From: Ike Groff
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Good Morning … European Markets off 35-65 bps (Portugal -0.83%) … NKY -0.53%, SHCOMP +0.06%, HSI +0.12%, KOSPI +0.99%, TWSE +1.32%, ASX +0.84%

EUR 1.3237 (-0.03%) JPY 98.16 (+0.20%) EUR/JPY 129.93 (-0.22%) AUD 0.8928 (-0.03%) SEK 6.60 (-0.19%) ILS +0.42% IDR +2.28% INR -0.68%

US 10yr 2.76% Japan 10yr 0.72% Germany 10yr 1.84% Portugal 10yr 6.78% Italy 10yr 4.39% Spain 10yr 4.54%

Futures: **Dow +24, Nasdaq +8, S&P +3** DXY $81.97 (+3c) Crude $108.01 (-79c) Gold $1393.30 (-$19.30) Copper -0.40% Silver -2.01%

Asia markets ex-Japan closed higher overnight after Europe & US closed positive yesterday and Emerging Markets recovered some more. Japan failed to hold early gains and the NKY turned negative half-way thru the AM session (closed -0.53%) despite better macro data that seemed to illustrate the impact of Abenomics with consumer prices rising at the fastest pace since 2008 (core CPI +0.7% y/y vs est +0.6%). Crude oil currently trading -0.77% as David Cameron failed to gain UK support for a Syria strike as British MP's voted it down by 285-272 after lengthy debate, although the US press is reporting that Obama is still prepared to go it alone with a limited strike (NYT). European markets opened flattish but have tilted for sale into the weekend. Periphery underperforms with Portugal's PSI20 -0.82% and its 10yr yield spread widening out after its Constitutional Court rejected a move to lay off civil servants yesterday. Spain's IBEX also -0.50% with the local press reporting on potential pension reforms. More action in the European telecom space today as the KPN foundation has activated the poison pill to potentially block the AMX tender offer (AMX out with statement this morning saying it is prepared to withdraw bid while the Foundation just hosted a conference call and indicated they are just concerned about the process and not trying to definitively block the deal) (KPN NA trading -4.0% after briefly ticking -8.0% earlier). Luxury trading firmer after solid numbers from Ferregamo & Hermes. L'Oreal +4.3% the best performing stock in the EuroStoxx600 after beating estimates. 3 key takeaways of recent fund flows according to Merrill: continued inflows into Europe (record-breaking $12B over past 2 months for equity funds), precious metals funds now seeing inflows after 27 straight weeks of redemptions, $4 billion outflows from EM equity funds = largest in 9 weeks. It is Month end with MSCI reweight on the close today which will elevate volumes a bit from recent depressed levels. SPA's +3 handles = 1640 last. Have a great Labor Day weekend.

Personal Income @ 8:30am. Chicago PMI @ 9:45am, Michigan Confidence @ 9:55am

BIG, SOL, YGE report earnings pre-market, MSCI reweight on the close

China NBS Manf Aug PMI Sat night, China HSBC Manf Aug PMI Sunday night

Turkey closed for holiday, US markets close Monday for Labor Day

- Salesforce Q2 & outlook beat ests as billings up 32% on strong cloud revenue growth (trading +8%)
- Bebe Stores posted Q4 loss on weaker sales & lower profit margins (comps -7.1%) (trading -4%)
- Krispy Kreme missed profit on higher expansion expenses & weak outlook (trading -10%)
- Carter's announces $400M accelerated share repurchase thru JPM under outstanding $700M buyback
- General Electric planning to spin off consumer lending arm of GE Capital in an IPO early 2014 (WSJ)
- Apache to sell 33% stake in Egyptian oil and gas business to China's Sinopec for $3.1 billion
- KPN foundation activates poison pill to potentially block AMX tender, AMX prepared to withdraw bid
- L'Oreal H1 op profit shade bettter, EPS ahead, gaining mkt share across all regions (trading +4.3%)
- L'Oreal has the means to buy out Nestle's stake in 2014 (*Les Echos*) (L'Oreal CEO talks down the spec)
- Danone: Q3 to be materially impacted by Asian baby food recall, taking steps to meet guidance (trading -1.2%)
- Ferragamo H1 net ahead, EBITDA better, confirms forecasts for higher sales, net 2013 (trading -0.24%)
- Ipsen H1 revs flat y/y, EPS ahead, Decapeptyl sales decline, confirms op margin objectives (trading -2.6%)
- Hermes H1 revs inline with prior release, op income & EBIT beats, positive on mid-term outlook (trading +3.5%)
- Computacenter H1 revs flat, EBIT decline, interim div raised y/y, trading inline (trading +0.70%)
- BWIN.Party H1 miss, guiding FY revs lower, sees EBITDA margin declines of 2% (trading -13.4%)
- Restaurant Group H1 revs improve, EBITDA better, EPS good, confident of progress in 2013 (trading +1.8%)
- Lagardere H1 sales unch LFL, net debt well reduced on EADS stake sale, reiterate forecasts (trading -1.8%)
- Belgacom: *Tijdd* reports Belgium government considering lowering stake to 50% (trading +0.06%)
- Volvo July truck deliveries rise 3% to 16,899 vehicles, Europe strong, Asia & US below (trading -0.10%)

