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Subject: Early Tour 7.12.12

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Good Morning ... European Markets off 25-120 bps (Spain -1.5%) ... Nikkei -1.48%, SHCOMP +0.47%, KOSPI -2.24%, HSI -2.03%

EUR 1.2215 (-0.20%) JPY 79.34 (+0.53%) EURJPY 96.92 (-0.75%) AUD 1.0146 (-1.01%)
Italy 10yr 5.77% Spain 10yr 6.51%

Futures: Dow -63, Nasdaq -11, S&P -7 DXY 83.57 (+0.01%) Crude \$84.92 (-1.04%)
Gold \$1566.70 (-0.57%) US 10yr 1.48%

More global central bank policy response overnight but markets fading as focus continues to shift back to stock specific fundamentals with earnings season underway. Bank of Korea unexpectedly cut rates for the first time since 2009, while the Bank of Japan boosted its asset-purchase program by ¥5 trillion but cut its loan facility by the same amount. And Brazil cuts rates for the 8th consecutive time to new lows as expected (8.50% to 8.0%). Italy sells €7.5 billion of 12-month bills = inline with max target (average yield 2.697% vs 3.972% on June 13, btc 1.55x vs 1.73x prior). A few corporate highlights worth noting overnight: Marriot inline but international RevPar disappoints, Infosys cutting forecast which is dragging down other IT/software names in Europe, and a £3.16 billion takeout in the UK media space with Aegis getting taken out at a large premium. Luxury continues to be for sale post Burberry yesterday and the WSJ<<http://professional.wsj.com/article/TPDJI0000020120711e87b000yc.html>> notes that Cartier (Richemont -2.9%) is seeing a slowdown for high-end watches in China and Chow Tai Fook Jewellery (1929 HK) closed -8.8% on a weak operational update that showed a sales mix skewed towards lower margin gold products. Volumes in Europe notably higher than the last few weeks currently tracking 115% of 20day average on the Stoxx600. SPA's -7 handles = 1329.40 last.

Jobless Claims @ 8:30am, Treasury Budget @ 2pm

YHOO annual meeting, China IP/GDP/Retail Sales out tonight

· Marriot earnings inline but lowers RevPar growth view outside North America (trading -2.1%)

· Supervalu Q1 profit -45.0% and will review strategic options and suspend dividend (trading -26%)

· Infosys cuts FY13 dollar sales growth guidance to 5% from 8-10% (INFO IN trading -8.3%)

· Dentsu offers 240p in cash for Aegis (AGS LN) valuing company at £3.16 billion = 48% premium

· Calix (carrier infrastructure) cuts guidance on slowdown in service provider spending (trading -23.6%)

· Texas Industries swings to profit (pace and recovery in construction activity tough to predict)

· Carrefour sales inline, hypermarket LFL -5.7% ex-petrol worse, LFL sales turned +ve in Q2 (trading +6.7%)

· Nielsen foodstores reports that the US beer industry -10.7% for 4 weeks to June 30

· SuperGroup FY poor but inline with negative guidance, 10 week trading broadly "inline" (trading +16%)

· MTU Aero Engines (MTX GY) gets about €1.3 billion in orders at Farnborough Airshow

(trading +1.1%)

