

From: Ike Groff <[REDACTED]>
Subject: Early Tour 8.17.12
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Good Morning ... European Markets up 15-70bps (IBEX+1.67%, MIB +1.5%) ... Nikkei +0.77%, HSI +0.77%, SCHOMP +0.13%, KOSPI -0.58%, ASX +0.92%

EUR 1.2371 (+0.11%) JPY 79.46 (-0.15%) AUD 1.0446 (-0.62%) Spanish 10yr 6.45%
Italy 10yr 5.80% US 10yr 1.83% VIX 14.29

Futures: Dow -2, Nasdaq +5, S&P -1 DXY \$82.37 (+2c) Crude \$95.13 (-47c) Gold \$1619.10 (-10c) Copper +0.49%

Very quiet Friday in August thus far and volumes light even though flattered by options expiry. Most indices in Europe have traded in a fairly tight range all week but resumed their grind higher into the bell yesterday and are holding those gains this morning. Also note the IBEX is now +7.0% in the last 5 trading days on short covering into the weekend and people continue to speculate on if/when Spain will seek formal EFSF assistance. Meanwhile, there was a story in the People's Daily suggesting that China should cut luxury goods tax to help boost consumption (has been speculated before many times) which had Prada closing +3.1% in HK and the European luxury basket is +50bps to start the day. SPA's ~ flat once again = 1412 last.

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

UK selling £3 billion of 1-3-6 month bills @ 6:10am

- Brocade eps/revs beat but CEO to resign (Q4 revenue forecast midpoint inline) (trading -1.5%)
- Aeropostale inline w preannouncement but guides Q3 below estimates (trading -8.5%)
- Gap domestic sales propelled +29% increase in Q2 profit (raised FY eps outlook) (trading +1.5%)
- Marvell Q2 revs & eps missed (gross margins fell) (citing global eco weakness) (trading -10%)
- GM seen planning global reorganization tackling "fiefdoms" according to Bloomberg
- Merkel says Germany backs Draghi on the conditions for ECB help (in Canada yesterday)
- EU Commission to give ECB oversight over all important banks (Handelsblatt)
- Finland is preparing for the break-up of the Eurozone warns foreign minister (Telegraph<<http://www.telegraph.co.uk/finance/financialcrisis/9480990/Finland-prepares-for-break-up-of-eurozone.html>>)
- Vivendi Hire Rothschild/DBK for GVT plan, possible sale or IPO (trading +0.85%)
- Swiss Life H1 beat across the board driven by stronger realized gains (trading +3.5%)
- Britvic bid speculation in the Daily Mail this am (Unilever, Diageo, PE mentioned) (trading +1.8%)
- Heineken is said to be in talks with F&N about raising its bid for APB to \$53/share (trading -0.35%)
- Axel Springer board member donates 1.98 million shares to CEO Mathias Dopfner

(trading+2.1%)

- Rank trading statement, all looks inline, usual cautious outlook (trading +5.7%)
- Aker Q2 inline, solid balance sheet, better interest bearing receivables, good outlook (trading -1.2%)
- Valiant H1 inline with pre-announcement July 30th, slightly lowering guidance (trading -6.5%)
- PSP H1 net inline, rental income miss, fair value is 11% (trading +0.40%)
- Ratos Q2 miss, EBITA weak, CEO guides lower for FY 2012 (trading -5.5%)
- Pennon H1 IMS, overall inline, SW Water strength continues (trading -1.9%)
- German July producer prices +0.0% m/m vs est +0.3% (+0.9% y/y vs est +1.2%)
- Bank of Spain says Spanish banks bad loans rise to 9.42% in June (vs 8.95% in May)
- Samsung (-3.7%) weighed down the KOSPI on profit taking ahead of patent decision
- Macau Gaming (+4.9%) market chatter of positive surprises ahead of upcoming results
- Singapore's export data stronger than expected, driven by electronics and petrochemicals
- Taiwan cuts growth forecast after GDP shrank more than initial estimates (-0.18% vs est -0.16%)