- Thrombogenics H1 revs below, warns on Jetrea sales with no H2 improvement (trading -17.9%)
- ACS H1 net & sales improve, EBITDA drops, cancellation of treasury stock due Sept (trading -0.70%)
- Marshalls H1 revs light, EPS ahead, pretax rises, div unch, on track for FY forecast (trading +0.70%)
- OPAP Q2 numbers look all broadly inline, maintains FY operating profit guidance (trading +0.80%)
- K+S to Cut Costs to Counter Expected Potash Price Drop, FAZ Says (trading unchanged)
- AkzoNobel to phase out chemicals production at Deventer by 2016, site to focus on R&D (trading -0.30%)
- Bertelsmann (private, Europe's biggest media co) H1 operating profit +5.2% on BMG rights purchase
- US & Swiss reach deal amid tax probe (Swiss to encourage banks to cooperate with DOJ program)
- Mark Carney gives first national newspaper interview to the *Daily Mail* (discusses UK housing market) (link)
- Germany retail sales -1.4% m/m vs est +0.6%, Italy unemployment rate 12.0%, Spain retail sales -2.0% y/y
- Eurozone Aug economic confidence 95.2 vs est 93.8, CPI +1.3% vs est +1.4%, unemployment rate 12.1%

Leading European Sectors: Telco +0.22%, Real Estate +0.21%, Food/Bev -0.23%
Lagging European Sectors: Trav/Les -1.29%, Oil & Gas -1.02%, Insurance -0.79%

MITL rev outlook below – OVTI revs missed – PSUN view trailed

SPLK rev outlook raised – TRBAA penny light – ESL #'s mixed

Secondaries (announced/priced): N/A

IPO's (filed/priced): Potbelly (PBPB) files $75M through BofA and Goldman

US Key Research:

➢ CS reinstates LBTYA (op), W Blair initiates MPWR (op), Key upgrades SCSS (buy)

➢ JPM initiates HOS (ow) & cuts SPLS

Europe Key Research:

➢ JPM initiate HEXAB SS (ow), upgrade DBK GY, MUR SJ, downgrade HYDR RM

➢ Goldman upgrade GENL LN, UBS upgrade ECM LN, Nomura downgrade VIG AV

➢ BofAML downgrade PGS NO, CGG FP, ENG SM, upgrade WHL SJ, reinstate WLF LN (b)

➢ Citi downgrade POLY LN, names IFX GY most pref, names STM IM least pref

➢ MS downgrade IBE SM, SocGen upgrade PKO PW, LWB PW, downgrade GTO NA

➢ DBK initiate ANN GY (b), upgrade ARM LN, GIL GY, Exane upgrade AKE FP,

➢ Numis upgrade HAS LN, Bernstein upgrade TIT IM, HSBC initiate SCVB SS (ow)

➢ Oddo downgrade MMB FP

Reporting Pre-Open: BIG, SOL, YGE

Economic Data: Personal Income & Spending @ 8:30am, ISM Milwaukee @ 9am, Chicago PMI @ 9:45am, University of Michigan Confidence @ 9:55am

Fed Speakers: Bullard @ 9am (Memphis, TN)

Conferences: No major conferences

Analyst/Investor Days: N/A

Non-Deal Roadshows: ANGO, HEINY, P

Shareholder Meetings: AIRT, IXYS

Equity/Mixed Shelfs:

Other Newspaper Articles & Stories

WSJ cautious: Chinese banks WSJ, WPP Group (WPP LN) WSJ

- US ready to act alone as UK rejects Syria strike FT
- Asian shares rise on US growth data and easing of Syria fears FT
- Fears grow over $850m lifeline for Batista FT
- Vodafone in talks over selling 45% stake in Verizon Wireless FT
- Striking at Syria without a strategy FT
- The west is playing in to Moscow's hands on Syria FT
- Ackermann leaves Zurich after CFO death FT
- Nasdaq blames software flaw for trading outage FT
- One Irish person emigrates every six minutes FT
- Shadow banks face limits to securities trading FT
- Israel's hard news and soft power FT
- Oil fund on troubled waters in Norway FT
- Brazil's booming farms reap benefit of weak currency FT
- Boehner says he needs more answers from Obama FT
- Court delivers blow to Portugal bailout programme FT
- Sinopec buys into Apache's Egypt venture FT
- Fresh accusations rock Africa's Ecobank FT
- KPN foundation blocks Slim's €7.2bn bid FT
- Hedge funds should invest in smoother handovers FT