- 888 Holdings unscheduled trading update, strong with Q2 profitability higher than Q1 (trading +15%)
- Temenos profit warning cutting FY sales growth, CEO steps down, SEK 3B write-down (trading -21.4%)
- HSBC could be fined up to \$1B for money laundering regulation (CEO before senate Jul 17) (trading -1.5%)
- Rio Tinto CFO Guy Elliott has announced plans to retire at end of 2013 (trading -2.7%)
- Cove Energy: Shell extends offer for Cove to July 245h after just 3.27% acceptance rate (COV LN +0.73%)
- Peugeot to cut 10% of its workforce and announces closure of Aulnay site (trading +2.1%)
- DNB Q2 beat driven by fees & trading, loan losses better, improved cap position (trading +1.9%)
- AB Foods Q3 trading solid, sugars & Primark good, outlook unch, no guidance as expected (trading -0.55%)
- Ashmore Q4 sales and revs look slight below, stock weak into statement, exp profit taking (trading -7.0%)
- Premier Oil Q2 sales & revs good, strong in production fields and good pipeline (trading +3.2%)
- Becker Underwood (agricchemicals) puts itself up for sale says Reuters (could go for \$1B+)
- Il Sole 24 runs story saying PPR may be willing to bid for Red & Black's Hugo Boss stake
- FT article out this morning on mining stocks "Global Miners Stage Retreat to the Core" (FT<<http://www.ft.com/intl/cms/s/0/97392b0c-cb71-11e1-916f-00144feabdc0.html#axzz200HedJGO>>)
- ECB's Bonnici comments that ECB still has tools to tackle crisis if needed
- Eurozone industrial production +0.6% m/m in May vs estimate unch (-2.8% y/y vs estimate -3.2%)
- French June CPI + 0.1% m/m vs estimate 0.0% (+2.3% y/y vs estimate +2.2%)
- UK sells £3.5 billion of 10yr bonds at record low yields 1.72% (inline with max target £3.5 billion)
- German 2yr yield falls to record low negative 0.021% (Germany 10yr yield 1.25%)
- India industrial output +2.4% in May y/y versus estimate +1.8% (SENSEX -1.67% on INFO IN)
- Cartier (owned by Richemont) sees slowdown in demand for high-end watches in China (WSJ<<http://professional.wsj.com/article/TPDJ10000020120711e87b000yc.html>>)
- Luxury: Cho Tai Fook -8.8% on weak update (sales mix skewed to lower-margin gold products)
- Sharp -7.0% falls to lowest level in 34 years on earnings concerns (Citi lowered price target to 340¥)

· Kingway Brewery expects "significant loss" in interim results (124 HK closed -5.2%) (3-week low)

· China's June new local-currency loans 919.8 billion CNY versus estimate 910.0 billion

· Huaneng Power says that electricity output at China plants in H1 down 1.5% from year ago

· China GDP growth likely to dip below 8.0% on year in Q3 and Q4 according to state researcher (DJ)

· Telstra to sell TelstraClear for NZ\$840 million in cash to Vodafone New Zealand (TLS AU -0.26%)

· Australia employment falls 27,000 in June vs est unchanged (jobless rate rises 5.1% to 5.2%)

Leading European Sectors: Media +1.07%, Real Estate -0.03%, Insurance -0.12%

Lagging European Sectors: Tech -1.76%, Basic Resources -1.73%, Telco -1.3%

HOLX sees revs below est - ELY 12% workforce cut - BAH rating under review at Moody's

Notable Options Activity Yesterday:

SBAC (56.77 -1.6%) opening cust bought 3500 sep 50 puts paying up to .50 earnings in early aug pretty notable size trade in SBAC as it doubles the total put open interest across strikes in sep

T (35.26 -.5%) opening cust bought 18k oct 34 puts for .80 ~6% lower to breakeven

UPS (78.88 +.4%) opening cust bought 5000 oct 75 puts for 1.56 doubles the open interest on the line ~7% lower by oct expiration and only 1 earnings confirmed before then

PBI (14.33 +.6%) more rolling puts today cust sells 5k july 16 puts at 1.70 closing to buy 10k aug 13 puts for .475 (saw similar trading earlier in week but to the aug 14 put strike) Earnings 8.2

CTSH (56.52 +.6%) opening cust bought 3000 july 52.5/55 put spreads for .57 needs ~4% lower to break even by next Friday and earnings are not expected until aug

CSTR (66.25 -1.1%) opening cust continuing to buy july 62.5 puts 2500 today for .50 (bot these on Monday as well for .35) ~6% lower by next Friday to breakeven earnings after july expiration

