

From: Ike Groff <[REDACTED]>

Subject: Early Tour 11.8.12

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Good Morning ... Europe mostly higher (Greece -1.9%, Italy -0.56%) ... ASX -0.72%, NKY -1.51%, KOSPI -1.19%, SHCOMP -1.63%, HSI -2.41%

EUR 1.2734 (-0.29%) JPY 79.85 (+0.18%) NZD -0.23% Copper -0.03% Spain 10yr 5.81% Italy 10yr 4.98% US 10yr 1.65%

Futures: **Dow +21, Nasdaq +4, S&P +1** DXY 80.94 (+0.22%) Crude \$85.18 (+0.88%) Gold \$1714.50 (+0.03%)

China's 18th Party Congress kicked off last night (highlights below) but the actual selection of the new Politburo Standing Committee will not take place until next Thursday. It is expected that the PSC will be reduced to 7 members (currently 9) to promote unity and efficiency in decision making ([NYT](#)). China macro data tonight/tomorrow and the official statistics chief was out saying that people will be "more confident" about Q4 growth once the data is released. Greece narrowly approved its latest austerity package last evening (as expected) after securing 153 Yes votes in the 300 seat Parliament (budget vote on Sunday). Spain sells €4.76 billion in 3-6-20yr bonds vs max target €4.5 billion and has now met its official issuance target for 2102 of €86.5 billion. ECB/BOE decisions coming up and likely to stay on hold on all fronts & focus will be on any additional commentary out of the Draghi press conference. European markets opened higher after a huge de-risk day yesterday but rolled off the highs on some headlines from *MNI Newswire* saying there is little chance Spain seeks ESM aid this year & the ECB is not keen to launch its disputed OMT bond buying (periphery yields ticking up a bit this morning). Volumes in Europe tracking 135% of 20day average but getting quieter and awaiting direction from US. Jobless claims @ 8:30am. SPA's ~ flat after being +5 handles earlier = 1389.80 last.

Rate Decisions: BOE @ 7am / ECB @ 7:45am, US Trade Balance & Jobless Claims @ 8:30am

WEN, DUK, DF, FE, KSS earnings pre-open / DIS, IGT, JWN, MCHP, NVDA, ZIP #'s post-close

China economic data due out tonight & tomorrow morning (CPI/PPI/FAI/IP/Retail Sales)

- Activision beats profit estimates and raises FY guidance (sees 2013 difficult for industry (trading +2.2%))
- CBS beats ests with increased NI from affiliates fees and rerun sales to digital outlets (trading +1.1%)
- Monster Beverage grows eps y/y but falls short of analyst estimates on slower sales (trading -11.5%)
- Prudential operating EPS misses ests, posts \$618M loss from derivatives, boosts dividend (trading +1.1%)
- Qualcomm delivered strong Q4 earnings beat & raised guidance on strong smartphone demand (trading +7.5%)
- Whole Foods Q4 earnings inline with ests, boosts dividend, sees 2013 diluted eps below est (trading -3.5%)
- Strategic Hotels reiterates 2012 forecasts while Q3 eps and FFO miss estimates (trading unch)

- DSM acquires privately held US-based Fortitech (human nutrition) for \$634 million in cash
- JC Deceaux solid Q3, sales better but lowering guidance despite ok organic growth (trading -2.0%)
- ProSieben Q3 small beat, confirms FY guidance, await Nordic asset sales update (trading -5.2%)
- SocGen mixed Q3 affected by one offs, pretax beats, strong CIB performance (trading +0.40%)
- Commerzbank Q3 mixed, NII in line, well prepared for Basel III, mkt volatility to persist (trading -3.6%)
- KBC mixed Q3, net profit better due to tax rate, trading good, costs better (trading +3.1%)
- Delta Lloyd Q3 light across the board, will look at SNS assets when offered (trading -6.3%)
- Siemens Q4 net profit & sales beat, Eur6bn of cost cuts by 2014, strong cash balance (trading +3.4%)
- Adidas Q3 slight better, cutting guidance on weaker Reebok outlook (trading -2.8%)
- Hermes good Q3, solid sales driven by leather & fashion, raising sales guidance (trading +3.2%)
- EADS 9mth EBIT better, strong Airbus margins, maintains FY guidance (trading -1.5%)
- Dexia: France & Belgium commit to Eur5.5bn capital increase via pref shares (trading unch)
- Arkema Q3 EBITDA ahead, revs miss, solid cash flow & margins, confirms guidance (trading +3.4%)
- Deutsche Post Q3 EBIT misses, freight & mail weak, maintains guidance (trading -0.70%)
- Statoil: speculation interested in Whiting Petroleum purchase, \$65 per share (trading -0.30%)
- Bosch sells 5.0% Denso stake for €1.1 billion (to use funds from sale for future investments)
- EMU leaders likely to appoint Luxembourg central bank gov Mersch to ECB exec board (MNI)
- Greece August unemployment rate 25.4% vs 24.8% in July (youth unemployment 58%)
- Dentsu cuts FY net income forecast and lowers FY sales outlook on slowing ad demand
- Lenovo Q2 profit essentially inline with estimates but shares close lower (closed -2.66%)
- Japan's September machinery orders -4.3% m/m vs est -2.1% (-7.8% y/y vs est -4.9%)
- Australia employment change +10,700 vs est +500 (unemployment rate 5.4% vs est 5.5%)
- New Zealand jobless rate surges to 13yr high (jumped from 6.8% to 7.3% in Q2 vs est 6.7%)

