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Description:  
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Good Morning ... European Markets off 20-90 bps ... ASX -0.21%, NKY -1.22%, KOSPI -0.65%, SHCOMP -0.89%, HSI -0.62%

EUR 1.2922 (-0.16%) JPY 81.86 (+0.36%) EUR/JPY 105.79 (-0.52%) Spain 10yr 5.44% Italy 10yr 4.66% US 10yr 1.62%

Futures: **Dow -13, Nasdaq -6, S&P -2** DXY \$80.40 (unch) Crude \$86.81 (-37c) Gold \$1742.50 (-\$2.30) Copper -0.38%

European markets fading post the US move yesterday following Harry Reid's comments reiterating that little progress has been made thus far in fiscal cliff talks. There also continues to be second thoughts around the deal that was struck yesterday for Greece. After reviewing EU documents, the [FT](#) is now saying that Greek debt will only fall to 126.4% by 2020, not 124% as reported yesterday – noting further debt relief has been postponed to a later date (after German elections) and will likely force losses on Eurozone creditors. SHCOMP action -0.89% not helping sentiment either as it continues to break down. And the Nikkei had its 1<sup>st</sup> down day in 5 sessions. New home sales & beige book out later in the US along with a handful of retail earnings. But all in all fairly quiet so far this morning. SPA's -2 handles = 1395 last.

\*\*\*Mortgage Apps @ 7am, New Home Sales @ 10am, Fed's Beige Book @ 2pm \*\*\*

\*\*\*AEO & ANN report pre-open / ARO & GES report after close\*\*\*

\*\*\*Jefferies Global Energy Conference (Houston) begins\*\*\*

\*\*\*13 CEOs meet with Obama today to discuss fiscal cliff\*\*\*

- Green Mountain Q4 easily beat (profit surged 22%) on k-cup sales boosted FY2013 view (trading +20%)
- Analog Devices profit fell as most segments saw sales fall & gave weak guidance (trading -3%)
- Groupon Board discussing CEO change given growth slowdown (shares off 80% since IPO) ([All Things Digital](#))
- Costco to pay investors \$3B with special \$7/shr dividend (total November comp sales +6% vs 5.5% ests)
- Smith & Nephew to buy Healthpoint (private) for \$782 million in cash (SN/ LN trading -0.90%)
- ARM: Daily Mail speculation that Intel may bid for company (speculation only) (trading +1.9%)
- Unilever: 3 day investor seminar begins in Paris today (CFO Thurs & CEO Fri) (trading -0.03%)

- United Utilities H1 EBIT and pretax in line, leakage targets on track, no surprises (trading +1.9%)
- Thomas Cook FY prelims in line, current trading good, further £100mn costs savings (trading +3.1%)
- Continental: *Handlesblatt* reports company aiming to become top 3 tyre manufacturer (trading +0.90%)
- Celesio: Haniel to cut stake by 4.63% to 50.01% via accelerated book build placement (trading -2.2%)
- Metro: Haniel to reduce stake over the next 18 months by 4.23% to 30.01% (trading -3.2%)
- Betfair announce appointment of new CFO Alexander Gersh (trading -0.80%)
- Bridgewater's Ray Dalio in Beijing says he sees China GDP growth slowing to 6.0%-6.5%
- Philippine growth unexpectedly grew 7.1% last quarter (fastest pace since 2010)

**Leading European Sectors:** Food/Bev +0.09%, Retail +0.08%, Autos/Parts +0.03%

**Lagging European Sectors:** Banks -0.95%, Basic Res -0.77%, Construction -0.47%

TNGO \$20M buyback – LOJN resumes buyback – CFI 50c special div

UTI penny light – GWRE revenues better – FMCN penny better

PVH eps guidance up – PSMT declares dividend – MRTN 75c dividend

CPRT eps inline, revs beat – KEX acquires Penn Maritime – YGE revs beat

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

**HLF** (\$46.52 -2.4%) there was a large amount of put buying Tuesday, with volume 7.5x average. Most of the activity came in the afternoon and centered around the Dec 40 puts (7600 on the tape), the Dec 45 puts (3500) and the Jan 37.5 puts. The 15% rise in implied volatility indicates someone is expecting a swift move to the downside in upcoming weeks.

**GES** (\$23.96 -2.4%) with earnings due out Wednesday afternoon, one trader purchased 1750 December 25-28 call spreads for \$.90. The trade looks for shares to rally, with a breakeven of \$25.90 at expiration.

**STZ** (\$34.82 +1.2%) 14,220 April 27.5 puts were purchased for \$1.025 vs buying 213,300 shares \$34.92. It is difficult to tell if this was a stock replacement or a hedge against long stock.

**NXY** (\$24.20 -2.3%) amid concerns of a deal with Cnooc, the options saw bearish flow on Tuesday. Over 11,000 December 27 calls were sold vs buying the Jan 20 puts throughout the day. The bulk of the spreads traded at \$1.00, giving the investor a \$19 break even at Jan expiration.