Secondaries (announced/priced): GLTR LI, FINL, NYMT, NMFC, IMGN

IPO's: N/A

Key Research: Barcap initiates PVR/FMX (ow's) & KOF (ew) & downgrades LXX & upgrades AMCX

Key Research: JPM initiates Y (neut) & upgrades CVX, Citi upgrades MRK (buy) & downgrades ADTN

Key Research: Jeff downgrades EE, Piper initiates BKW/DNKN (ow's) & CBOU (neut), Canaccord cuts PRGO

Key Research: ISI initiates ATHN/CTR/MXAS/QSII (ow) & CERN/MDRX (mw) & HSIC/PDCO (uw), Jany cuts HRL (sell)

Key Research: ISI initiates CVS/MCK/ABC (ow) & CAH/ESRX (mw) & WAG (uw), Mizuho downgrades ADTN

Key Research: Stifel initiates TRN/GBX (buys) & ARII/RAIL (hold) & downgrades ADTN, BMO initiates AMZN (mp)

Key Research: Raja downgrades AGP, Wells upgrades DIS, Cantor initiates BRKR (buy), Bern

initiates HSH (op)

Key Research: HSBC upgrades GENL LN / MOBB BB / AKZA NA, Nomura downgrades STL NO, Santander cuts GLE FP

Key Research: Commerzbank upgrades KNIN VX, Santander upgrades CA FP, HSBC downgrades SY1 GY

Key Research: BofA downgrades NEX FP & TEMN SW, CS initiates European IT Services, CS downgrades BLT LN

Key Research: ING initiates DE NA (hold), Numis downgrades IHG LN, BofA upgrades PHIA NA & ASSAB SS

Key Research: MainFirst downgrades ASML NA, BofA downgrades BVIC LN, ING downgrades OR FP

Reporting Pre-Open: FAST, PGR, CBSH, EMMS, TRIB

Reporting Post-Close: ANGO, CERE, OZRK, RECN

Economic Data: Jobless Claims / Import Price Index @ 8:30am, Bloomberg Consumer Comfort @ 9:45am, Treasury Monthly Budget Statement @ 2pm

Fed Speakers: Williams @ 3:40pm (Portland, OR)

Conferences: JMP Healthcare (NYC)

Analyst/Investor Days: N/A

Non-Deal Roadshows: ADS, AINV, ANN, AVAV, BWLD, CAE, CFX, CPST, DVAX, DVN, EXL, FDX, FINL, FLDM, GCA, HD, HPQ, HR, JOY, KOP, KSS, LZB, MU, ORCL, RHT, SCHS, SNAK, SPG, TIVO, WEC, XPO

Shareholder Meetings: BRLI, SOCB, TWMC, YHOO, MEAD, EGT, CPGI

Equity/Mixed Shelves: N/A

Other Newspaper Articles & Stories

Barron's positive: Linn Energy (LINE)

Barron's<http://online.barrons.com/article/SB50001424053111904184504577521292708777760.html?mod=BOL_hpp_highlight_top>

Italy's ISTAT may stop releasing data in cuts protest

DJ<<http://www.dowjones.com/products/djfxtrader/articles/IstatDataCuts12.asp>>

Fed Weighs More Stimulus

WSJ<http://online.wsj.com/article/SB10001424052702304373804577520961872084798.html?mod=ITP_pageone_0>

Clients of Swiss Bank Raided in Tax Probe

WSJ<<http://online.wsj.com/article/SB10001424052702303644004577520802968264844.html>>

Italy Faces 'War' in Economic Revamp, Monti Warns

WSJ<<http://online.wsj.com/article/SB10001424052702303919504577520933751473006.html>>

Spain Bank Sub Bondholders Try to Sell

WSJ<<http://online.wsj.com/article/SB10001424052702303740704577520551734479514.html>>

