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**Subject:** Early Tour 6.26.13

**Date:** Wed, 26 Jun 2013 09:55:50 +0000

**Inline-Images:** image001.jpg; image002.png

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Description:  
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Good Morning ... European Markets up 95-190 bps ... ASX +1.63%, NKY -1.04%, KOSPI +0.16%, TWSE +1.59%, SHCOMP +0.13%, HSI +2.43%

EUR 1.3033 (-0.34%) JPY 97.51 (+0.30%) EUR/JPY 127.08 (-0.66%) AUD 0.9307 (+0.50%) NZD 0.7773 (+0.36%)

Spain 10yr 4.94% Italy 10yr 4.76% Portugal 6.75% Germany 10yr 1.77% Japan 10yr 0.87% US 10yr 2.57%

Futures: **Dow +40, Nasdaq +13, [REDACTED] +5** DXY \$82.77 (+19c) Crude \$94.82 (-51c) Gold \$1226.40 (-\$48.50)  
Copper -0.98% Silver -5.28%

With the exception of Japan, Asia-Pac indices ended higher after the PBOC said overnight that it will use tools to safeguard stability in the money markets, which provided the first official signs of relief from the cash squeeze. Hong Kong outperformed as it grinded higher to close near the highs led by the heavily shorted names and the HSI firmly reclaimed the 20,000 level. Shanghai struggled a bit but did manage to eke out a small gain, but the divergence in the A/H spreads on dual listed names was notable as several were larger than had been seen in years. The Nikkei bounced off 13,000 initially, but a combination of lack of follow-through, the strengthening JPY (97.48 last), and heavy retail investor selling all contributed to help Japan close on the lows -1.04%. The Mothers had its second worst day of the year (and sixth worst day ever) closing -11.6% with talk of margin calls as newly listed PeptiDream fell 28% due to a cancellation of a pact with Pfizer. After the Australian close, Kevin Rudd announced he would accept the challenge of his successor Julia Gillard to stand for Labor leadership, with both sides vowing to quit politics if they lose the ballot. European markets up across the board on a mix of short covering and real buying ahead of month/quarter end on Friday. Draghi spoke in Paris earlier this morning and said that the ECB stands ready to act again if needed but acknowledged there are limits to what monetary policy can do. Peripheral yields backing up this morning with Spain 10yr -15bps to 4.93% & Italy 10yr -12bps to 4.73%. And Silver -5.2% & Gold -3.8% continue to break down as precious metals continue their slide. After being down most of the overnight, SPA's now firmer +5 handles = 1586.70 last.

\*\*\*GIS, MON earnings pre-open / PAYX, BBBY #'s post close\*\*\*

\*\*\*Mortgage Apps @ 7am & GDP @ 8:30am\*\*\*

- Synaptics raised Q4 sales view on strong broad range demand across mobile (trading +13%)
- Aerovironment #'s beat while Q4 revs plunged 51% on weak drone sales to military (trading +7%)
- Smith & Wesson earnings over 2x on strong demand (double digit sales growth and higher margins)
- Apollo eps beat & revs missed as quarterly profit fell 40% (new enrollment tumbled) (trading -7%)

- Home Bancshares to buy Liberty Bancshares for \$280M (\$30M in cash) ("extremely accretive")
- Autonomy (owned by HPQ) sold 45.7 million Blinkx shares @ 120p per share in ABB thru GS
- Colruyt numbers beat expectations due to cost controls, raises dividend to €1.0 (trading +8.2%)
- Air France to invest €1 billion in customer service according to *Le Figaro* (trading +3.3%)
- Standard Chartered IMS out: sees H1 income to grow at mid-single digit rate (trading +2.3%)
- Carphone Warehouse headline results look inline with expectations, Harrison to be CEO (trading +2.7%)
- Swatch: Omega sales may reach CHF 2.5B this year, sees acceleration in H2 (*Le Temps*) (trading +2.2%)
- Monitise: Lloyds Bank to launch partnership with Monitise to develop mobile payment solution (MONI LN +1.5%)
- BNP in talks to buy CBK's custody business (BAZ) (CBK GY -4.1% on some other market chatter)
- Afren (AFR LN) announces significant oil discovery at Ogo-1 well offshore Nigeria (trading +6.0%)
- Stagecoach FY results slightly ahead of forecasts, says current trading inline (trading +4.5%)
- French new car registrations drop 4% in June according to *La Tribune* (UG FP +0.70%, RNO FP -0.49%)
- Zumtobel Q4 numbers look inline with their pre-announcement, says visibility remains low (trading -1.7%)
- Akzo Nobel to divest decorative paint stores in Germany to independent distributors (trading -1.7%)
- Alcatel Lucent: reverse book-build for existing OCEANE bonds (Citi, DB, Calyon running the deal)
- Merrill's contrarian "breadth" rule triggers buy signal for global equities (but Japan & US not oversold yet)
- Italy risks potential losses of billions of euros on derivatives contracts restructured at height of crisis ([FT](#))
- Italy sells €8 billion of 186-day bills at an average yield of 1.052% versus 0.538% on May 29