Leading European Sectors: Autos/Parts +1.54%, Banks +1.15%, Construction +0.99%

Lagging European Sectors: Healthcare -0.44%, Basic Res -0.30%, Food/Bev -0.12%

ADS GY insider sales - ABI BB insider sales - PAA stock split

DWA \$400M credit pact - FICO \$150M buyback - DECK amended credit agreement

VNET eps inline, rev miss - AVGO outlook light - SCSC says Q1 may miss

Notable Options Activity Yesterday:

HUN (14.67 +1.3%) cust rolling protective risk reversal buys 23k aug 13 calls and bot put/sold call in nov 11p/23c risk reversal cust collected .375 to roll

PKG (32.16 +.2%) opening cust bought 2000 sep 35 calls for .20 outright ~9% upside to breakeven CS upgraded to outperform on 8.13 and have seen twice adv since then

EA (\$13.81 +5.5%) NY Post report that the company is in talks sell itself brought upside call buyers. 58,000 traded compared to the 3750 average daily volume. 30-day implied volatility was up 30% , and the most active strikes were the September 16 calls where just over 20,000 traded and the September 15 calls where over 9500 traded

LNG (\$14.30 -1.4%) A customer bought 10,000 Dec 16 calls and sold 20,000 Dec 19 calls, paying a net \$0.425 for the spread. The trade is profitable with stock between \$14.725 and \$21.575 at expiration.

***Also, in general it is interesting to note that we currently find ourselves in a period where front month vols have sold off significantly more than the back months, leaving the difference between mid and long term option premiums at multi-year highs (18-month options are trading roughly 5 vol points over 6-month vols = long-term calendar spreads setting up at attractive levels for IWM, QQQ, GLD, SLV etc).

Secondaries (announced/priced): PMT, ARCC

IPO's: N/A

Key Research: DB initiates CYMI (hold), Raja downgrades APKT, RBC downgrades MRVL, CLSA initiates BEAM (up)

Key Research: Evercore cuts GRPN, Jefferies raises AAPL pt & downgrades VVUS, Wells upgrades VIAB
Key Research: JPM upgrades COG & initiates HFC/VLO (neut's) and PSX/TSO (ow's), FBR initiates FCEL
Key Research: Susquehanna initiates SF (neut), Wedbush initiates KKD (op), Northcoast initiates COO (buy)
Key Research: Investec downgrades LLOY LN, MS downgrades LINTA/WLP/CERN/MCK & upgrades FM/WAG
Key Research: Citi downgrades BAER VX, Macquarie downgrades XTA LN, UBS downgrades DPW GY, Capstone cuts DGI
Key Research: GS downgrades GENL LN & AFR LN, GS upgrades OPHR LN, CS & Numis downgrade CRH LN
Key Research: DNB downgrades SONG NO, Nordea downgrades WDH DC (CS sees opportunity to buy weakness)

Reporting Pre-Open: SJM, ANN, CMRG, FL, GASS, HIBB, IMOS, KIRK

Economic Data: U of Michigan Confidence @ 9:55am, Leading Indicators @ 10am

Conferences: No major conferences.

Analyst/Investor Days: N/A

Non-Deal Roadshows: CAM, DUK, FBP, JCI, KSU, MRX, MYGN, NVO, RDA, RTN, UTX

Shareholder Meetings: CCSC, MCHP, SUPX

Equity/Mixed Shelves: N/A

Other Newspaper Articles & Stories

Barron's positive: Cisco (CSCO)

Barron's< [REDACTED] >
mod=BOL_hpp_highlight_top>

. Wonk Wars: How Big Are EU Deficits?

WSJ< [REDACTED] >

. Dutch Banks Feel Property Pain

WSJ< [REDACTED] >

. Apple May Put Cable in a Box WSJ Heard on the

Street< [REDACTED] >
mod=ITP_moneyandinvesting_6>

. Cablevision to Carry NFL Network

WSJ< [REDACTED] >
mod=ITP_marketplace_1>

. In Drought, a Debate Over Quota for Ethanol

NYT< [REDACTED] >
corn-farmers-and-meat-industry.html>

. U.S. Battery Maker in Financing Deal With a Chinese Firm

NYT< [REDACTED] >
chinese-firm.html>

. SEC may take stock market tip from Australia LA

Times< [REDACTED],0,3113395.story>

. Inventor claims Heinz stole 'dip and squeeze' packaging idea The

Australian< [REDACTED] >
heinz-stole-dip-and-squeeze-packaging-idea/story-fnay3ubk-1226452740210>