Cartier CEO Sees Slowdown in Chinese Demand

WSJ<<http://online.wsj.com/article/SB10001424052702303919504577520912094185148.html>>

Portugal's Leader Won't Soften Austerity

WSJ<<http://online.wsj.com/article/SB10001424052702303919504577520862058081078.html>>

Dewey Seeks 'Clawbacks'

WSJ<http://online.wsj.com/article/SB10001424052702303740704577521220347875782.html?mod=WSJ_hps_LEFTTopStories>

Hyundai, Kia Unions Vote for Limited Strikes

WSJ<http://online.wsj.com/article/SB10001424052702303919504577520453578719564.html?mod=ITP_marketplace_1>

China Digs Into Its Pro-Growth Toolbox

WSJ<http://online.wsj.com/article/SB10001424052702303644004577520891538552970.html?mod=ITP_moneyandinvesting_0>

Steven Rattner: China's Economy, Still Strong NYT Op-

Ed<<http://www.nytimes.com/2012/07/12/opinion/chinas-optimistic-economy.html>>

Debate rages over benefits of fiscal austerity FT<<http://www.ft.com/cms/s/0/74fae570-cb7c->

11e1-911e-00144feabdc0.html#axzz206VD8iB1>

Spain steps up austerity amid protests FT<<http://www.ft.com/cms/s/0/eef52d96-cb35-11e1-b896-00144feabdc0.html#axzz206VD8iB1>>

Hybrid capital: it's for real FT Lex<<http://www.ft.com/cms/s/3/5607ab16-cb55-11e1-916f-00144feabdc0.html#axzz206VD8iB1>>

Berlin denies pressing court on euro fund FT<<http://www.ft.com/cms/s/0/c502909e-ca79-11e1-89f8-00144feabdc0.html#axzz206VD8iB1>>

Why Europeans should love banking union FT opinion<<http://www.ft.com/cms/s/0/26f5be7e-ca9e-11e1-89be-00144feabdc0.html#axzz206VD8iB1>>

The irony of the BoE's role in Libor mess FT opinion<FT%20opinion>

Chinese earnings: testing times FT<<http://www.ft.com/cms/s/3/29589834-cb67-11e1-916f-00144feabdc0.html#axzz206VD8iB1>>

Barclays: room at the top FT Lex<<http://www.ft.com/cms/s/3/449d23ee-cb49-11e1-916f-00144feabdc0.html#axzz206VD8iB1>>

HSBC called to account over controls on laundering The

Times<<http://www.thetimes.co.uk/tto/business/industries/banking/article3473198.ece>>

Spain bows to EU ultimatum with drastic cuts

Telegraph<<http://www.telegraph.co.uk/finance/financialcrisis/9393818/Debt-crisis-Spain-bows-to-EU-ultimatum-with-drastic-cuts.html>>

Proud Spain again humbles itself to the euro's demands

Telegraph<<http://www.telegraph.co.uk/finance/comment/jeremy-warner/9393587/Proud-Spain-again-humbles-itself-to-the-euros-demands.html>>

Twelve more years for house prices to recover

Telegraph<<http://www.telegraph.co.uk/finance/economics/houseprices/9393170/Twelve-more-years-for-house-prices-to-recover.html>>

Eurozone unemployment could soar by 4.5m unless austerity is reversed

Guardian<<http://www.guardian.co.uk/business/2012/jul/11/eurozone-unemployment-austerity-ilo>>

China and Brazil face sustained slowdown

Guardian<<http://www.guardian.co.uk/business/2012/jul/11/china-brazil-eurozone-crisis-emerging-economies>>

Blood, debt and fears Independent<<http://www.independent.co.uk/news/world/europe/blood-debt-and-fears-crowds-rise-up-as-spain-agrees-new-65bn-cuts-7936442.html>>

Spending fall raises new fears over economy

Independent<<http://www.independent.co.uk/news/business/news/spending-fall-raises-new-fears-over-economy-7936488.html>>

Key Events This Week

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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