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Good Morning ... European Markets off 0-60 bps (DAX flat, Spain +0.37%, Russia -1.2%) ... Nikkei -0.08%, HSI +0.12%, China +0.51%, KOSPI -0.17%, ASX -0.04%

EUR 1.2278 (+0.23%) JPY 79.29 (+0.18%) AUD 1.0255 (+0.62%) NZD 0.7975 (+0.45%)
GBP 1.5568 (+0.31%) US 10yr 1.51%

Futures: Dow +27, Nasdaq +4, S&P +3 DXY \$83.20 (-19c) Crude \$84.81 (+90c) Gold \$1576.20 (-\$3.50) Silver +0.48% Copper +0.13%

The FT<<http://www.ft.com/cms/s/0/c4810fd6-caa8-11e1-8872-00144feabdc0.html#axzz20DNWMA7>> discusses the proposed bailout conditions for Spanish banks in which those that receive aid would have to write off preferred shares & subordinated debt (noting that there is ~ €67 billion in outstanding subordinated/hybrid debt & most of it was sold to retail investors as savings products). Meanwhile, PM Rajoy announced budget measures worth €65B over 2.5 years this morning (VAT will rise to 21% vs 18%). Germany's Constitutional Court ended its hearing on the ESM & fiscal pact yesterday and did not give a date for a ruling but finance minister Schauble says he hopes it will come before the fall. European markets opened lower but have bounced back towards flat on the day mostly on short covering as real buyers seem reluctant to step in post the negative earnings related price action in CMI, AMD, AA, etc yesterday. Burberry kicked off the reporting season in luxury and sales fell short of estimates which is weighing on the rest of the sector (BRBY LN -6.4%). Fed minutes due out later from the most recent meeting in which they extended Twist and will most likely show that some members were pushing for further easing. S&P futures +3 handles = 1338.30 last.

Mortgage Apps @ 7am, US Trade Balance @ 8:30am

FOMC Minutes released at 2pm, MAR & TXI #'s after close

Allen & Co. annual media conference begins in Sun Valley today

- . Burberry Q1 LFL sales light, underlying retail growth slowing, China weak (trading -6.4%)
- . Hhgregg lowers FY13 EPS view (90c-\$1.05 from \$1.12-\$1.27) (video weakness) (trading -20%)
- . Speculation that Abercrombie (ANF) will announce massive share buyback (NY Post<http://www.nypost.com/p/news/business/le_preppy_pe_yew_CYG7XhnaYYfeq4aFMwu0PN>)
- . Gerresheimer Q2 good, revs driven by plastic systems, FY outlook raised (trading +5.4%)
- . Xstrata EGM to vote on proposed merger with Glencore will be convened on September 7
- . Getinge Q2 solid, small miss on margin, strong order book with good organic growth (trading +4.3%)
- . Barratt Development Q4 trading update good, showing +ve trends, net debt reduction (trading -1.0%)
- . ICAP Q1 accelerate cost savings plan to offset revenue weakness, happy with ests (trading +1.1%)
- . Hays (staffing) trading update slightly ahead of est and better than Michael Page (trading -3.0%)
- . Carrefour: La Tribune speculating that H1 sales could drop by 6% (CA FP trading

unch)

- Santander: 2% of new shares (193M) start trading today as part of convertible (trading +0.80%)
- JD Wetherspoon (pubs) trading update ok with LFL for 11 weeks to July 8 ahead (trading +2.2%)
- EADS says it no longer sees reaching 30 A380 superjumbo sales in 2012 (trading -3.3%)
- Britvic profit warning (poor weather & fruit shoot bottle cap at fault) (trading -15.8%)
- Telefonica (TEF SM) is considering to sell stake of its Latin American subsidiaries (Cinco Dias)
- Centrotherm (German solar) submits application to start insolvency protection (trading -76%)
- Moneysupermarket.com H1 update brief but positive for 2Q and as per mgmt expectations
- Swatch has no plans to cut stake in Hengdeli according to Hong Kong Economic Journal
- Deposits in Greece's banking system have increased by more than €8 billion since govt formed
- Germany sells €4.15 billion in 10yr bonds (average yield 1.31% vs 1.52% prior) (btc 1.5x)
- China June passenger car sales beat estimates (+16% to 1.28 million vs estimate 1.27 million)
- Wen says investment now key to stabilizing China growth (infrastructure stocks outperformed)

Leading European Sectors: Telco +0.69%, Real Estate +0.49%, Banks +0.35%
Lagging European Sectors: Autos/Parts -0.83%, Construction -0.76%, Media -0.79%

