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Good Morning ... European Markets off 60-175 bps (CAC -1.75%, DAX -0.60%)... Nikkei Closed -1.55% (HSI -4.23%, China -2.33%, KOSPI -1.41%)

EUR 1.3691 (-0.34%)    JPY 76.71 (+0.15%)    NZD .7887 (-0.36%)    RUB 31.228 (-1.01%)  
Copper -2.65%    Silver -2.38%    10yr 2.12%    30yr 3.11%

Futures: Dow -35, Nasdaq +6, S&P -3    DXY \$77.36 (+17c)    Crude \$85.92 (-46c)    Gold \$1658.9 (-\$17.40)

Yesterday German FinMin Schaeuble said "no quick fix" over Euro package and sent the markets lower in a return to profit taking (after an appx +13% climb since early Oct). Technically the US S&P retreated from the 1225 resistance level (hitting 1230 overnight), it was noted, since mid-Aug, the S&P has traded at ~1220 three times, and each instance has been followed by a consolidation of 7%, 5.5%, & 10% most recently. Overnight the Hang Seng got hit the hardest (-4.23%) after reacting to weaker China Q3 GDP #'s (see below) and while the headline read "China growth drops" macro data still above the 9% level for growth (plus better industrial production & retail sales domestically points China to a possible softer landing). S&P off 0.26% (1191) this morning ahead of BAC #'s out at 7am (GS @ 8am) and Bernanke speaking today @ 12:30pm in Boston

\*\*\*PPI @ 8:30am, Housing Market Index @ 10am\*\*\*

\*\*\*BAC & GS #'s pre-open, AAPL/INTC/CSX/JNPR/YHOO/ISRG after close\*\*\*

\*\*\*Bernanke speaks @ 12:30pm (Boston), Republican Presidential debate tonight\*\*\*

China's economy grew 9.1% vs 9.3% expected (slowest pace since 09) (Industrial Prod +13.8% beats ests)

Moody's says may move outlook on France's AAA rating to negative from stable (BNP.FP -5.8%, GLE.FP -4.9%)

German Oct ZEW Survey fell to 3 year low (-48.3 vs -43.3 Sept) worse than ests (EUR extended decline off report)

IBM Q3 revs slight miss (service signings light) but raised 2011 eps view to 'at least \$13.35' (trading -4.6%)

Crocs cuts Q3 revs forecast to \$273-\$275M, had seen \$280M as gross margins weakened (plummets 32%)

VMware beat and raised (cfo said growth 'across all products') but licensing revs inline (GS u/g to convict buy)

Ingram Micro guides eps down (ERP implementation taking longer & weak Europe demand) (trading -15%)

Shanda Interactive CEO makes \$41.35 all cash buyout offer to take company private at \$2.33B val (trading +17%)

UK inflation accelerated to match a record high in Sept (CPI +5.2% y/y vs +4.5% in Aug (Mervin King speaks today)

European car registrations climbed 1.1% but 9-month Euro car sales declined 0.8% (BMW/Daimler trading off ~2%)

LVMH reported Q3 sales that topped estimates and said it is confident for remainder of 2011 (trading -1.2%)

Danone (owner of Evian & Volvic brands) in talks to sell water assets to Japan's Suntory Holding (trading +1.7%)

Spain sold €4.6B 12-mo bills below max target & costs rose to 3.608% (bid to cover = 4.26 vs 2.74 last sale)

Sony Corp had credit rating slashed by Moody's to neg. b/c of weakening demand for LCD tv's & stronger Yen

Tata Consultancy (India's largest software exporter) profit missed estimates for first time in 10qtrs (closed off 1.2%)

RBA saw scope to reduce nation's interest rates as inflation concerns eased (minutes of Oct 4 meeting showed)

China Sept home prices gained in fewer than half of the 70 cities for 2nd month as sales

eased after curbing efforts

Anta Sports Prod (China's 2nd biggest footwear co) said sales growth expected to slow in Q3 (plunged 16% in HK)

New World Development fell 17% (most since 98) as plans to raise \$1.6B selling stock at discount to fund projects

Leading European Sectors: Oil & Gas +0.17%, Chemicals +0.03%, Autos/Parts -0.03%

Lagging European Sectors: Basic Resources -2.61%, Banks -1.68%, Insurance -1.31%

STRI guides down - SB earnings better - CWTR guides down

WDFC guidance light - TSON Dept Health subpoena - AGX dividend

SFSF raises eps view - BMI earnings light - AF FP resigns

LNCR net rev better - CHKP sales better - SWK eps/revs better

CPTS wins patent case w/ HOLX - EDU sales/profit up - UNH boost forecast

PII sales drove eps growth - BCR credit agreement - IGTE cautious outlook

STLD profit doubles - AGL lowers guidance - DVA raises guidance

Notable Options Activity Yesterday:

FXA (aussie dollar) (102.04 -1.5%) opening cust bought 3000 nov 100 put for 1.50 FXA options/etf are not highly active traders so this size sticks out most likely a commodity/china play especially with china gdp #s out tonight

MOO (agribusiness etf) (MON, POT, DE, SYT, WLMIF total ~36% of etf) (47.20 -2.5%) opening cust bought 10k feb 40 puts for 1.75 most likely a long term hedge or looking to capture increased volatility in the name over next couple months

XRT (49.82 -2.2%) early in the day with XRT trading 50.75 opening cust bought 10k nov 56 calls for .32 outright

OIS (\$63.48 -1.6%) average daily options volume is 244 contracts, but in the morning a customer sold 1200 December 75 calls at \$1.70 and \$1.75, possibly to overwrite an equity position.

IDIX (\$5.15 +0.2%) following the Roche acquisition of Anadys, a bullish customer sold the November 5 puts and bought the Jan 7.5 calls 8000x paying up to \$0.30 for the package.

Secondaries (announced/priced): REGN (convert)

IPO's (lock-up expires): 21Vianet Group (VNET), Responsys (MKTG)

Key Research: Stifel initiates AA (buy), SocGen initiates BRCM (buy) & QCOM (hold), MKM initiates NVR (buy)

Key Research: BMO downgrades IBM, DB initiates COH (hold), Stifel initiates AA (buy), Think initiates PETM (buy)

Key Research: GS upgrades AKS and VMW (conviction buy) & downgrades HAS and X/AONE/WHR (sell)

Key Research: Jefferies downgrades WAG, Opco upgrades APC, JPM downgrades CHK/MBT/MOLX

Key Research: RBC initiates RA (sp) & GWR/KSU (op), Macquarie initiates ANF/COH/LULU/M and others

Key Research: Atlantic upgrades WYNN, Piper upgrades CAKE & downgrades PFCB/SQNM/CTRP

Key Research: Ticonderoga initiates CE (buy), Janney downgrades BMI, SunTrust downgrades CHD

Key Research: William Blair initiates DLLR/FNGN/GDOT/MGI/WXS (op's) & ADS/DFS (mp's) & assumes AXP/CATM/MA/V/WU/COF

Reporting Pre-Open: BAC, CHKP, EMX, FRX, GPC, GS, GWW, HOG, JNJ, KO, OMC, PH, STT, UNH, DPZ, EDU, JAKK, MBWM, MIICF, PII, PTI, UNF

Reporting Post-Close: AAPL, CSX, INTC, ISRG, JNPR, LLTC, YHOO, CCK, CREE, CYBI, FLXS, FSII, FULT, HA, INFN, LBAI, MRTN, PNFP, PTP, RLI, RNST, SON, SONC, URI, WCN, WERN

Economic Data: PPI @ 8:30am, TIC Flows @ 9am, NAHB Housing Market Index @ 10am

Fed's Lockhart speaks on economic outlook @ 6:30pm (Chattanooga)

Conferences: Citi Greater China Investor (Beijing), BMC Life Sciences Summit (NYC)

Analyst/Investor Days: YGE, SFSF

Non-Deal Roadshows: AFSI, ALIM, ANW, ARAY, CBK, CLDX, CWH, END, NBIX, NUVA, OCZ, PAA, ROST, SMGKF, TSPT, PBR

Shareholder Meetings: N/A

Equity/Mixed Shelves: N/A

S&P 600 change (after close 10/19): Franklin Electric (FELE) to replace Arch Chemicals (ARJ)

Other Newspaper Articles & Stories

WSJ positive: G4S PLC (GFS LN)

WSJ<<http://online.wsj.com/article/SB10001424052970204479504576637143020399766.html>> Citigroup (C) WSJ<[http://online.wsj.com/article/SB10001424052970204479504576637373847426788.html?mod=ITP\\_moneyandinvesting\\_6](http://online.wsj.com/article/SB10001424052970204479504576637373847426788.html?mod=ITP_moneyandinvesting_6)>

WSJ cautious: BP PLC (BP)

WSJ<<http://online.wsj.com/article/SB10001424052970204346104576636891897745266.html>>

· Bofa said to split regulators over shifting Merrill derivatives  
Bloomberg<<http://www.bloomberg.com/news/2011-10-18/bofa-said-to-split-regulators-over-moving-merrill-derivatives-to-bank-unit.html>>

· Mislabeling China Risk at Wal-Mart WSJ Heard on the Street<<http://online.wsj.com/article/SB10001424052970204479504576636672280533768.html>>

