



TODAY 08-07-11

NL (a.o.): Arseus;

NL Monday (a.o.): Holland Colours AGM;

EUR (a.o.): - ;;

EUR Monday (a.o.): Lufthansa traffic, Michael Page

EUR Ex-div (a.o.): BBVA;;

EUR Ex-div Monday (a.o.): Aggreko, Voestalpine;

FINANCE Credit / CDS HF's

MACRO:

08:00 Germany Trade Balance

09:30 Netherlands Industrial Production

14:30 US Nonfarm Payrolls, Unemployment Rate

16:00 US Wholesale Inventories

21:00 US Consumer Credit

- **Global Accord on Derivatives Regulation Under Threat, FT Says** -- Negotiations on a global agreement to make derivatives markets more transparent and to regulate them more tightly are being hampered by tensions over the shape the new regime should take, the Financial Times reported, citing officials and bankers. New rules are supposed to be in place by the end of next year, but there is discord over details and timing, the newspaper said. Edouard Vieillefond, who heads regulation policy and international affairs at France's Autorite des Marches Financiers, said that, while there's 90 percent agreement with the U.S., consensus has yet to be reached on the list of derivatives for central clearing and on matters such as capital and collateral requirements for uncleared bilateral derivatives, the FT reported. (BN)
- **US derivatives watchdog gets more firepower** -- the main US derivatives regulator has approved rules boosting the agency's legal firepower against market manipulation after winning only one case at trial in its 36-year history. The rules, adopted over the objections of hedge funds and the futures industry, will allow the Commodity Futures Trading Commission lawyers to cite recklessness as a reason to sue traders for manipulation. Previous rules required proof that traders had distorted prices. The agency has also made it illegal to trade on privileged information obtained through fraud, deception or the breach of an executive's duty. Until now, commodity markets had few constraints on insider trading. The commission's five-person board unanimously passed the manipulation standard, making it the first of dozens of new derivatives regulations to be finalised since passage of the Dodd-Frank financial reforms almost one year ago. Snowed under by its workload and facing budget limitations, the agency will miss statutory deadlines for derivatives rules. (FT)
- **BOE Haldane: High-Frequency Trading Threatens Stability** -- Super-fast computer trading threatens financial stability and regulators should consider setting a speed limit for buying and selling financial instruments, a senior Bank of England official said Friday. Andrew Haldane, the bank's executive director for financial stability, told an audience in Beijing that high-frequency trading--in which traders use complex algorithms to execute trades in billionths of a second--is upsetting securities pricing and leaving traditional traders at a disadvantage. Haldane added high-frequency trading also increases the risk that a crash in an individual financial market will quickly spread to others and to overseas exchanges. "The emergence of HFT in fragmented trading platforms makes for a financial market place exhibiting complexity and contagion," Haldane said, according to a text of his remarks. Haldane added that traders are engaged in an "arms race" seeking ever-quicker trades. He added the trading system has become increasingly complex and tightly knit--the two essential ingredients for "systemic failure." Haldane, a member of the BOE's new Financial Policy Committee, said regulators should consider setting a minimum speed limit for trades to improve stability. (DJ)
- **Mersch Says Shadow Banks May Be Challenge for Monetary Policy** -- European Central Bank Governing Council member Yves Mersch said so-called shadow banks and their regulation may pose a challenge to central banks' monetary policy. Central banks "have exclusively relied on banks" to set their monetary policy, "while we now see that things like leverage and maturity transformation are being imported from elsewhere such as money-market funds," Mersch said today in Luxembourg. (BN)
