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**Date:** Wed, 06 Jun 2012 10:09:30 +0000

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Good Morning ... European Markets up 1.1%-2.0% (Spain +2.8%) ... Nikkei +1.81%, HSI +1.43%, China -0.10%, KOSPI +1.05%

EUR 1.2507 (+0.43%)    JPY 79.09 (-0.43%)    EUR/JPY cross 98.91 (+0.86%)    AUD 0.9857 (+1.18%)  
NZD 0.7634 (+0.96%)    RUB 32.55 (+1.62%)

Copper +1.93%    Silver +2.76%    Natural Gas -1.02%    US 10yr 1.60%

Futures: Dow +91, Nasdaq +21, [REDACTED] +11    DXY \$82.54 (-28c)    Crude \$85.18 (+89c)    Gold \$1634.50 (+\$17.60)

Australia GDP comes in much stronger at +1.3% versus estimate +0.6%. ECB announcement (7:45am) & Draghi press conference to follow (8:30am). Reports suggest that the ECB will want to keep pressure on politicians to take action and will be reluctant to make any changes ahead of the EU summit later this month (many see a possible 25bps cut and/or 12M LTRO coming in July, but 25bps cut today is unlikely although cannot be entirely ruled out). On the Spain front, there is an article in Sueddeutsche Zeitung suggesting that a deal is being worked on in which a loan is made to the FROB rescue fund in exchange for commitments on bank sector reform (would not involve any EFSF equity stakes in Spanish banks). In the US, there has been plenty of Fed speak in the last 24 hours with Evans calling for aggressive accommodation, Fisher saying that further easing would equate to pushing on a string, and Bullard of the mindset that there is still time to monitor the situation. Yellen comments tonight in Boston (7pm) will also be closely watched ahead of Bernanke's JEC testimony tomorrow. Hilsenrath article in

WSJ <[REDACTED]>  
mod=WSJ\_hp\_LEFTWhatsNewsCollection> says the Fed will consider more action at its upcoming meeting but may need more time to judge whether it is necessary. Also worth noting that Republican Governor Scott Walker survived the recall election in Wisconsin with 54% of the vote in a blow to the unions (Obama still polling ahead in the state but this could have broader implications for the race in November). Spain CDS tighter and 10yr yield backing up a touch ahead of bond auction tomorrow. IBEX +2.8%. EUR back testing 1.25 level. European markets up across the board on much healthier volumes driven by the long-only community with the UK back online after the Jubilee. [REDACTED] futures +11 handles = 1295.80 last.

\*\*\*Mortgage Apps @ 7am, Fed's Beige Book @ 2pm\*\*\*  
\*\*\*European bank resolution announcement due today\*\*\*  
\*\*\*Sweden closed today for National Day Holiday\*\*\*

· Ahold Q1 light, sees underlying trends improving, outlook muted, Q2 revs encouraging (trading -5.4%)

· Chesapeake Energy is said to discuss \$4 billion pipeline sale to Global Infrastructure Partners

· Fannie Mae names general counsel Timothy Mayopoulos as new CEO effective June 18

· Astrazeneca speculation that they have made a 1st round bid for Amylin (trading +0.42%)

· Roche's Actemra beats Abbott's Humira in Rheumatoid arthritis trials (trading +1.6%)

· Sports Direct eyeing up Umbro bid according to the Sunday Times (trading +0.20%)

· Eurozone Q1 GDP +0.0% q/q (inline with flash reading of zero growth) (-0.1% y/y vs est +0.0%)

- Moody's downgrades 7 German & 3 Austrian banks (Deutsche Bank review still not concluded)
- Merkel adviser Franz says Spain should urgently approach the ESM for funding to recap banks
- Senior CDU official does not see current EFSF rules allowing injection of funds into Spanish banks
- Germany's FDP party (junior partner in Merkel coalition) rejects banking union plans (Handelsblatt)
- German industrial output declined more than forecast in April (-2.2% versus estimate -1.0%)
- Germany sells €3.98 billion of 5yr paper at record-low yield of 0.41% (max target €5 billion)
- Spain April industrial output -8.3% versus forecast -6.5% (biggest decline in more than 2 years)
- Short positions on IBEX35 stocks > than in 2011 when short ban was implemented (Cinco Dias)
- Greece to make €250 million emergency loan to its cash-strapped power market operator (WSJ< [REDACTED] >)
- Etihad Airways in talks to buy stake in Air France-KLM according to Dutch daily De Telegraaf
- China Securities Journal says that the PBOC should cut rates in order to boost confidence