Leading European Sectors: Luxury +0.97%, Chemicals +0.60%, Industrials +0.59%

Lagging European Sectors: Autos/Parts -0.57%, Utilities -0.36%, Construction -0.28%

MAKO cuts procedure forecast – CXW lowers guidance – NVLT earnings miss

AAN names pres/ceo chairman – ITMN positive guidance- SAPE eps better

GIGA earnings miss – BREW cuts guidance – AWK revs beat/reaffirms guidance

Swiss Re Q3 beats – Repsol solid Q3 — Vallourec Q3 in line - Supergroup Q2 good

SGL Carbon Q3 okay – Deutsche Tel Q3 inline – Morrisons Q3 miss - Schroders good IMS

Cap Gem Q3 not enough – Havas Q3 okay – Shanks H1 in line -- Aegon good Q3

Nobel Biocare decent Q3 pre-announce – Legrand 9 mnth good – Swisscom Q3 okay

China NPC Highlights thus far:

- President Hu Jintao calls for a “decade of reform” in his opening remarks, more highlights below:
 - “Combating corruption and promoting political integrity” must remain a long-term commitment of the party and anyone violating party discipline would be “brought to justice without mercy” – failure to do so “could prove fatal to the party”
 - China must double GDP and per-capita income by 2020
 - China must deepen reform of the financial system and encourage more local-level democracy
 - China needs to strengthen its ability to innovate, advance urbanization and boost domestic demand
 - Economic development in China remains “unbalanced, uncoordinated and unsustainable” - leaders must “work harder” to solve those problems
- Other remarks:
 - The deputy head of the Communist Party’s leading group on economics and finance said growth is stabilizing and recovery will depend on external environment, especially Europe
 - The PBOC sees the economy in the 4q as “relatively good”

More from [Bberg](#), [Reuters](#) here

Performance of SHCOMP during and after previous Party Congress meetings:

- -3.5% at 2007 congress, -3.9% following week
- -4% at 2002 congress, -4.8% following week
- -3% at 1997 congress, -4.7% following week
- -3.7% at 1992 congress, -16% following week

Source: Bloomberg

Secondaries (announced/priced): GNC, LGCY, MTZ, LGCY

IPO's: OFS Capital (OFS) prices 6.7M shares at \$15

Key Research: Jeff downgrades ADSK & initiates WWD (hold), JPM downgrades FN/TTMI

Key Research: Stifel initiates XRAY (hold) and ALCO (buy), UBS cuts PSSI/DVN & upgrades EXC/LLTC

Key Research: DB initiates PENN (buy), Piper downgrades CORT/CNQR, Raja upgrades AMNB & cuts CLH

Key Research: BofA reinstates BX/LM/MS (neut's) and TROW/BEN/GS/KKR (buy's), Evercore cuts CBS,

Key Research: BMO upgrades CMI/HNT, Baird upgrades FMER, RBC upgrades ED/SO, Wedbush initiates CREE (op)

Key Research: Citi cuts LFL/GOL/DVN & upgrades ROSE, HSBC downgrade CSGN VX, CBK cuts LXS GY

Key Research: DNB downgrade SCH NO, UBS remove FR FP most preferred, Bern upgrade LLOY LN

Key Research: HSBC upgrade MKS LN, Swedbank downgrade GN DC, ABN initiate KPN NA (hold)

Key Research: UBS upgrade IMG LN, HSBC upgrade FNTN GY, DB downgrade MEL SM

Key Research: BofA downgrade RRS LN, UBS upgrade VIE FP, SocGen upgrade BEN FP

Key Research: GS upgrade HMB SS, CS upgrade SECUB SS, SocGen upgrade BARN SW

Reporting Pre-Open: DF, DUK, FE, KSS, VMC, WIN, AAON, AAP, ACIW, AINV, ALR, ALTI, AMCX, AMRC, APEI, APU, ARX, BCRX, BDC, BIOC, BITA, BKCC, CAAS, CASM, CBRX, CG, CORE, CRTX, DUSA, EBIX, ES, EZCH, FCN, FLO, FSYS, FXCM, GLCH, GLP, GTXI, HDNG, HII, HK, IDN, INXN, IPCC, KIOR, KLIC, KOP, LCUT, LDL, LMIA, MGA, MWIV, MWW, MGS, NNBR, NOG, NTLN, NXTM, ORBC, PENX, PESI, PFSW, PGNX, PMFG, PMT, PNX, POR, POZN, QRE, RGEN, RMTI, RSTI, SJI, SMBL, SMG, SNMX, SNSS, SPP, SVNT, TGA, TGP, TGX, THR, TK, TLF, TNK, TOO, TVL, UGI, USAT, USPH, WAC, WD, WEN, WLK, WPC, ZEUS

