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Good Morning ... European Markets mixed (EuroStoxx 600 +20bps) ... Nikkei -0.81%, HSI +0.45%, SHCOMP -0.09%, KOSPI -0.41%, ASX -0.36%

EUR 1.2502 (-0.01%) JPY 79.36 (+0.38%) AUD 1.0052 (+0.40%) NZD 0.7919 (+0.60%)
Silver -0.60% Copper +0.14%

Futures: Dow +33, Nasdaq +10, S&P +4 DXY \$82.30 (-19c) Crude \$79.43 (+22c) Gold \$1585.20 (-\$3.40) US 10yr 1.626% Spain 10yr 6.71%

European markets chopping around following the release of the EMU report and the Spanish/Italian debt auction results. The EMU report prepared by EC President Van Rompuy will be presented at this week's summit. He cautions that it is not a final blueprint but designed to frame the discussions at the summit and that he will continue to work to submit more detailed proposals for a stage-based process in December (with an interim report in October). See the full report here<http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131201.pdf>. The FT notes that the EU could gain the ability to rewrite national budgets for countries that breach targets according to proposals in the draft (FT<<http://www.ft.com/cms/s/0/0da7179e-bee4-11e1-bebe-00144feabdc0.html#axzz1ysTaf4sf>>). But Germany's deputy foreign minister Michael Link was quoted earlier as saying parts of the EU report "read like a wish list" (leans too much on mutual debt models without improved controls). Moody's downgraded 28 Spanish banks after the close as expected (12 cut to junk) citing the sovereign downgrade earlier this month as well as the possibility that commercial real estate losses will worsen. Greek PM Samaras will meet the other 2 coalition leaders today to discuss who will be named the next FinMin after Rapanos pulled the chute yesterday b/c health reasons (although ekathimerini<http://ekathimerini.com/4dcgi/_w_articles_wsite1_1_25/06/2012_448915> suggests cabinet & policy concerns also played a role). Meanwhile, FinMins from France, Germany, Italy & Spain will huddle in Paris today. EUR trying to hold 1.25 level. Volumes in Europe tracking 80% of 3-month average. ObamaCare ruling set for Thursday morning (~10am). S&P futures +4 handles = 1311 last.

Case-Shiller Home Price Index @ 9am, Consumer Confidence @10am

- Apollo Group enrollment & revs fell but profit beat ests (FY op income view raised) (trading +9%)
- Coinstar says it will lower earnings guidance for the year following NCR deal (trading -4.8%)
- News Corp. said to be considering splitting the company into two (publishing & entertainment)
- H.B. Fuller penny better, revs inline - raises FY12 eps midpoint guidance (trading +1.2%)
- Seagate (STX) to replace Progress Energy (PGN) in the S&P 500 after the close on June 29
- Facebook appoints COO Sheryl Sandberg to board of directors (first female director on board)
- Group led by Jacques Delors & Helmut Schmidt propose debt agency to issue Eurobonds (FT<<http://www.ft.com/intl/cms/s/0/e55ae546-bec4-11e1-b24b-00144feabdc0.html#axzz1ysTaf4sf>>)

- Germany facing pressure to scrap senior status on rescue loans to Spain's banks (Bloomberg)
- Spanish treasury analyzing the idea of raising VAT from 8.0% to 18.0% in certain products
- Local chatter that Spain will have 20yrs to pay back European aid (interest only in first 5yrs)
- Adecco launches €400 million share buyback, planned to begin around mid-July (trading +3.3%)
- Vivendi may have to pay €765M in damages to Liberty over 2001 USA Networks purchase
- Banca Monte dei Paschi di Siena seeks more than €3B in government aid (Il Sole 24 Ore)
- Ocado H1 below across the board except PBT which was flat, uninspiring outlook (trading -15.5%)
- Carpetright prelims, tough year, PBT down, no dividend, net debt reduced (trading +5.4%)
- Stagecoach FY pretax beats, ups div 10%, positive outlook, revs inline, good start to year (trading +5.6%)
- Grifols competitor Baxter gets FDA approval for Gammagard (MMN treatment) (GRF SM trading -0.41%)
- Absa Group profit warning mainly due to higher provisions, likely from legacy mortgages (trading -8.1%)
- Germany July GfK consumer confidence survey 5.8 versus estimate 5.6 (and 5.7 in June)
- France consumer confidence holds at the 90 level in June versus estimates for a drop to 89
- French government to raise minimum wage by 2% from July 1 (Reuters citing union source)
- Netherlands final Q1 GDP +0.3% q/q vs estimate -0.2% (-0.8% y/y vs estimate -1.1%)
- Italy April retail sales come in much weaker than expected (-6.8% y/y versus estimate -0.1%)
- UK May budget deficit wider than expected (17.9 billion GBP versus estimate 14.8 billion GBP)
- Netherlands sells €2.17 billion of 10yr bonds vs €3 billion max target (avg yield 1.995%)
- Spain sells €3.08B of 3-6 month bills vs max target €3.0B (3-month avg yield 2.362% vs 0.846% prior)
- Italy sells €3.741 billion of 2yr zero-coupon bonds and 4-15yr BTPs versus max target €4 billion
- Cyprus becomes the 5th euro area nation to request EU aid (may be up to €10 billion)
- Caretaker development minister Yiannis Stournaras mostly likely next Greek FinMin (eKathimerini)
- Macau names trade lower on WFC note re: visa tightening & credit card limit (CS d/g)