Leading European Sectors: Basic Resources +3.74%, Banks +2.73%, Insurance +2.70%  
 Lagging European Sectors: Telco -0.11%, Retail -0.10%, Trav/Les +0.62%

OXM 5c eps beat - ULTA see eps above ests - BOBE rev miss  
 SBUX deal with CSTR - MA \$1.5B buyback - MIND #'s light  
 RF organizational changes - GWRE guides up - LEE Berkshire stake  
 IRM boosts dividend - MFRM revs miss - SWM loses bid to block rival

Notable Options Activity Yesterday:

IMAX (19.61 +2.2%) opening cust bought 4000 june 21 calls for .35 these expire next week and breakeven is ~9% higher but company hosts an investor day on june 13th

CIT (33.61 +1.3%) opening cust bought 5000 july 35 calls for .95 earnings are estimated 7.26 (after these expire) but cust might be betting that they move them forward breakeven ~7% higher

TBT (ultrashort TLT) (15.33 +2.6%) opening cust bought sep 20/22 1x2 call spread for .03 credit 6k x 12k TBT last traded above 20 in early april12

Secondaries (announced/priced): DG

IPO's: N/A

Key Research: Jefferies initiates EDG (buy) & downgrades RAX & upgrades CLR (buy)  
 Key Research: Baird downgrades FMER, Citi downgrades NSM, Janney initiates CSE/CIT (buy's)  
 Key Research: JMP initiates FB (op), CS upgrades PHM/RYL/SWN, BNP upgrades RRC (buy)  
 Key Research: DB upgrades TTM and NU (buy), Wells upgrades DKS & initiates FRC/VRSN (op's)  
 Key Research: Canaccord upgrades FST (buy), FBR downgrades SYMC, MS initiates EDG (ow) & MRC

(uw)

Reporting Pre-Open: BF.B, AHONY, AMSC, BV, CYBX, HOV, MTN

Reporting Post-Close: PLL, ABM, ALOG, BNNY, GRF, HWD, MEAS, MW, NOA CN, ODC, PBY, SEAC, STEI, UHAL VRNT

Economic Data: MBA Mortgage Applications @ 7am, Non-Farm productivity & Unit Labor Costs @ 8:30am, Fed's Beige Book @ 2pm

DOE crude oil inventories @ 10:30am

Fed Speakers: Lockhart @ 8:15am (Ft Lauderdale), Tarullo testifies to Senate Banking Committee on Wall Street reforms @ 10am (DC), Williams (Bellevue, WA), Yellen @ 7pm (Boston)

Conferences: Jefferies Global Healthcare (NYC), JPM Diversified Industries (NYC), Piper Consumer (NYC), Bofa Smid Cap (Boston)

Conferences: Citi Global Energy (Miami), GS Global Healthcare (Racho Palos Verde, CA), Needham Software & Services (NYC)

Analyst/Investor Days: AAWW, ECPG, HD, VOCS

Non-Deal Roadshows: AAPL, AHS, AMRN, BIP, CDI, CGI, CLGX, CLR, CMA, CNQ, COHU, DECK, DLTR, DMD, DNDN, EFX, EGT, EZCH, FFBC, FHN, FLS, FRC, GHM, GSM, ITRI, JACK, MA, MDW, MGM, MRCY, MRX, MSCC, MWA, OAS, PPL, PRGN, PRIM, RAX, RGS, SIMO, SIRO, SNDK, SPAR, STZ, TLM, URZ, VAR, WETF, WWW, MS

Shareholder Meetings: FDUS, SB, ECPG, SHS, TEAR, ADES, AI, DVN, FCN, MEA, ACOR, AMRI, AWAY, IFMI, NCIT, NTRI, PENN, PHH, PVR, RPT, TICC, WSTG, EGY, IPT, RP, TMS, ZIXI, MAXY, ZGNX, CAB, CERS, GBLI, TSLA, CALD, LULU, NTGR, OFLX, OMPI, DKS, ENOC, TFM, TTO, NTE, ASTI, ALXA, MGRC, P

Equity/Mixed Shelves: N/A

#### Other Newspaper Articles & Stories

Barron's positive: Lowe's (LOW)

Barron's< [REDACTED] >

WSJ cautious: Lowe's (LOW)

WSJ< [REDACTED] >

mod=ITP\_moneyandinvesting\_8>

· Recall Bid Fails in Wisconsin

WSJ< [REDACTED] >

mod=ITP\_pageone\_0>

· Nasdaq Weighs Fee Discount

WSJ< [REDACTED] >

mod=ITP\_moneyandinvesting\_2>

· Italy to Push 'Pink Quotas'

WSJ< [REDACTED] >

mod=ITP\_marketplace\_0>

· Germany Grapples With Role In Rescue

WSJ< [REDACTED] >

· Euro Political Union a Risk for U.K.