Reporting Post-Close: CFN, DIS, IGT, JWN, MCHP, NVDA, PSA, ABTL, ACET, ADEP, AFFY, AGM, AGO, AHPI, AIRM, AL, ALEX, AMRN, ANCI, ATHX, ATSG, AVHI, BID, BKR, BPZ, BRKS, BSTC, CBOU, CBPO, CDR, CECO, CEMP, CLCT, CLIR, CPST, CUBE, CYTX, DAR, DGIT, DIOD, DLB, DNN, DRL, DTSI, EDG, EGLE, EGOV, EGY, ENR, ENV, EOX, ESSX, ET, EVEP, FC, FLT, FLY, FNHC, GLPW, GRPN, GTY, GXP, HALO, HTCH, HTO, III, IMMU, INWK, IO, JAZZ, JJSF, JSDA, KCAP, KMPR, KTEC, KTOS, KYAK, LCI, LGF, LOCM, LTC, LUNA, MALL, MDRX, MFLX, MKL, MNTX, MTRX, NNI, OGXI, OMEX, ORCC, OXGN, PODD, PSDV, PTIX, QTWW, RLH, RNDY, RNIN, SALM, SCMP, SD, SPRD, SQI, SQNM, STEM, STRL, SYNM, TRAK, TSON, TST, TWER, TXCC, UBNT, UEIC, UEPS, VRNM, WIFI, WLDN, WR, XOXO, ZIP

Economic Data: Trade Balance / Jobless Claims @ 8:30am, Bloomberg Consumer Comfort @ 9:45am

Fed Speakers: Bullard @ 8pm (St. Louis)

Conferences: Wells TMT (NYC), BMO Digital Media (NYC), Stifel Midwest One-on-Ones (Chicago)

Analyst/Investor Days: PEI, K, XXIA, MMM, TEN, NTGR, PMTC, GNRC, LRCX, ROK

Non-Deal Roadshows: AGNC, ARRS, BAX, BBSI, BHI, BLL, CPRT, CSE, DBD, DYAX, ENS, ENTR, ESC, EXTR, FET, GIG, HF, HTSI, ITRI, IVR, JKHY, JPM, KGN, LLL, MNRK, MOSY, MTGE, NEOL, NSR, OMPI, ONNN, OXM, PXD, PXLW, RP, SEIC, RP, SIVB, SNTA, TDS, TELNY, TRIB, TROV, WFC

Shareholder Meetings: DLLR, AHPI, DARA, DLA, PMFG, RDWR, GKSR, ATGN, BOFI, STB, NAVR, OFED,

Equity/Mixed Shelves: VICL

Other Newspaper Articles & Stories

- Angst returns on German recession fears and US fiscal cliff [Telegraph](#)
- Greeks clash with police as austerity measures pass [Telegraph](#)
- EU hits back at IMF over austerity [FT](#)
- BNP Paribas – regaining lost time [Lex](#)
- Outlook favourable for gilts [FT](#)
- The Foreign Policy Inbox [FT](#)
- Weak German data point to stagnation [FT](#)
- Australian dollar hits five-week high [FT](#)
- Obama and Wall St – end hostilities [FT](#)
- US corporate bonds – yield of dreams [Lex](#)
- Obama – beyond the fiscal cliff [Lex](#)
- Wall St alarm as Obama faces gridlock [The Times](#)
- Merkel warns David Cameron over talk of EU exit [The Times](#)
- The Bankia banker who 'didn't understand anything' [The Times](#)
- 'Build ring-fences or we will force you' [The Times](#)
- Anger in Athens as Greek austerity measures passed [Guardian](#)
- Wall Street looks to Congress to resolve economic fiscal cliff [Guardian](#)
- European commission predicts UK recovery in 2013 [Guardian](#)
- Jinping & Obama: two leaders facing very different crises [Guardian](#)

- Myths about the birth of the euro [Guardian](#)
- Bank safety plans not enough [Independent](#)
- Chinese demand for Jags drives Tata profit [Independent](#)
- Mark Twain was right - take the US off your worry list [Independent](#)
- Greek Lawmakers Pass Austerity Deal [WSJ](#)
- EU Slashes Growth Forecasts [WSJ](#)
- Swiss, Greeks Begin Talks on Tax Deal [WSJ](#)
- Turkey Set to Ask NATO for Missiles [WSJ](#)
- EU Cuts Growth Forecasts for Eastern Members [WSJ](#)

Key Events This Week

Friday: U. of Michigan Confidence, Earnings (COV, WAVX, JCP)

Sunday: Greek Parliament votes on 2013 budget

Key Events on the Horizon

November 12 – Eurogroup Meeting

November 22/23 – EU Leaders Summit

November 25 – Catalonia regional election in Spain

Ike Groff | 680 Washington Blvd | Stamford, CT 06901 |



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