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**Sent:** Tue 9/3/2013 10:08:11 AM
**Subject:** Early Tour 9.3.13

Good Morning … European Markets off 0-65 bps… ASX200 +0.21%, NKY225 +2.99%, KOSPI +0.46%, TWSE +0.62%, SHCOMP +1.18, HSI +0.90%

EUR 1.3177 (-0.11%) JPY 99.40 (-0.07%) EUR/JPY 130.97 (-0.05%) AUD 0.9030 (+0.58%) ILS -0.22% IDR +0.65% INR +2.87%

US 10yr 2.82% Japan 10yr 0.75% Germany 10yr 1.90% Portugal 10yr 6.68% Italy 10yr 4.32% Spain 10yr 4.44%

Futures: **Dow +85, Nasdaq +20, S&P +12** DXY $82.29 (+21c) Crude $107.16 (-49c) Gold $1394.30 (-$1.80) Copper +1.55% Silver +3.16%

Japan led the region higher after Yen weakened to mid-99 overnight on back of better EU PMIs. The Nikkei broke its big resistance level of 13,600 on improved volumes despite the US holiday overnight. China and Hong Kong were also stronger after Premier Li Keqiang said he's confident the country will achieve this year's economic goals. The RBA left rates on hold at 2.50%, as expected, saying in their statement that they will continue to assess the outlook and adjust policy as needed. Indian lags with indices dropping for the first time in five days as the rupee weakened the most in a week.MS downgraded their global growth forecast from 3.1% to 2.9% for 2013, and from 3.9% to 3.5% for 2014: "This is entirely driven by softer prospect for virtually all EM. Our forecast of G10 remains unchanged at 1% for 2013 and up slightly to 2% for 2014, as better growth in UK and Europe offset a slightly weaker growth for the US this year. However, for Asia ex-Jan, we now expect GDP growth to be 6% for 2013, down from 6.4% previously, and 5.9% in 2014, vs 6.7% before. And for China, we cut 2014 GDP to 7.1 from 7.6 before as Helen Qiao believe headwinds will likely strengthen in the next two years in view of the mild recovery in DM demand, the need for deleveraging in the corporate sector and the time lag for the effects of reform measures to kick in economies." Europe opened mixed after strong day yesterday but traded lower after RIA news (RIA) reported Russian defense ministry said detected 2 ballistic objects fired toward eastern Mediterranean. But several denial statements are being made as Israeli military not aware of any missile launch nor Russian embassy. Merkel out saying Syrian attack needs "clear response" but Germany won't take part in military action however, the G-20 nations seek joint position at meeting held Sept 5th in St. Petersburg, Russia. Tech significantly outperforming this morning as SX8E +2.75% after MSFT announced deal to buy NOK mobile business for $7.2B. US markets back online this morning after Labor Day yesterday with futures +12 handles = 1643.50 ahead of Markit PMI, ISM Manufacturing & Construction spending pre-open.

***Markit US PMI @ 8:58am, Construction Spending / ISM Manufacturing @ 10am***

***HRB reports ppre-open / Citi Tech Conference begins (NYC) today

***China HSBC non-manufacturing Aug PMI tonight**

- Microsoft to buy Nokia's mobile biz for $7.2B (ceo Elop to return to msft) (trading +40%)
- Bank of America selling its entire stake in China Construction Bank for up to $1.5 billion
- Jarden (JAH) to buy Yankee Candle co from Madison Dearborn Partners for $1.75B in cash (WSJ)
- CBS ended blackout on Time Warner Cable (pay increase but below $2/subscriber/month)
- UK construction grew fastest pace in 6 yrs in August (59.1 vs 56.9 forecast) as recovery takes hold
- Thyssen; *FAZ* reports proposed sale of Steel Americas (SA) halted, capital raising instead (trading -2.4%)
- Lafarge announces sale of its cement operations in Honduras for total EV of €435M (trading -0.4%)
- Punch Taverns trading update; overall profit and performance in line with previous guidance (trading +6.1%)
- DS Smith IMS; current year in line with strategic plan, continued strong synergies (trading -1.5%)
- Greene king IMS; good performance vs tough comp, seeing growing consumer confidence (trading +0.06%)
- Zumtobel Q1 net profit miss, revs light, low visibility, unable to give revenue estimates (trading +2.6%)
- Vinci CEO sees slight organic growth in 2013 revs, reaffirms FY guidance (trading -0.4%)
- Novartis Gets EU Approval for Ilaris (serious childhood arthritis) (trading +1%)

**Leading European Sectors:** Tech +2.75%, Basic Res +0.46%, Retail +0.18%
**Lagging European Sectors:** Real Estate -1.08%, Insurance -0.80%, Autos/Parts -0.73%

VZ boosts dividend – EVOK amends S-1 – DOX acquisition

**Notable Options Activity Friday:**

**MPEL** ($27.11 -0.9%) over 4,000 September 27 puts were purchased throughout the day. The buyer paid $.70 up to $0.95 and is indicative of concern for a pullback in the next few weeks.

**OLN** ($23.06 -.01%) unusually heavy call volume on Friday with over 5000 on the tape compared to a daily average of 300 contracts. Most of the call buying on the chemical company was centered on the October $25c (1452x) and the November $25c (2067x).

