**From:** [redacted]
**Sent:** Fri 11/8/2013 10:51:45 AM
**Subject:** Early Tour 11.8.13

Good Morning … European Markets off 20-95 bps (Italy +0.11%) … NKY -1.00%, SHCOMP -1.09%, HSI -0.56%, KOSPI -0.96%, TWSE -0.65%, ASX -0.39%

EUR 1.3424 (+0.04%) JPY 98.19 (-0.11%) EUR/JPY 131.82 (+0.14%) AUD 0.9451 (-0.04%) SEK 6.579 (-0.71%)

US 10yr 2.61% Japan 10yr 0.59% Germany 10yr 1.70% Portugal 10yr 5.87% Italy 10yr 4.12% Spain 10yr 4.08%

Futures: Dow +15, Nasdaq +11, S&P +4 DXY $80.86 (+2c) Crude $94.09 (-11c) Gold $1308.80 (+30c) Copper +0.03% Silver +0.06% Nat Gas +0.99%

Asian markets were all lower overnight on follow-through from the US move yesterday. China underperformed as it continues to be weighed down by the upcoming CCPC meetings which start tomorrow. Better trade data did little to help sentiment: China Oct Exports +5.6% (est +1.7%) and Imports 7.6% (est +7.4%). Earnings remain in focus in Japan with around 80% of results now complete. The Nikkei was lower as the firmer Yen weighed on exporters. In its monetary policy statement, the RBA forecast below-trend growth and rising unemployment in 2014 as resource investment drops and renewed currency strength drags on the economy, leaving open the possibility of lower interest rates. European markets also in the red and playing catch up to the overnight move lower in global risk assets. France's credit rating has been downgraded from AA+ to AA by S&P for the second time in nearly 2 years ("the downgrade reflects our view that the French government's current approach to budgetary and structural reforms to taxation, as well as to product, services, and labor markets, is unlikely to substantially raise France's medium-term growth prospects"). IMF conference today titled "Policy Responses to Crises" and Bernanke will be on a panel @ 3:30pm along with Stanley Fischer, Larry Summers, and Ken Rogoff. The US labor report will take center stage in a few hours with NFP estimates at +120k and the unemployment rate seen ticking up to 7.3% from 7.2% (economists estimate the 16-day federal shutdown reduced payrolls by as much as 50k jobs last month according to *Reuters*). A weak number will be dismissed as shutdown-related thus the risk seems to be that a stronger number is posted which would cue speculation for an earlier taper. Volumes in Europe and the US yesterday were the heaviest in 4-5 months, but it's a bit quieter today in Europe as we await the US data. SPA's +4 handles = 1749.30 last.

***October Employment Report @ 8:30am (Payroll Ests:  NFP +120k / PP +125k)***

***COV, CVC, LEAP report pre-open, Michigan Confidence @ 9:55am***

***China CPI/PPI out tonight & Retail Sales/FAI/IP Saturday night***

- Priceline net +40% & eps/sales beat but outlook missed (promotes Huston to CEO) (trading -1%)
- Groupon profit topped on NAmerican growth as billings up but Q3 eps view light (acquisition) (trading +1.5%)
- Gap Oct sales topped expectations (4% inc at stores open a yr) & gave strong profit outlook (trading +9%)
- Nvidia lower profit but topped ests on new business revenues & boosted dividend (trading +4%)
- Disney eps & revs beat but ESPN division posted rare profit decline (trading -3%)
- Monster Beverage Q3 net up on improved sales but missed ests on added expenses (trading -5%)
- NCAA football: Stanford (6) beats Oregon (2) to give them their 1st loss of season for 2nd year in a row
- Essilor buying Costa (ATX) (sunglasses brand) in the US for $270M in all cash deal = 7.6% premium
- Cermaq Q3 revs inline, adj EBIT miss, trims FY sales volume guidance (trading -1.4%)
- Allianz Q3 op profit better, net income beats, underlying beat on life, tweaks outlook higher (trading +1.1%)
- Richemont Q3 revs inline, op profit below, Asian growth slowing (China), cautious outlook (trading - 1.8%)
- Puma Q3 revs inline, EBIT light, EPS ahead, lowers FY guidance (trading -1.8%)
- Telefonica Q3 revs better, net income inline, EBIT ahead, reiterates guidance (trading +0.45%)
- Rheinmetall Q3 revs inline, EBIT light, EPS miss, defence weak, reaffirms guidance (trading - 7.1%)
- IAG Q3 op profit beats, progress in all divisions, guidance ahead, CMD 11/15 (trading +6.2%)
- Meda Q3 revs & EBITDA light, EPS shade below, rev guidance in line, Dymista sales better (trading +5.0%)
- SES Q3 revs inline, EBITDA shade better, net income ahead, growth guidance unch (trading +3.5%)
- Finmeccanica Q3 profit warning, will miss EBITA target, maintaining FY rev guidance (trading - 6.1%)

- Rentokill Q3 IMS adj net income better, revs light difficult trading conditions, +ve organic growth (trading -1.3%)