**Leading European Sectors:** Tech +2.23%, Real Estate +2.17%, Healthcare +2.13%

**Lagging European Sectors:** Basic Res -0.56%, Autos/Parts +0.49%, Oil & Gas +0.80%

MG guides FY13 ebitda lower – SNX eps forecast below – FCFS cuts outlook

BNZL LN #'s inline – DLG LN cost reductions – GIB GY CEO & Chairman resign

#### **Notable Options Activity Yesterday:**

**TSM** (17.53 +3.5%) opening cust bought 20k jan2015 20 calls paying up to 2.20 traded outright cust most likely bullish in name after 13% decline since early may

**FIO** (14.16 +8.2%) stock up on buyout rumors in the space call trading outpaced puts by over 6 to 1 largest trade was opening cust buying 5000 jan 15/18 call spread for 1.00

**LYB** (\$66.46 +2.2%) second day in a row of bearish order flow. 9000 August 65-62.5 put spreads were purchased for \$0.99 and \$1.00, which added to the buying of the August 65 and 62.5 puts on Monday.

**URI** (\$48.09 +4%) 4,000 July 44 puts were bought to open for \$1.26. Earnings are due out July 16th.

**Secondaries (announced/priced):** CIDM, LXFT, FGP LN

**IPO's (announced &/or priced):** NanoString Tech (NSTG) 5.4M shares priced at \$10 (below), Green REIT plc IPO launch (€200M+ thru JPM & Davy, pricing July 12)

**IPO's (lock-up expires):** Tumi Holdings (TUMI)

#### **US Key Research:**

- Barcap reinstates NDAQ (ow), Citi downgrades MOS/VHS, DB initiates ADS (buy)
- Jefferies upgrades ADBE (buy), JPM upgrades BSAC & downgrades RBCN
- Piper upgrades ARMH, Roth adds DGIT to focus list, Stifel upgrades MLNX (buy)
- SunTrust initiates APD/PX (buys) & upgrades ADS (buy) & cuts AXLL, GS cuts NTGR (sell)
- Wells cuts HPQ/LUFK & upgrades RAX/GLP, Key upgrades FIX (buy), Janney initiates GOOG (buy)
- CS upgrades HNT, BMO upgrades KEY, Nomura upgrades MGM, UBS cuts VHS, Opco assumes CPHD (op)

#### **Europe Key Research:**

- Citi upgrades the Spanish Banks (SAN SM, BBVA SM, BKT SM, CABK SM) & upgrades POLY LN
- SocGen initiates food retail: DIA SM (b), CO FP (b), CA FP (h), MEO GY (h), AH NA (s), TSCO LN (s),
- BofA adds CFR VX to Europe 1 List, UBS upgrades CRDA LN, ELM LN, LMI LN, UL NA, VCT LN
- Panmure upgrades CCC LN, BofA initiates DLG GY (up), Barclays initiates PA/ LN (ow)
- Citi initiates GET FP (buy), CS upgrades RWE GY, HSBC upgrades KCR1V FH, Natixis upgrades SBO AV
- JPM adds LAND LN to focus list, Main First upgrades SREN VX, Swedbank upgrades MEDAA SS
- Raja upgrades ITX SM, Espirito downgrades KD8 GY, Peel Hunt initiates STGR LN (buy), RBC upgrades GFS LN
- SocGen downgrades IAP LN, Natixis upgrades KBC BB & ARM LN

**Reporting Pre-Open:** GIS, MON, LNN, PKE, UNF

**Reporting Post-Close:** PAYX, BBY, CWST, FUL, MLHR, PRGS, TEP

**Economic Data:** MBA Mortgage Applications @ 7am, GDP @ 8:30am

DOE crude oil inventories @ 10:30am, Treasury Auction of 5-Year Notes @ 1pm (\$35B)