OCZ misses estimates - WTW names cfo - VOXX lowers ebidta view
VNR increases credit facility - GG cuts output forecast - ADTN eps/sales miss

Secondaries (announced/priced): BZH, CYS, PAL (convert), PSEC, GMLP, GLTR LI, ACC, OSUR

IPO's (filed/priced): N/A

Key Research: UBS initiates AAPL (buy \$740pt) and EMC (buy) & downgrades SYT/DUK, BMO downgrades SUI
Key Research: Jefferies downgrades HMSY/AGP, Stifel downgrades HGG, Wells initiates VPHM (mp) and REXX (op)
Key Research: Susquehanna initiates NXPI (neut), JMP initiates JNPR (mp), Baird downgrades CVGI/MTOR/MOD
Key Research: Guggenheim initiates CMA (neut), Stifel initiates LTM (hold), Raja upgrades SKYW, MS downgrades WM
Key Research: Longbow cuts USG, Citi downgrades PNW & upgrades WCH GY, Redburn upgrades ITX SM
Key Research: UBS upgrades LXS GY, Liberum downgrades LLOY LN, Canaccord downgrades SAB LN
Key Research: Berenberg upgrades MTX GY, DB upgrades TFI FP, UBS downgrades LIN GY

Reporting Pre-Open: MASC

Reporting Post-Close: MAR, MSW, PRXI, TXI

Economic Data: MBA Mortgage Applications @ 7am, Trade Balance @ 8:30am, Wholesale Inventories @ 10am, FOMC Minutes @ 2pm

DOE crude oil inventories @ 10:30am

Conferences: SEMICON West 2012 (SF)

Analyst/Investor Days: N/A

Non-Deal Roadshows: ADS, AIV, BUD, CAE, CAT, CFX, CPST, DSCI, DVN, EXL, FINL, GA, GCA, GTXI, HD, HPQ, HR, ISBC, LZB, MMYT, MRVL, MU, NAV, NKTR, ORCL, OREX, PAA, REIS, REXX, SCVL, SGNT, SJM, SPG, TKOMY, TREE, VPHM

Shareholder Meetings: GNVC, FBNK, CVCO, HKAC, SCS, NLST, KUTV

Equity/Mixed Shelves: N/A

S&P 600 change (after close July-17): Engility (EGL) to replace Savient Pharmaceuticals (SVNT)

Other Newspaper Articles & Stories

Barron's positive: Intel (INTC)

Barron's<http://online.barrons.com/article/SB50001424053111904184504577518901661332024.html?mod=BOL_hpp_highlight_top>

· Sub-Zero rates risk freezing Europe's money markets
WSJ<<http://professional.wsj.com/article/SB10001424052702303292204577518951318321544.html?mg=reno-wsj>>

· Claw is out for JPM executives in CIO office
WSJ<<http://professional.wsj.com/article/SB10001424052702303292204577519273423202112.html?mg=reno-wsj>>

· Spain to Cede Bank Control
WSJ<<http://online.wsj.com/article/SB10001424052702303567704577519091638685290.html>>

· Blackstone to Shed Office Empire
WSJ<http://online.wsj.com/article/SB10001424052702303292204577518810593701118.html?mod=ITP_moneyandinvesting_0>

· Scandal Shakes Peregrine
WSJ<http://online.wsj.com/article/SB10001424052702304022004577518680956762826.html?mod=ITP_pageone_0>

· EU Leaders Fail to Convince
WSJ<<http://online.wsj.com/article/SB10001424052702303567704577519012017215628.html>>

· Events Overtake Finance Ministers
WSJ<<http://blogs.wsj.com/brussels/2012/07/10/events-overtake-finance-ministers/?mod=WSJBlog&mod=brussels>>

· Greek Far Right Hangs a Target on Immigrants
NYT<<http://www.nytimes.com/2012/07/11/world/europe/as-golden-dawn-rises-in-greece-anti-immigrant-violence-follows.html>>

· In New Rules to Shine Light on Derivatives, Regulators Also Allow Exemptions
NYT<<http://dealbook.nytimes.com/2012/07/10/in-new-rules-to-shine-light-on-derivatives-regulators-also-allow-exemptions/?ref=todayspaper>>

· Berlusconi is planning to run again in 2013 Business Insider<<http://www.businessinsider.com/report-berlusconi-is-planning-to-run-again-in-2013->