Sands China)

Japan's lower house passes a bill to double sales tax to 10.0% by 2015 (363 votes to 96)

Leading European Sectors: Utilities +1.03%, Basic Res +0.88%, Telco +0.51%

Lagging European Sectors: Autos/Parts -1.47%, Tech -0.41%, Media -0.28%

SAIC elects chairman - ADC acquisitions - SNX guides eps lower

Notable Options Activity Yesterday:

VMW (88.43 -4.3%) opening cust perhaps looking for bounceback bought 3500 july 92.5 calls paying up 1.65 earnings 7.19

JCP (21.71 -3.8%) cust sold 3000 aug 23/27 call spreads at .89 most likely same cust that bought the spread 3k for 1.16 on 6.20 Barrons out over weekend neg on the stock

LOGI (10.28 -2.9%) opening cust bought 2700 aug 9 puts for .40 outright no open interest in august yet earnings 7.25 ~16% downside to breakeven

NAV (\$25.39 -6%) implied volatility was up again, with the largest trade being a buy of 5000 July 22.5 puts fro \$1.10 vs. \$25.46 stock delta neutral.

TWX (\$36.62 -2.3%) mid-day a customer bought 8825 August 38 puts for \$1.90. Earnings are tentatively scheduled for 8/1, so this may be a case of buying protection after a 5% run up over the last 2 weeks.

Secondaries (announced/priced): MDW, ROSG

IPO's: N/A

Key Research: Stifel assumes RTN (buy) & GD/LMT/NOC/LLL (holds), Cantor initiates ZMH/SYK (holds)

Key Research: Piper downgrades VCLK & initiates TITN (ow), Canaccord initiates MM (buy), Jefferies downgrades PEG

Key Research: DB upgrades AZO (buy), JPM downgrades DOW, UBS downgrades EW, GS upgrades JPM & cuts MS

Key Research: GS upgrades LPS/PBI & downgrades CTSH/SAPE, RBC initiates SLW (op), Sterne initiates AIG (buy)

Key Research: Nomura cuts top 3 Greek banks, Exane lowers #'s European Capital Goods

Key Research: Citi downgrades BMW GY, SocGen & Panmure upgrade SHP LN, JPM upgrades WMH LN & LAD LN

Key Research: Commerzbank positive SKYD G, JPM upgrades TALK LN, BofA downgrades TNET BB & MOBB BB

Reporting Pre-Open: LDK, RBN

Reporting Post-Close: HRB, AVAV, KEQU, TIGR, ZZ

Economic Data: ICSC-Goldman Chain Store sales @ 7:45am, Redbook Chain Store sales @ 8:55am, Case-Shiller Home Price Index @ 9am, Consumer Confidence & Richmond Fed Index @ 10am

Treasury auctions in 2yr notes @ 1pm (\$35B), API crude oil inventories @ 4:30pm

Conferences: Opco Consumer (Boston), Global Hunter Energy (SF), MS Transportation (Chicago)

Analyst/Investor Days: DG, NTAP, BMO, BDN

Non-Deal Roadshows: AERL, AGO, AVB, B, BBG, BMY, BRY, CTSH, CXPO, DELL, EXAS, FAST, ICUI, INXN, IPXL, KOG, LPI, LTD, MIC, MTZ, NU, PWR, R, RIGL, RSG, SA, SMG, SPA, STE, ACAS, MNTG

Shareholder Meetings: ROHI, TESS, UTHR, CCTC, DHT, AGX, CCOM, GORO, LMIA, PIR, TRIP, MINI,

BTX, RSYS, HOGS

Equity/Mixed Shelves: N/A

S&P 500 change (after close June-29): Seagate Technology (STX) to replace Progress Energy (PGN)

Other Newspaper Articles & Stories

Barron's positive: Anheuser-Busch InBev (BUD)

Barron's<http://online.barrons.com/article/SB50001424053111904317504577488711940674998.html?mod=BOL_hpp_highlight_top>

Facebook Analysts to Click 'Like'—or Not

WSJ<http://online.wsj.com/article/SB10001424052702304458604577488893140101250.html?mod=ITP_moneyandinvesting_0>

Banks Preparing for the End

WSJ<http://online.wsj.com/article/SB10001424052702304458604577489080026434286.html?mod=ITP_moneyandinvesting_2>

Yamaha Plans \$500 Motorcycle in India

WSJ<http://online.wsj.com/article/SB10001424052702304782404577488061792406958.html?mod=ITP_marketplace_1>