WSJ< [REDACTED] >

· ESM and Banks: Not So Soon WSJ< [REDACTED] >

banks-not-so-soon/?mod=WSJBlog&mod=brussels>

· More Young Americans Out of High School Are Also Out of Work

NYT<[REDACTED]>  
also-out-of-work.html>

· A Concert Mogul Is Betting on Electronic Dance Music  
NYT<[REDACTED]>  
dance-music.html>

· National interests threaten EU bank reforms FT<[REDACTED]>  
af28-11e1-a8a7-00144feabdc0.html#axzz1wzWFSGH5>

· U.S. hedge fund looking for buyer for its \$2-billion stake in Telus Globe and  
Mail<[REDACTED]>  
its-2-billion-stake-in-telus/article4233935/>

· Italy's problems threaten to overwhelm FT<[REDACTED]>  
11e1-a8a7-00144feabdc0.html#axzz1wzWFSGH5>

· Panic has become all too rational FT<[REDACTED]>  
a8a0-00144feabdc0.html#axzz1wzWFSGH5>

· Return to Greece's past a radical mistake FT<[REDACTED]>  
afld-11e1-a8a7-00144feabdc0.html#axzz1wzWFSGH5>

· Banking union and the euro's future FT  
Editorial<[REDACTED]>

· Cyprus and Greece FT Lex<[REDACTED]>  
00144feabdc0.html#axzz1wzWFSGH5>

· Investing in Europe: suitors await FT Lex<[REDACTED]>  
11e1-94a7-00144feabdc0.html#axzz1wzWFSGH5>

· Germany must take action to save world economies The  
Times<<http://www.thetimes.co.uk/tto/news/world/europe/article3436730.ece>>

· BofE should be ready to act after Greeks vote The  
Times<<http://www.thetimes.co.uk/tto/business/economics/article3436823.ece>>

· UK business confidence plunges on eurozone fears  
Telegraph<<http://www.telegraph.co.uk/finance/economics/9312353/UK-business-confidence-plunges-on-eurozone-fears.html>>

· Ireland's recovery is still green  
Telegraph<<http://www.telegraph.co.uk/finance/financialcrisis/9312277/Irelands-recovery-is-still-green.html>>

· Portugal's hard work has only just begun  
Telegraph<<http://www.telegraph.co.uk/finance/financialcrisis/9312238/Portugals-hard-work-has-only-just-begun.html>>

· ECB under growing pressure to stimulate eurozone economy  
Guardian<<http://www.guardian.co.uk/business/2012/jun/05/ecb-pressure-stimulate-eurozone-economy>>

· Is America healing fast enough?  
Guardian<<http://www.guardian.co.uk/business/2012/jun/05/america-healing-fast-enough>>

· Safe-haven seekers propel prime London house prices to new highs  
Independent<<http://www.independent.co.uk/news/business/news/safehaven-seekers-propel-prime-london-house-prices-to-new-highs-7817939.html>>

· We must prepare for Greek exit  
Independent<<http://www.independent.co.uk/news/business/news/we-must-prepare-for-greek-exit-says-tyrie-7817937.html>>

Key Events This Week

Thursday: BOE announcement, Spain bond auction, Bernanke testifies before Joint Economic Committee (DC), Fed Meeting on Basel III, Consumer Credit, CS Engineering and Construction Conference (NYC), Stifel Energy Conference (Montreal), Earnings (SJM, TITN, ZQK)

Friday: Trade Balance, Wholesale Inventories, China CPI & PPI, Preliminary Russell Rebalance list published after 6pm, BMO Fixed Income Insurance Conference (Toronto)

Saturday: Belmont Stakes (I'll Have Another going for the Triple Crown)

Key Events on the Horizon

June 15 - FTSE UK index series annual review & rebalance (new free float methodology) (£120B+ tracks FTSE UK indices)

June 17 - Greek presidential elections & French Parliamentary elections

June 18/19 - G20 leaders meet in Los Cabos, Mexico

June 20 - FOMC announcement (including individual economic and interest rate projections & Bernanke press conference)

June 22 - Russell Rebalance

June 28/29 - EU leaders summit

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