2012-7>

- Romney may name running mate early in election race
Reuters<<http://www.reuters.com/article/2012/07/10/us-usa-campaign-romney-idUSBRE86419K20120710>>
- U.S. hedge fund challenges Telus on foreign investment rules Globe and Mail<<http://www.theglobeandmail.com/globe-investor/us-hedge-fund-challenges-telus-on-foreign-investment-rules/article4404999/>>
- German court delays ruling on eurozone fund FT<<http://www.ft.com/cms/s/0/c502909e-ca79-11e1-89f8-00144feabdc0.html#axzz206VD8iB1>>
- More reform needed, IMF warns Italy FT<<http://www.ft.com/cms/s/0/c98af38e-ca9e-11e1-8872-00144feabdc0.html#axzz206VD8iB1>>
- Spanish banks: bailout mechanics FT Lex<<http://www.ft.com/cms/s/3/c31e9942-ca8a-11e1-89f8-00144feabdc0.html#axzz206VD8iB1>>
- Eurozone draws up Spanish aid blueprint FT<<http://www.ft.com/cms/s/0/87579b22-ca33-11e1-a5e2-00144feabdc0.html#axzz206VD8iB1>>
- Spain pressed to inflict losses on savers FT<<http://www.ft.com/cms/s/0/c4810fd6-caa8-11e1-8872-00144feabdc0.html#axzz206VD8iB1>>
- Juncker reappointed to eurozone post FT<<http://www.ft.com/cms/s/0/7737562a-ca32-11e1-a5e2-00144feabdc0.html#axzz206VD8iB1>>
- Money market funds: on borrowed time FT Lex<<http://www.ft.com/cms/s/3/ec539de4-caa3-11e1-89be-00144feabdc0.html#axzz206VD8iB1>>
- Italy 'may be interested' in using rescue fund The Times<<http://www.thetimes.co.uk/tto/business/economics/article3471780.ece>>
- US regulator failed to act on its Libor reform plan in 2008 The Times<<http://www.thetimes.co.uk/tto/business/industries/banking/article3471672.ece>>
- Germans in court battle to block eurozone bailouts
Telegraph<http://www.telegraph.co.uk/finance/comment/ambroseevans_pritchard/9390719/Germans-in-court-battle-to-block-eurozone-bailouts.html>
- Ratings agencies 'no longer trusted'
Telegraph<<http://www.telegraph.co.uk/finance/economics/9390556/Ratings-agencies-no-longer-trusted.html>>
- Debt crisis: Eurozone unemployment 'could reach 22m'
Telegraph<<http://www.telegraph.co.uk/finance/financialcrisis/9390211/Debt-crisis-Eurozone-unemployment-could-reach-22m.html>>
- King warns of eurozone's 'black cloud of uncertainty'
Telegraph<<http://www.telegraph.co.uk/finance/financialcrisis/9390361/Debt-crisis-Sir-Meryvn-King-warns-of-eurozones-black-cloud-of-uncertainty.html>>
- UK heads for worst trade deficit in four years
Guardian<<http://www.guardian.co.uk/business/2012/jul/10/uk-trade-deficit-ons-data>>
- Greece may have to choose between the euro and the radical left
Guardian<<http://www.guardian.co.uk/commentisfree/2012/jul/10/greece-euro-syriza>>
- Banks told extra capital could be key to lighter regulation
Independent<<http://www.independent.co.uk/news/business/news/banks-told-extra-capital-could-be-key-to-lighter-regulation-7932764.html>>

Key Events This Week

Thursday: Treasury Monthly Budget Statement, China Industrial Production/Retail sales/GDP, Euro IP, Italy bond auction, JPM Healthcare Conference (NYC), Earnings (FAST, PGR)

Friday: Michigan Confidence, PPI, Earnings (JPM, WFC) (focus on additional details around JPM CIO trading loss)

Key Events on the Horizon

July 17/18 - Bernanke gives monetary policy reports to Senate & House

July 20 - Tentative date for Eurogroup meeting to finalize MoU for Spanish bank recap

July 27 - 2012 Olympics Opening Ceremonies in London

August 1 - FOMC rate decision, French financial transaction tax (FTT) effective today

August 2 - BOE/ECB rate decisions

August 20 - Tentative date for ESM to become operational, €3.2 billion Greek state bond held by ECB expires

August 23/24/25 - Fed's Annual Economic Policy Symposium in Jackson Hole, WY

September 7 - Xstrata EGM to vote on Glencore deal

November 6 - US Presidential Election

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