- **Eldorado Trading Firm Sues, Claiming Banks Manipulated Libor** -- A Chicago trading firm accused Bank of America Corp., JPMorgan Chase & Co., UBS AG and Citigroup Inc. of conspiring to manipulate the London interbank offered rate. The banks drove down Libor to generate billions of dollars in profits from swaps, loans, interest rate derivatives and other financial instruments whose value depended on the rate, Eldorado Trading Group LLC said in a complaint filed July 5 in federal court in Newark, New Jersey. The civil lawsuit is one of several filed in response to probes by the U.S. Justice Department, Securities and Exchange Commission and Commodity Futures Trading Commission related to whether there were improper attempts to manipulate Libor. The rate, at which banks borrow from one another in the London interbank market, is a short-term, international benchmark. The banks "had a substantial incentive to manipulate, and in fact did manipulate, Libor downward, in order to increase the income from its interest rate derivatives and similar instruments," according to Eldorado's complaint. "This manipulation resulted in billions of dollars in revenue." Eldorado owned futures and options contracts based on Eurodollar deposits traded on the Chicago Mercantile Exchange from August 2007 to December 2009, according to the complaint. It seeks to represent similar owners of contracts traded on the Chicago exchange. (BN)
- **Audit Watchdog to Weigh Dodd-Frank Standards for Broker-Dealers** -- The Public Company Accounting Oversight Board will meet next week to consider new standards for broker-dealer audits and whether to require auditors of U.S.-registered firms to further explain their findings. The new audit standards to be weighed at a July 12 meeting in Washington are part of the adoption of the nonprofit corporation's expanded oversight responsibilities under last year's Dodd-Frank Act, the PCAOB said today in a statement. The possible increase in what auditors must report in work with clients was proposed June 21. (BN)
- **ECB's Trichet Says No To New Funding Plan For Irish Banks** -- European Central Bank President Jean-Claude Trichet said Thursday the ECB has no plan to switch its current short-term support for Irish banks into any medium-term program, adding that Ireland's broken lenders will mend in time. In an interview with Irish broadcaster RTE Television, Trichet also definitely said the ECB won't support the new Irish government's bid to force burden-sharing on senior debtholders in defunct lenders Anglo Irish Bank Corp. and Irish Nationwide Building Society. (DJ)
- **[yday] Downgrade Sparks Steps To Protect Portugal's Banking System** -- The European Central Bank on Thursday took steps to protect Portugal's banking system after Moody's Investors Service cut the country's debt to junk status. The ECB said it would indefinitely suspend rules that require at least one investment-grade rating by a major rating agency in order to accept government bonds as collateral for ECB loans. Although Portugal still meets those requirements after the Moody's downgrade, the suspension removes any uncertainty even if other agencies follow suit. Portuguese commercial banks rely heavily on the ECB to meet their funding needs, tapping the central bank to the tune of 47 billion euros in May. Although their borrowing is much lower than in Greece and Ireland, it is still large, considering Portugal's small economy. The ECB's decision means Portuguese banks can continue to post government bonds as backing for ECB loans, regardless of Lisbon's rating. In May, Portugal joined Greece and Ireland in securing a multiyear bailout from the European Union and