**Secondaries (announced/priced):** ECTE, CAP, FLT, PRGX, MCC

**IPO's:** N/A

**Key Research:** BMO initiates CHKP (mp), Piper initiates WDAY (neut) upgrades AKAM & cuts CTL/WIN

**Key Research:** Cowen initiates LNKD/P (neut) & assumes AMZN/GOOG (op) and EBAY/IACI/NFLX/YHOO (neut's)

**Key Research:** DB upgrades HERO/NBR/PES/PTEN (buy's) & cuts ESV/RDC/SDRL & makes BHI top pick

**Key Research:** Raja initiates DKL/SXE (op's), Macquarie upgrades ETR, Bofa upgrades SCHN, Nomura cuts SHW

**Key Research:** Citi upgrades VNO (buy), , Baird initiates VOD (op), DB initiates IDIX (buy)

**Key Research:** JEFF upgrade CPG LN, MS upgrade KRKA PW, RBC upgrade SVT LN, Kepler upgrade RCO FP

**Key Research:** MS upgrade ENI IM, MS downgrade REP SM, GS upgrade SWMA SS, Numis downgrade TT/ LN

**Key Research:** Berenberg downgrade VOD LN, Berenberg downgrade LG FP, CS downgrade ELI1V FH

**Key Research:** CS upgrade TDC DC, Exane upgrade DELB BB, BofAML upgrade PFG SJ, Akros cuts BMPS IM

**Key Research:** HSBC upgrade DEB LN, Citi initiate UU/ LN (b), JEFF upgrade GFS LN, Nomura upgrade MC FP

**Key Research:** UBS cuts RSL LN, Raja initiate ZIGGO NA (up), Barc cuts SKFB SS, Baird initiate VOD LN (op)

**Reporting Pre-Open:** AEO, ANN, EXPR, GAGA, GLNG, JASO, JOSB, LEDS, MOV, NPD, SPH, TFM, WILC, YGE, POST

**Reporting Post-Close:** PLL, ARO, BLOX, CWTR, FSC, GES, GMAN, LZB, NWY, RUE, SMTC, TIVO, WDAY

**Economic Data:** MBA Mortgage Applications @ 7am, New Home Sales @ 10am, Fed's Beige Book @ 2am

Treasury auction in 5yr notes @ 1pm (\$35B)

**Fed Speakers:** Tarullo @ 12:15pm (New Haven, CT)

**Conferences:** Citi Basic Materials Symposium (NYC), GS Metals, Mining, & Steel (NYC), Piper Health Care (NYC)

**Conferences:** UBS Global Real Estate (London), CS Tech (Scottsdale, AZ), MS Offshore Exploration (Boston)

**Conferences:** CS Aerospace & Defense (NYC), Jefferies Global Energy (Houston), JPM SMid Cap (NYC)

**Analyst/Investor Days:** N/A

**Non-Deal Roadshows:** ABC, AERL, AMAT, ARMH, BIRT, CS, CTRX, CVE, DLTR, ECA, EHTH, ELOS, ERIC, EXPE, EXPO, FARM, FCN, ICGE, KAI, LEG, LSE, MGAM, MHL, MSPD, NOAH, OSIS, PACW, PERI, PERY, PRA, QRE, RBA, RTIX, SGNT, SNTS, SONC, SRDX, STRM, TASR, TROW, UPS, VAR, VRX, WFR, WU, WWW, ALK, DAL

**Shareholder Meetings:** LTXC, ECTY

**Equity/Mixed Shelves:** TAC (\$2B), THC, ABC

**Stoxx600 Changes effective as of open Dec 24:** Adds (SMURFIT KAPPA, SKY DEUTSCHLAND, HOWDEN JOINERY, FLUGHAFEN ZURICH, JUPITER FUND MANAGEMENT, RUBIS, THROMBOGENICS, ZIGGO and POLYUS GOLD) ... Deletes (WACKER CHEMIE, STRAUMANN, SOFINA, PZ CUSSONS, PUMA, NOBEL BIOCARE, LEONI, INDUSTRIVARDEN and BOURBON)

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

WSJ positive: ConAgra's purchase of Ralcorp (CAG, RAH) [WSJ](#)

- Greek Debt Deal Explained [WSJ](#)
- Europeans Scrimp on Gifts as Economy Clouds Holiday [WSJ](#)
- Global Steel Industry Faces Capacity Glut [WSJ](#)
- German Car Stocks Outpace Their European Rivals [WSJ](#)
- The Other Greek Crisis [WSJ](#)
- Greek Debt Plan Relies on Rosy Outlook [WSJ](#)
- Federal Student Lending Swells [WSJ](#)
- Buybacks Expected to Increase [NYT](#)
- With a Billion Birthdays on File, Facebook Adds a Gift Store [NYT](#)
- Mortgage 'Attack' Could Mark Sea Change: Shiller [CNBC](#)
- Eurozone states face losses on Greek debt [FT](#)
- Greek patient gets more life support [FT](#)
- 'Package will have to be reopened again' [FT](#)
- Eurozone offers more Greek myths [FT](#)
- Peripheral bank debt on investors' radar [FT](#)
- Greece – meze of remedies [Lex](#)

- Obama must do more than raise taxes [FT](#)
- Japan's nationalism is a sign of weakness [FT](#)
- The endgame remains the same for Greece [The Times](#)
- Fitch downgrades Argentina by five and predicts default [Telegraph](#)
- Hollande insight with threat to nationalize ArcelorMittal [Telegraph](#)
- Carney a 'significant positive' for banks [Telegraph](#)
- Debt deal secures Greece's place in eurozone [Telegraph](#)
- Greece hails rebirth of a nation [Guardian](#)
- The private wealth discrepancy at the heart of Europe [Guardian](#)
- Barclays Libor case has severe consequences [Guardian](#)

### ***Key Events This Week***

Thursday: GDP, Retailers SSS, Kansas City Fed Manufacturing Index, Earnings (KR, TIF, NJR, ZUMZ)

Friday: Personal Income and Spending, Chicago PMI, China Manufacturing PMI (8pm), MSCI Semi-Annual Index Rebalance

### ***Key Events on the Horizon***

December 3 – Eurogroup meeting, Eurozone PMI's, US ISM Manufacturing

December 6 – ECB & BOE rate decisions, US Nov Retail Comps

December 12 – FOMC rate decision

December 22-January 20 – US Congress scheduled to adjourn

January 30 – Launch date for RIM's Blackberry 10



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