. GM Seen Planning Global Reorganization Against 'Fiefdoms'
Bloomberg<[REDACTED]>
against-fiefdoms>

. Eurozone prices steady as output shrinks FT<[REDACTED]>
e791-11e1-86bf-00144feab49a.html#axzz23gqoXwFg>

. Luxembourg to feel pinch of banking union FT<[REDACTED]>
e789-11e1-86bf-00144feab49a.html#axzz23gqoXwFg>

. Obama needs a plan to cut the deficit FT<[REDACTED]>
11e1-bece-00144feab49a.html#axzz23gqoXwFg>

. Corporate cash power is holding the state hostage
FT<[REDACTED]>

. We must clean up our act on money laundering FT<[REDACTED]>
e78c-11e1-8686-00144feab49a.html#axzz23gqoXwFg>

. Finland prepares for break-up of eurozone
Telegraph<<http://www.telegraph.co.uk/finance/financialcrisis/9480990/Finland-prepares-for-break-up-of-eurozone.html>>

. Britain isn't in recession, it's just not growing
Telegraph<<http://www.telegraph.co.uk/finance/economics/9481540/Britain-isnt-in-recession-its-just-not-growing-says-Bank-rate-setter.html>>

. Recessions always look better with benefit of hindsight
Telegraph<<http://www.telegraph.co.uk/finance/comment/damianreece/9481325/Recessions-always-look-better-with-benefit-of-hindsight-and-revised-data.html>>

. Delaying a eurozone breakup could make the endgame much worse
Guardian<<http://www.guardian.co.uk/business/economics-blog/2012/aug/16/eurozone-break-up-nouriel-roubini>>

. Is football finance bubble about to go pop after all?
Independent<<http://www.independent.co.uk/news/business/comment/simon-english-is-football-finance-bubble-about-to-go-pop-after-all-8053998.html>>

. Ikea to launch budget hotel chain in Europe
Independent<<http://www.independent.co.uk/news/business/news/ikea-to-launch-budget-hotel-chain-in-europe-8053096.html>>

. Cineworld wants Starbucks shaken not stirred
Independent<<http://www.independent.co.uk/news/business/news/cineworld-wants-starbucks-shaken-not-stirred-8053995.html>>

. Twitter Plans to Choke Access to Apps It Doesn't Approve All Things
D<[REDACTED]>

Key Events Next Week

Monday: €3.2 billion Greek state bond held by ECB expires, Chicago Fed National Activity Index, Earnings (LOW, URBN)

Tuesday: Piper Jaffray California Restaurant Tour, Earnings (BBY, MDT, ADI, DELL, INTU, WTSLA)

Wednesday: FOMC Meeting Minutes, Existing Home Sales, Earnings (AEO, HPQ, GES, KKD)

Thursday: Flash PMIs (US, China & Europe), Merkel & Holland meeting in Berlin (talks & dinner), New Homes Sales, Earnings (BIG, HRL, PDCO, ADSK, CRM)

Friday: Durable & Capital Goods Orders, Earnings (MSG)

Key Events on the Horizon

August 27-30 - Republican National Convention (Tampa, FL)

August 31-Sep 1 - Fed's Annual Economic Policy Symposium in Jackson Hole, WY (Bernanke speaks Aug 31 @ 10am, Lagarde speaks Aug 31 @ 2:30pm, Draghi speaks Sep 1 @ 12:25pm)

September 3-6 - Democrat National Convention (Charlotte, NC)

September 6 - BOE/ECB rate announcements

September 7 - Xstrata EGM to vote on Glencore deal

September 12 - Germany's Constitutional Court ruling on ESM & Fiscal Pact

September 13 - FOMC rate decision (economic & fed funds projections with Bernanke press conference to follow)

November 6 - US Presidential Election

Ike Groff | 680 Washington Blvd | Stamford, CT 06901 | • (203) 302-7300 | •
<mailto: >

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