**Secondaries (announced/priced):** MNDL, KYN, BAH, EPAM, TEU, EXR

**IPO's:** N/A

**US Key Research:**

- Barcap upgrades KEG & downgrades ESV & initiates XON (ew), Multiple brokers upgrade NOK
- DB initiates QEPM/YUME (buy), GS initiates CVT (neut) and STCK (buy), Janney upgrades FINL (buy)
- Mizuho upgrades APA (buy) & initiates XON (buy), Stifel initiates CVT (buy), Leerink upgrades CERN
- KBW upgrades IBCP/FAF, CLSA cuts KO, GS upgrades CCE (conviction buy) and STZ (buy) & cuts DF
- BMO cuts LEAP, JPM upgrades OI, Canaccord downgrades WSM, Compass Point upgrades GDOT (buy)
- Stifel initiates FOXF (hold) and CVT (hold)

**Europe Key Research:**

- JPM u/g TALK LN, CWI AV, LEG GR, GFJ GY, d/g CAPC LN, GPOR LN, PSPN SW, QED LN
- CS downgrade GFS LN, assume UHR VX (op), SocGen downgrade ILD FP, upgrade SESL FP
- Barc upgrade SGRO LN, GS initiate BPOST BB (n), UBS upgrade DELB BB
- Bernstein u/g VOD LN (up to op), initiate SHP LN (op), MRK GY (mp), NOVOB DC (mp)
- BofAML add ALU FP to Europe 1 list, remove STM IM from most pref, Citi upgrade PNN LN
- BofAML reinstate CSGN VX, DBK GY & UBSN VX (all hold), Numis downgrade AMS LN

- ➢ RBC downgrade FRES LN, MAQ downgrade VOD LN (to neutral), MainFirst initiate DUE GY
- ➢ Jeff initiate ACA FP (b), GLE FP (h), BNP FP (h), BLNX LN (b), Oriel downgrade VOD LN
- ➢ Exane downgrade SZU GY, upgrade ABF LN, Medio initiate KN FP (op)
- ➢ DBK d/g SESG FP, LAND LN, GPOR LN, INTU LN, UL NA, initiate REM SJ (s)
- ➢ DBK u/g CNA LN, ETL FP, NOK1V FH (hold from sell)

**Reporting Post-Close:** HRB, ABM, GWRE, MTRX, PIKE, UCP

**Economic Data:** Markit US PMI @ 8:58am, Construction Spending / ISM Manufacturing & Prices Paid / IBD/TIPP Economic Optimism @ 10am

**Conferences:** Barcap Back to School (Boston), Citi Tech (NYC)

**Analyst/Investor Days:** N/A

**Non-Deal Roadshows:** HON, IART, INCY, USPH, WSM

**Shareholder Meetings:** FNSR, HIMX, SPRD

**Equity/Mixed Shelfs:** OVAS ($100M), CUR ($50M), GOOD ($300M)

***Other Newspaper Articles & Stories***

Barron's cover: Barron's interviews 10 market strategist and sees stock increases Barron's

Barron's positive: Allstate (ALL) Barron's, Pinnacle Entertainment (PNK) Barron's

Barron's cautious: SolarCity (SCTY) Barron's

WSJ positive: Auto stocks WSJ

- Obama's Syria Plan Gets Cool Reception From GOP Lawmakers WSJ
- Microsoft to buy Nokia mobile phone unit for €5.4bn FT
- Banks face new set of capital rules FT
- Lebanon turns to apps to avoid growing violence linked to Syria FT
- Crisis mood should focus G20 heads FT
- London skyscraper proves to be hot property FT
- Anglo Irish Bank's art collection goes under the hammer FT
- France is run for the benefit of the old FT
- In for the count FT
- Ronald Coase: Nobel Prize winning economist who explored why companies exist FT
- Nokia – hanging up Lex
- Norway's SWF: beyond the consensus Lex
- Vodafone / Verizon – disconnected Lex
- GE Capital – consumer credit crunch Lex
- Syria Prepares for U.S. Attack WSJ
- Ill Wind Blows on Treasurys WSJ
- Citigroup Is Dialing Back Its 'Alternative' Holdings WSJ
- Belarus Charges Kerimov in Potash Probe WSJ
- Jarden to Buy Yankee Candle for $1.75 Billion WSJ
- Back to Work: A Fall Business Preview WSJ
- Slowdown Is Forcing Russia to Trim Spending, Says Putin WSJ
- Electric Losers, Round Two WSJ
- A Bet on the Environment NYT
- Britain's factories are 'booming' as manufacturing races to 20-year high The Times
- Funding for Lending Scheme gets money moving at last The Times

- City Diary: Dinner party invite, dinner not included [The Times]
- Tempus: There's money in the landbank [The Times]
- Josef Ackerman 'did not quit Zurich over CFO's death' [The Times]
- China in numbers: Corruption offers key to unlocking path to reform [The Times]
- Satyajit Das: Shinzo Abe's 'three arrows' will fall short of the target once again [Independent]
- Berkeley's looking solid now – but watch out, the roof could fall in [Independent]
- Europe fears 'uncontrolled protectionism' as emerging markets turn against free trade [Telegraph]
- Mass immigration has made Britain a less competitive economy [Telegraph]
- Cameron the quarterback can't keep relying on a Hail Mary pass [Telegraph]
- Syria: the fear spreads to the boulevards of Beirut [Telegraph]
- Britain should stay on track with HS2 [Telegraph]
- Syria crisis: Vladimir Putin under growing pressure [Guardian]
- Chemical export licences for Syria – just another UK deal with a dictator [Guardian]
- The New York Times' identity crisis [Guardian]
- Organized labor's decline in the US is well-known. But what drove it? [Guardian]
- Global economy should fear the 'known unknowns' [Guardian]
- Vodafone rides into an uncertain future after Verizon sale [City AM]
- Walkie Talkie has few design solutions as beam warms shops to 70°C [City AM]
- Entrepreneurs sit at the heart of a battle over how economies should operate [City AM]
- Why UK recovery could rescue the great British banking sector sell-off [City AM]
- China on Syria: Follow the rules [China Daily]
- Home prices keep rising in August [China Daily]
- Premier League clubs set $980 million transfer record [CNBC]

***Key Events This Week***

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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