· New Mortgage Plan Floated  
WSJ<<http://online.wsj.com/article/SB10001424052970204346104576637513972299854.html>>

· Bets Backfire as Exposure to MBIA Dogs Morgan Stanley  
WSJ<<http://online.wsj.com/article/SB10001424052970203658804576637322728228288.html>>

· Mattel Chugs Toward a Deal for Thomas & Friends  
WSJ<[http://online.wsj.com/article/SB10001424052970204479504576637293995575966.html?mod=ITP\\_marketplace\\_0](http://online.wsj.com/article/SB10001424052970204479504576637293995575966.html?mod=ITP_marketplace_0)>

· Thai Floods Jolt PC Supply Chain  
WSJ<[http://online.wsj.com/article/SB10001424052970203658804576636951367373290.html?mod=ITP\\_marketplace\\_2](http://online.wsj.com/article/SB10001424052970203658804576636951367373290.html?mod=ITP_marketplace_2)>

· Banks Start to Make More Loans NYT  
DealBook<<http://dealbook.nytimes.com/2011/10/17/banks-start-to-make-more-loans/>>

· Eminent Domain Fight Has a Canadian Twist  
NYT<<http://www.nytimes.com/2011/10/18/us/transcanada-in-eminant-domain-fight-over-pipeline.html>>

· Warming Revives Dream of Sea Route in Russian Arctic  
NYT<<http://www.nytimes.com/2011/10/18/business/global/warming-revives-old-dream-of-sea-route-in-russian-arctic.html>>

· Telenor refuses to pay Bangladeshi tax bill  
FT<<http://www.ft.com/intl/cms/s/0/eaf02824-f8ca-11e0-ad8f-00144feab49a.html#axzzlazzDFXUo>>

· French court rules L'Oréal heiress mentally unfit  
FT<<http://www.ft.com/intl/cms/s/0/b9ba7b1e-f8ad-11e0-ad8f-00144feab49a.html#axzzlazzDFXUo>>

· Contract with ties to Microsoft and Google needs changes, GAO says Washington Post<[http://www.washingtonpost.com/politics/contract-with-ties-to-microsoft-and-google-needs-changes-gao-says/2011/10/17/gIQAPktPsL\\_story.html](http://www.washingtonpost.com/politics/contract-with-ties-to-microsoft-and-google-needs-changes-gao-says/2011/10/17/gIQAPktPsL_story.html)>

· Second California pension fund votes against Rupert Murdoch LA Times<[http://latimesblogs.latimes.com/entertainmentnewsbuzz/2011/10/news-corp-rupert-murdoch-california-pension-fund.html?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed:%20newsandbuzz%20%28News%20&%20Buzz%29](http://latimesblogs.latimes.com/entertainmentnewsbuzz/2011/10/news-corp-rupert-murdoch-california-pension-fund.html?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:%20newsandbuzz%20%28News%20&%20Buzz%29)>

· R&D tax scheme too rich, federal panel finds Globe and Mail<<http://www.theglobeandmail.com/report-on-business/economy/rd-tax-scheme-too-rich-federal-panel-finds/article2203628/>>

· GlaxoSmithKline move may be just the tonic Daily Mail<<http://www.dailymail.co.uk/money/markets/article-2050257/MARKET-REPORT-GlaxoSmithKline-just-tonic.html>>

· Ditch climate targets or forget cheaper bills, bosses tell ministers Daily Mail<<http://www.dailymail.co.uk/news/article-2050384/Ditch-climate-targets-forget-cheaper-bills-bosses-tell-ministers.html>>

· Inflation hits 19-year high of 5.2pc on higher energy costs Telegraph<<http://www.telegraph.co.uk/finance/economics/8833346/Inflation-hits-19-year-high-of-5.2pc-on-higher-energy-costs.html>>

· 'Stress tests' plan for insurers to examine their reserve funds Irish Independent<<http://www.independent.ie/business/irish/stress-tests-plan-for-insurers-to-examine-their-reserve-funds-2908461.html>>

· Yahoo CTO Out, But Stays EIR at Company All Things Digital<<http://allthingsd.com/20111017/exclusive-yahoo-cto-out-but-stays-eir-at-company/>>

#### Key Events This Week

Wednesday: BOE MPC minutes, CPI, Housing Starts & Building Permits, Citi Greater China Investor Conference (Macau), Earnings (ABT, BK, BLK, MS, SVU, AXP, EBAY, ETFC)

Thursday: Philadelphia Fed Index, Leading Indicators, Existing Homes Sales, EU Commission proposes measures on securities markets and insider dealing, Earnings (BBT, DO, FITB, KEY, LLY, LUV, PM, T, CB, CMG, COF, MSFT, SNDK)

Friday: Earnings (GE, HON, MCD, VZ)

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