**Fed Speakers:** Fisher/Lacker @ 10am, Kocherlakota @ 1:55pm

**Conferences:** Opco Consumer (Boston), CIBC High Yield (Calgary), GHS 100 Energy Conference (Chicago)

**Analyst/Investor Days:** AVB, CSCO, PRXL, MCK, HRL, LODE

**Non-Deal Roadshows:** BPL, BSTC, CKP, COO, COR, CORE, CPST, CSL, CTGX, CWCO, DCIN, DY, EGAN, ESL, HPTX, IPXL, KAI, KOP, MDU, NOV, PKY, PWR, ROG, SCMP, SNE, SNTA, STO, SXE, TGTX, VRNM, WIN, SIRI

**Shareholder Meetings:** HMPT, RBCN, UTHR, DXR, ENS, APOG, LMIA, CKH, CTIC, SRTI, CRWN, RBY, SA, GTE, MRVL, HOGS

**Equity/Mixed Shelves:** BRKS (\$200M)

■ **600 change (after close):** Tesco (TESO) replaces CH Energy (CHG)

### ***Other Newspaper Articles & Stories***

WSJ cautious: General Mills (GIS) [WSJ](#)

- Italy faces restructured derivatives hit [FI](#)
- Osborne to sweeten cuts with spending [FI](#)
- King's parting shot at meddling UK banks [FI](#)
- Co-op's debt plans attacked by investors [FI](#)
- Google gets backing from EU court on search results [FI](#)
- Bond yields threaten recovery in global banks' balance sheets [FI](#)
- Rudd return could pose new problems for opposition [FI](#)

- Putin rules out sending Snowden back to US [FT](#)
- Anglo Irish tape complicates Dublin's debt relief talks [FT](#)
- BP escalates efforts to block 'inflated' payments [FT](#)
- Hutchison Whampoa: hidden treasure [Lex](#)
- ETFs: road to redemption [Lex](#)
- Naspers: riding its luck [Lex](#)
- Municipal bonds: rate rout [Lex](#)
- Supreme Court Invalidates Key Part of Voting Rights Act [NY Times](#)
- Chinese Investors Pursue U.S. Property Deals [NY Times](#)
- Housing Market Shrugging Off Rise in Mortgage Rates [NY Times](#)
- Royal Bank of Canada Gains by Putting the Brakes on Traders [NY Times](#)
- Senators launch effort to replace Fannie Mae and Freddie Mac [LA Times](#)
- Sprint shareholders approve takeover by Japan's SoftBank [LA Times](#)
- Henry Ford's Great-Great Grandchildren Join the Family Business [WSJ](#)
- U.S. Overtakes China [WSJ](#)
- The Carbonated President [WSJ \(Opinion\)](#)
- Taliban Guns Send a Message About Obama's Peace Process [WSJ \(Opinion\)](#)
- Ruchir Sharma: How Emerging Markets Lost Their Mojo [WSJ \(Opinion\)](#)
- Spending review: More economic pain whoever wins 2015 general election [Independent](#)
- Bank of England Governor Mervyn King's swansong: Markets have got it all wrong [Independent](#)
- 2,000 Direct Line jobs under threat [Independent](#)
- Satyajit Das: Rise of economic nationalism is threat to global prosperity [Independent \(Comment\)](#)
- Funding for new Heathrow runways 'under threat', says chief Colin Matthews [Telegraph](#)
- Consumer Minister Jo Swinson summons payday lenders to a showdown [Telegraph](#)
- 'Ben Bernanke has been too optimistic about inflation' [Telegraph](#)
- Nice Sir Mervyn King still allowed the ship to crash [Telegraph \(Comment\)](#)
- Micky Arison steps down as Carnival chief executive after 34 years [Guardian](#)
- Egyptians must not let their country descend into chaos [Guardian \(Comment\)](#)

### **Key Events This Week**

Thursday: Pending Home Sales, Kansas City Fed Manufacturing Index, Personal Income & Spending, EU Leaders Summit in Brussels, Credit Suisse Basic Materials Conference (Boston), Earnings (CAN, CAG, MKC, NKE)

Friday: Month/Quarter End, Russell Rebalance on close, Chicago PMI, U. of Michigan Consumer Confidence, Earnings (BBRY, FINL)

Sunday: China NBS/HSBC manufacturing PMIs

***Key Events on the Horizon***

July 1 – Mark Carney takes over as BOE Governor

July 4 – BOE/ECB rate decisions

July 10 – Fed Minutes from June 18/19 FOMC meeting

July 11 – BOJ rate decision

July 21 – Upper House elections in Japan

July 31 – FOMC rate decision

August 1 – BOE/ECB rate decisions

August 21 – Fed Minutes from July30/31 FOMC meeting

September 5 – BOE/ECB rate decisions

September 18 – FOMC rate decision

September 22 – German elections

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