- Vallourec Q3 inline, revs shade light, EBITDA just below, mixed regional outlook (trading -2.4%)

- Bovis Homes IMS; strong trading performance, continued in Q3, confident on FY (trading +2.2%)

- Rolls Royce Q3 solid, profit outlook for defence better, reaffirms guidance (trading +3.1%)

- Wendel Q3 sales fall, organic sales growth of 4.6%, sees beginnings of Euro recovery (trading -1.0%)

- TF1 Q3 revs slight ahead, op income better, net income exceeds, reits FY revs (trading -0.90%)

- JCDecaux Q3 revs light, organic revs flat y/y, cautious tone, sees FY slightly "up" (trading -2.9%)

- Palfinger Q3 revs ahead, EBIT better, EPS good, sees moderate FY rev increase (trading -0.60%)

- Fugro Q3 trading update, solid performance (except Seabed), maintains guidance (trading +2.0%)

- Hikma Q3 IMS, improving product mix supports accelerated growth, maintains guidance (trading -0.90%)

- Ratos Q3 sales beat estimates, PTP miss, operating profit well below estimates(trading -0.70%)

- Super Typhoon Haiyan strikes Philippines, thousands evacuated (maximum sustained winds of 146mph)

**Leading European Sectors:** Utilities +0.40%, Trav/Les +0.07%, Healthcare -0.17%
**Lagging European Sectors:** Fin Services -1.60%, Autos/Parts -1.11%, Construction -0.99%

SNTS to be acquired by SLXP – OLED boosts rev view – AIRM strong beat

NES reverse split in Q4 – AVG cuts view – MITK better earnings

SQNM revs better – MDRX eps/revs trailed – ARAY beat

PXLW weaker – PODD revs missed – MCP revs missed

**Notable Options Activity Yesterday:**

**KGC** ($4.89 -3.2%) 30,000 February 5 calls were bought for $0.50 vs. selling 1.65m shares at $5.03. The trade is possibly a stock replacement strategy where the call buyer is creating leverage/defining risk, or a trader who wants to be long volatility in the name over the next three months.

**AA** ($8.95 -7.3%) someone bought 4400 November 9 calls to sell the November 10 calls 8800 times. The trade net cost $0.06 and is interesting considering that the stock closed $9.92 on Monday, which is where this trade is worth close to max value. The 1x2 would be profitable with stock between $9.06 and $11.94 at the close next Friday and is worth $1.00 (16x) with the stock $10.00.

**Secondaries (announced/priced):** ZLTQ, CSTM, TOL, BCC, CST, SFM, INCY (convert), SLCA, DRRX, GBLB BB, OPERA NO, CRCL LN

**IPO's:** Numericable (NUM FP) priced at €24.80, Merlin Entertainment priced at 315p

**US Key Research:**

- GS upgrades BTU (buy), Jefferies initiates AR (buy), Raja initiates SATS (op)
- Wells upgrades BKCC & cuts HNT, Barcap initiates CCH (ew) & upgrades ALK & cuts UAL
- RBC initiates EAT/DNKN/SBUX/TXRH/YUM (op) & DRI/MCD/WEN (sp), UBS upgrades AHL
- FBR initiates CYH/UHS (op) & HMA/LH/LPNT/DGX/THC (mp), MS downgrades WIN
- Bofa upgrades OFC (buy) & cuts DE, Evercore upgrades RJET, Wedbush initiates TWTR (neut)

**Europe Key Research:**

- JPM upgrade SDF GY, AKZA NA, GS upgrade BAB LN, MS downgrade LUPE SS, upgrade SSABA SS, GET FP
- Barclays downgrade ISAT LN, PSM GY, FNC IM, CCH LN, Nordea downgrade MEKO SS, BALDB SS
- HSBC initiate BET LN (ow), LAD LN (n), PWL ID (ow), WMH LN (uw), upgrade PNN LN, downgrade SKB GY
- HSBC upgrade PNN LN, downgrade SKB GY, Investec d/g LMI LN, BA/ LN, u/g RR/ LN, VONT u/g HOLN VX
- Espirito downgrade DTE GY, initiate WEIR LN (b), CBK downgrade DEX GY
- Nomura downgrade FRA GY, CS downgrade SKS LN, DBK downgrade LRE LN
- Exane downgrade SDR LN, ROVI SM, BEN FP, upgrades FLS DC, LI FP, ENSK u/g MEKO SS, d/g

CCS SS

- KepChev downgrade DEC FP, A2A IM, CGG FP, Numis upgrade ABF LN, Lampe d/g GIB GY, MLP GY, DWNI GY

- Natixis downgrade TEN IM, REP SM, TIT IM, upgrade SCVB SS, RAYJ downgrade MC FP

**Reporting Pre-Open:** COV, CVC, ABR, AHH, AINV, BPZ, CCOI, DRH, EBIX, GKNT, GROW, HALO, HILL, HMSY, HZNP, LEAP, LGF, MHR, MINI, NTWK, SSP, WTR, XIN, XTEX, XTXI, XWES