Sony and Panasonic to Ally On Technology for Big TVs

WSJ<http://online.wsj.com/article/SB10001424052702304870304577487852086118534.html?mod=ITP_marketplace_2>

More Turmoil Hits Greece's Government

WSJ<<http://online.wsj.com/article/SB10001424052702304870304577488660982144588.html>>

Drug Firms Urge Price Action

WSJ<<http://online.wsj.com/article/SB10001424052702304870304577488041346373860.html>>

Default Coverage Costs More as Crisis Touches Berlin

WSJ<<http://online.wsj.com/article/SB10001424052702304870304577488420287378772.html>>

Zynga Pursues New Hits for a Fickle Market

NYT<<http://www.nytimes.com/2012/06/26/technology/zynga-pursues-new-hits-for-a-fickle-market.html>>

Italy Is Poised to Pass Labor Laws Most View as Flawed

NYT<<http://www.nytimes.com/2012/06/26/business/global/italy-poised-to-pass-labor-laws-everyone-concedes-are-flawed.html>>

RIM's latest foe: fickle youth Globe and Mail<<http://www.theglobeandmail.com/technology/tech-news/rims-latest-foe-fickle-youth/article4369765/>>

Moody's warns on mortgage debt Globe and Mail<<http://www.theglobeandmail.com/report-on-business/moodys-warns-on-mortgage-debt/article4369806/>>

Howard Davies - Hollande should enjoy his honeymoon while it lasts FT

Opinion<<http://link.ft.com/r/G8OTZZ/B58GK8/6VCD41/R32F5N/5VTF4C/N9/h?a1=2012&a2=6&a3=26>>

Spanish banks are downgraded FT<<http://www.ft.com/cms/s/0/79ce4090-beb8-11e1-b24b-00144feabdc0.html#axzzlyXgsRcW>>

MI5 chief sets out price of cyberattack FT<<http://www.ft.com/intl/cms/s/0/a970810c-bef2-11e1-8ccd-00144feabdc0.html#axzzlyTaf4sf>>

EU could rewrite eurozone budgets FT<<http://www.ft.com/cms/s/0/0da7179e-bee4-11e1-bebe-00144feabdc0.html#axzzlyXgsRcW>>

Merkel's D-bond deal wins fiscal pact vote FT<<http://www.ft.com/cms/s/0/f12ee6ae-bee9-11e1-bebe-00144feabdc0.html#axzzlyXgsRcW>>

Cameron warned on risks of EU exit FT<<http://www.ft.com/cms/s/0/ce61f140-bee7-11e1-bebe-00144feabdc0.html#axzzlyXgsRcW>>

What was Spain supposed to have done? FT<<http://blogs.ft.com/martin-wolf-exchange/2012/06/25/what-was-spain-supposed-to-have-done/#axzzlynZBjFbT>>

Cyprus adds to mounting investor fears FT<<http://www.ft.com/cms/s/0/cl698186-bedf-11e1-bebe-00144feabdc0.html#axzzlyXgsRcW>>

Cyprus requests eurozone bailout FT<<http://www.ft.com/cms/s/0/80320e0e-bed0-11e1-b24b-00144feabdc0.html#axzzlyXgsRcW>>

No pain-free options for Germany FT markets<<http://www.ft.com/cms/s/0/cd62b636-beel-11e1-8ccd-00144feabdc0.html#axzzlyXgsRcW>>

Bondholders fear losses in Spain bailout FT Capital

markets<<http://www.ft.com/cms/s/0/89d629d8-beab-11e1-b24b-00144feabdc0.html#axzzlyXgsRcW>>

Germany risks being centre of empire that caused eurozone collapse, warns George Soros

Telegraph<<http://www.telegraph.co.uk/finance/financialcrisis/9355776/Germany-risks-being-centre-of-empire-that-caused-eurozone-collapse-warns-George-Soros.html>>

Germany's indifference to Greece can only lead to misery or divorce

Guardian<<http://www.guardian.co.uk/business/economics-blog/2012/jun/25/germany-indifference-greece-misery-divorce>>

Cyprus leader unhappy with remedies forced on bailed-out countries

Guardian<<http://www.guardian.co.uk/business/2012/jun/25/cyprus-leader-remedies-bailed-out-countries>>

EU publishes draft rules to tighten up on derivatives

Independent<<http://www.independent.co.uk/news/business/news/eu-publishes-draft-rules-to-tighten-up-on-derivatives-7881263.html>>

Key Events This Week

Wednesday: Durable & Capital Goods Orders, Pending Home Sales, Earnings (GIS, LEN, MKC, MON, PAYX)

Thursday: Supreme Court ruling on ObamaCare (10am), House will vote on whether to hold AG Eric Holder in contempt, US GDP, Kansas City Fed Manufacturing, EU Summit in Brussels, Earnings (FDO, CAN, NKE, RIMM)

Friday: Personal Income and Spending, Chicago PMI, Michigan Confidence, EC qtrly report on Euro area, Earnings (STZ)

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