- The legal case for military action against Syria is flimsy and bold FT
- Ignore the bluster from banks over capital requirements FT
- The German miracle is now running out of road FT
- Unhappy ending for Indonesia growth story FT
- Fed considers new repo tool to smooth policy exit FT
- UK's state pension age rise risks widening inequality FT
- Cameron loses Commons Syria vote FT
- Ghana's supreme court upholds Mahama's December poll victory FT
- Syria crisis: Barack Obama's credibility rests on missile strikes FT
- Vodafone / Verizon: call me maybe Lex
- Campbell Soup: good food Lex
- Pernod Ricard: sobering up Lex
- Zurich: executive tragedies Lex
- U.K. Parliament Rejects Syria Action WSJ
- U.S. Prepares for Solo Strike On Syria After Britain Balks WSJ
- GE Set to Exit Retail Lending WSJ
- Some IPOs Aim for Small Investors WSJ
- Nasdaq Calls Freeze 'Unacceptable,' Makes Changes to Avoid a Repeat WSJ
- Is the Glass Half Empty? Two Views of the U.S. Trajectory WSJ
- China Stands Tall in Emerging-Market Rout WSJ
- WPP's New Rival May Be More Powerful Than Advertised WSJ
- China's Banking Thriller Is Missing Pages WSJ
- India's Salvation Lies at Home WSJ
- Book Review: 'Gentlemen Bankers' by Susie J. Pak WSJ
- E-Cigarette Makers' Ads Echo Tobacco's Heyday NYT
- Cameron humiliated as MPs veto missile strikes on Syria The Times
- You're a disgrace, Gove shouted at backbenchers. His wife tweeted: 'Losers' The Times

- They don't make speeches like that any more The Times
- Big Brother is watching us? How comforting The Times
- House prices continue upward march The Times
- Small businesses take fresh hit as HSBC raises fees The Times
- Three sets up a 4G price war to see off Yoda The Times
- The storm clouds that threaten our optimism The Times
- The UN is powerless to stop justice being done The Times
- Europe says that a woman's place is in the central bank The Times
- Jobless total to hit 7% early, but rates won't go up The Times
- Britain leads way in Europe with new car sales booming The Times
- Britain no longer upwardly mobile The Times
- OFT set to drop inquiry as Amazon scraps ban The Times
- Belarus and Russia row over potash raises fear of a trade war Independent
- Mark Leftly: Putting PwC on Serco's case adds another stink to a very smelly situation Independent
- Mark Leftly: Bumi boss's endorsement is underwhelming Independent
- 4G revolution: Super-fast mobile internet arrives Independent
- Syria crisis: No to war, blow to Cameron Telegraph
- Does the high street really need saving? Telegraph
- Is the Co-op Bank worth saving? Telegraph
- Mark Carney: 'I'll stop house price bubble' Telegraph
- Immigration surge driven by eurozone crisis Telegraph
- Ireland: the poster child of recovery but not of austerity Telegraph
- Worldwide loss of oil supply heightens Syria attack risk Telegraph
- Blow to Cameron's authority as MPs rule out British assault on Syria Guardian
- Internet telephony means businesses never miss a customer's call Guardian
- Syria: it takes more courage to say there is nothing outsiders can do Guardian

- Facebook considers adding profile photos to facial recognition database Guardian
- McLaren races ahead in business and Formula One on eve of 50th birthday Guardian
- No 10 curses, but Britain's illusion of empire is over Guardian
- Cameron will look back on this vote as a political blessing City AM
- Zurich chair Ackermann resigns after the death of finance boss City AM
- Strikes on Syria may force the West into a war it will struggle to control City AM
- Networks see more to 4G than travel games – despite limited roll out City AM

Key Events Next Week

Monday: US Markets closed for Labor Day, Eurozone Manufacturing Aug PMI's, China NBS non-manufacturing Aug PMI, G20 Fin Min Deputies meet in Russia

Tuesday: Construction Spending, RBA rate decision, China HSBC non-manufacturing Aug PMI, Barclay's Back to School Consumer Conference (Boston), Citi Technology Conference (NYC), Earnings (HRB)

Wednesday: Beige Book, Trade Balance, Challenger Job Cuts, Bank of Canada rate decision, Samsung Product launch event, Eurozone Services Aug PMI, Brean Global Technology Conference (NYC), Earnings (DG, SAI)

Thursday: G20 Leaders 2-day Summit begins (St. Petersburg, Russia), ADP Employment Change, Retailers Aug Same Store Sales, Rosh Hashanah, BOE/ECB rate decisions, Germany factory orders, BOJ rate decision, Earnings (ZUMZ, PAY, ZQK)

Friday: August Employment Report, German trade balance & industrial production, JMP Boston Biotechnology Day (Boston), Earnings (MFRM, SFD, SHFL)

Saturday: Australian elections

Sunday: China Aug PPI/CPI

Key Events on the Horizon

September 9 – Italy Senate Commission hearings resume on whether to strip Berlusconi from seat and ban him from running for elections for 6+ years (final vote in October)

September 10 – AAPL iPhone event

September 18 – FOMC rate decision

September 20 – EuroStoxx 600 changes on the close

September 22 – German elections

September 30 – Fiscal Year End for US Federal Government

October 10-11 – G20 Fin Min/CB meeting (DC)

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