**Reporting Post-Close:** CHDX, SYUT, TIGR, TLLP

**Economic Data:** October Employment Report @ 8:30am, U. of Michigan Confidence @ 9:55am

**Fed Speakers:** Lockhart @ 12pm (Miss), Bernanke on IMF panel @ 3:30pm (Washington DC), Williams @ 6pm (LA)

**Conferences:** No major conferences

**Analyst/Investor Days:** OC, EFII, WSO

**Non-Deal Roadshows:** CATM, DWRE, HGR, HIS, MXL, NDAQ, OSK, STML

**Shareholder Meetings:** PLCC, YGE, EDMC, EGAN

**Equity/Mixed Shelfs:** SWI, TMUS, NMM ($500M), HPJ ($50M), ADUS ($150M)

***Other Newspaper Articles & Stories***

WSJ cautious: Twitter (TWTR) WSJ

- India accuses Goldman Sachs of political interference FT
- S&P downgrades France FT
- Former Greek minister 'evaded taxes' FT
- Philippines warned of 'catastrophic damage' as typhoon hits FT
- Euro down as European Central Bank cuts interest rates FT
- BoE invites economists to assess unexpected fall in unemployment FT
- Scots cannot ditch England and keep its central bank FT
- China still awaits genuine reform FT
- Christie keeps the party polite FT
- Turkey: female empowerment, in data FT
- America will not easily escape the Mideast fires FT
- A weak euro is Europe's best means of beating deflation FT
- US telecoms: downwardly mobile Lex
- Rental bonds: brave new world Lex
- Siemens: treading carefully Lex
- French banks: vive la différence Lex
- FDA Says Trans Fats Aren't Safe in Food WSJ
- German Worries Help Auto Union Effort in U.S. WSJ
- Phones Imperil Fancy Cameras WSJ
- William Whalen: Hillary 2016 and the 'War on Women' Trope WSJ
- Obama Apologizes for Insurance Cancellations WSJ
- Europe and the Zero Bound WSJ
- S&P Cuts France's Credit Rating by One Notch to Double-A WSJ
- FDA Says Trans Fats Aren't Safe in Food WSJ
- Glitch at OTC Markets Halts Trading of Unlisted Shares WSJ

- An Activist Investor, Minus the Fangs WSJ
- Heavy Metal, Preapproved by China WSJ
- Another Fire Raises Questions for Tesla NYT
- At Twitter, Working Behind the Scenes Toward a Billion-Dollar Payday NYT
- Never bank on ministers to run the financial sector The Times
- The Goldman Sachs weekend starts here (and ends at 9am Sunday) The Times
- Argentina to prosecute UK Falklands firms Independent
- Ben Chu: Mark Carney is relaxed about banks' balance sheets – that should worry us Independent
- James Moore: Common sense to put women on boards, so why the delay? Independent
- Pensions face new blow from ministers Telegraph
- Tablets and smartphones have changed Christmas shopping forever Telegraph
- It could be time to prick the housing bubble Telegraph
- Italy to join deflation club? Telegraph
- Sorry, Venezuela haters: this economy is not the Greece of Latin America Guardian
- Decent wages or a breadline economy: it's a no-brainer Guardian
- The UK's hawks are right – but so are the Eurozone's doves CityAM
- Inside Track: Sparkling flotation returns help to attract new investors CityAM
- Europe ignores its relative decline – the UK could have a different future CityAM

***Key Events Next Week***

Monday: Veterans Day – US markets open, banks closed, Earnings (ABFS, CRNT, USEG, BID, RAX)

Tuesday: Chicago Fed National Activity Index, NFIB Small Business Optimism, Bofa Banking & Financial Services Conference (NYC), Stephens Fall Investment Conference (NYC), Wells Fargo TMT Conference (NYC), Earnings (DHI, DISH, DNDN, NRG, MBI, RLD, YRCW)

Wednesday: Monthly Treasury Budget Statement, BoE inflation report released, Bernanke town hall meeting with educators (DC), Citi Building Conference (London), MS Chemicals and Agriculture

Conference (Boston), Earnings (M, TPH, AFCE, CSCO, NTAP, XONE)

Thursday: Trade Balance, Non-Farm Productivity & Unit Labor Costs, SBC hearing on Yellen nomination, GS US Emerging / SMID Cap Growth Conference (NYC), William Blair Commercial Insurance Conference (NYC), Earnings (HP, KSS, MANU, TYC, VIAB, A, AMAT, JWN, YOKU)

Friday: Empire Manufacturing, Wholesale Inventories, Earnings (MMS, IMNP)

***Key Events on the Horizon***

Nov 26 – MSCI changes effective on the close

Nov 27 – Italy Senate to vote on expelling Berlusconi from Parliament

Nov 28 – US Thanksgiving (market closed)

Dec 5 – BOE & ECB rate decisions

Dec 18 – FOMC rate decision

Jan 15 – Current CR runs out

Feb 7 – Debt ceiling deadline (Treasury can use extraordinary measures for ~ 1 month past this date)

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