- Globalisation in a time of transition [FT](#)
- We have good cause to abhor the surveillance state [FT](#)
- The market is not the best place to set a fair price for assets [FT](#)
- Judge a carbon market by its cap, not its prices [FT](#)
- Yahoo: say hello to the AOL model [Lex](#)
- Coca-Cola: blowing bubbles [Lex](#)
- Goldman Sachs – cold shoulder [Lex](#)
- Germany Turns Eyes to U.S. Market [WSJ](#)
- Barclays, Traders Hit for Manipulating Power Prices [WSJ](#)
- China's Zhu Changhong Helps Steer Nation's Currency Reserves [WSJ](#)
- Wild Cards for the Fed's Exit Strategy [WSJ](#)
- As GM's Opel Shrinks, Ford Catches Lift in Europe [WSJ](#)
- Euro-Zone Exports Slump in May [WSJ](#)
- How to Lose Friends, Citizens and Influence [WSJ](#)
- Blood money: UK's £12.3bn arms sales to repressive states [Independent](#)
- Guardian and Observer tot up losses of £31m [Independent](#)
- Chris Blackhurst: Insider dealing is still rife in the City no matter how you count the numbers [Independent](#)
- Bankers 'tried to manipulate QE', says BoE's Paul Fisher [Telegraph](#)
- Ban on selling new Mercedes in EU moves closer [Telegraph](#)
- Former regulator attacks water firms over windfall profits and high prices [Guardian](#)
- UK workers' wage squeeze is longest since the 1870s [Guardian](#)

Key Events This Week

Thursday: Bernanke delivers semi-annual testimony to SBC (DC), ECB council meeting (Frankfurt), Philadelphia Fed, Leading Indicators, Earnings (AN, BBT, BLK, DOV, DHR, HBAN, KEY, MS, PM, VZ, SWY, CMG, MSFT, GOOG, SYK)

Friday: Earnings (BHI, COL, GE, HON, IR, SLB, VFC, STT, KSU, STI)

Sunday: Upper House elections in Japan, Portugal "national salvation pact" deadline between 3 top political parties

Key Events on the Horizon

July 31 – FOMC rate decision

August 1 – BOE/ECB rate decisions (Mark Carney to present review of forward guidance)

August 21 – Fed Minutes from July30/31 FOMC meeting

August 22-24 – Jackson Hole Annual Economic Policy Symposium (Bernanke not attending)

September 5 – BOE/ECB rate decisions

September 18 – FOMC rate decision

September 22 – German elections



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