International Monetary Fund. The ECB previously suspended its rules for Greece and Ireland on the basis that they were in EU-IMF rescue packages. Greece is rated junk by all major agencies. Ireland is investment grade, but approaching speculative status. (WSJ)

- **Spain Fends Off Criticism on Banks as EU Introduces Reviews** -- Spain blunted European Union criticism of its handling of savings banks and tax policy, persuading the EU to water down judgments issued as part of a new economic-policing system. The non-binding recommendations, to be issued by EU finance ministers on July 12 in Brussels, urge Spain to "monitor closely" the reorganization of savings banks, softening an earlier plea to "reinforce" the restructuring, documents obtained by Bloomberg News show. Spain's case, and concessions to Belgium, France, Malta and Cyprus, show the obstacles faced by central EU authorities in putting their stamp on national economic policies, even as they struggle to contain the sovereign-debt crisis. "National interests tend to dominate the debate," said Ken Wattret, chief euro-area economist at BNP Paribas SA in London. "Governments are not doing a good job convincing markets that they will do whatever is necessary to stabilize the situation." The first draft of the recommendations was issued by the European Commission, the bloc's central regulator, on June 7 and endorsed in principle by government leaders at a June 24 summit. (BN)
- **Denmark's Covered Bonds Win Respite From S&P After Moody's Cut** -- Denmark's mortgage-bond market, the world's third-biggest, is unlikely to suffer downgrades from Standard & Poor's even after Moody's Investors Service warned a departure from fixed-rate loans means the debt may no longer warrant a AAA grade. A rise in the proportion of adjustable-rate mortgages, which now make up about half of the country's \$470 billion covered-bond market, hasn't weakened issuers' ability to obtain stable funding, according to S&P analyst Casper Rahbek Andersen. "We could change our view as to whether there is a refinancing risk or not, but at the moment we haven't seen any cause to change this view," he said in a telephone interview out of London yesterday. (BN)
- **JPMorgan Will Pay \$228 Million to End Municipal Bid-Rig Case** -- JPMorgan Chase & Co. agreed to a \$228 million settlement on charges it conspired to rig the bidding on investment contracts sold to state and local governments to boost its profits at taxpayer expense. The agreement ends investigations of the second-largest U.S. bank by the Justice Department, the Securities and Exchange Commission and the attorneys general of 25 states including the District of Columbia, the Justice Department and SEC said today. Federal investigators have probed for more than four years how banks and financial advisers fixed bids on investment contracts to let them pay governments below-market rates. JPMorgan's penalties are the largest yet to result from that investigation, which also led to settlements with UBS AG and Bank of America Corp., the biggest U.S. bank by assets. (BN)
- **Countrywide Wages Victorious Tranche Warfare Against Investors** -- Investors who sued over \$351 billion in downgraded Countrywide Financial Corp. mortgage-backed securities after the 2007 subprime market collapse may have to settle for less than 1 percent of what they initially sought. U.S. District Senior Judge Mariana Pfaelzer in Los Angeles, who narrowed the case to \$2.6 billion in bonds and dropped Countrywide parent Bank of America Corp. as a defendant, has gone further than other judges in scaling back such claims. Her rulings in April and May show the difficulty of trying to hold banks liable for billions of dollars in debt downgraded to junk. (BN)
- **[yday] NYSE Euronext Holders Approve Takeover by Deutsche Boerse** -- NYSE Euronext shareholders approved its \$9.39 billion takeover by Deutsche Boerse AG, another step toward completing a deal that would create the world's biggest bourse operator. Owners holding 66 percent of NYSE Euronext shares backed the agreement, surpassing the 50 percent needed to approve the deal announced in February, according to preliminary figures released after a meeting today in New York. The all-stock transaction would give Frankfurt-based Deutsche Boerse 60 percent of the combined entity, while NYSE Euronext Chief Executive Officer Duncan Niederauer will run the organization. (BN)
- **Agribank President Urges Chinese Banks to Expand Overseas** -- Chinese banks should buy non-controlling stakes in local financial institutions in "mature" overseas markets such as the U.S. and Europe as they have relatively low regulatory barriers, Agricultural Bank of China Ltd. President Zhang Yun wrote in a commentary the Financial News newspaper today. Domestic banks should use differentiated strategies when expanding into overseas markets, Zhang wrote. (BN)

TECH/TELECOM

- **SemiLEDs Swings To 3Q Loss On High Expenses, Revenue Decline** --- SemiLEDs Corp.'s swung to a loss in the fiscal third quarter as operating expenses soared and revenue declined, missing the company's own forecast. Shares slid 16% to \$5.20 in after-hours trading as the maker of light-emitting-diode products also predicted weak results in the current quarter. Through the close, the stock was down 64% from its December initial public offering price of \$17. SemiLEDs projected a loss of 25 cents to 23 cents a share on revenue between \$5.5 million and \$6.5 million, while analysts surveyed by Thomson Reuters most recently predicted a loss of 2 cents a share and revenue of \$9 million. "Our fiscal third quarter was challenging as pricing pressure and end demand weakness continued," Chairman and Chief Executive Officer Trung Doan said Thursday. "However, we are seeing pricing stabilize." SemiLEDs, which went public in December, develops chips and components for light-emitting diodes, used in energy-efficient lighting and other uses. The company has already said it plans to increase production of its new high-brightness LED chip and expand manufacturing capacity in Taiwan to meet the expected growing demand for its products. (DJ)
- **Telefonica SA** -- Spain's largest telephone company said it reached an agreement with workers' unions to cut 6,500 jobs in Spain. (BN)
- **Schmidt Says Google Debating Who Will Go to Senate Subcommittee** -- Google Inc. is still deliberating over which executive to send to a U.S. Senate panel probing its market power, Chairman Eric Schmidt said. "We have not made a decision yet," Schmidt said yesterday at a media-industry conference in Sun Valley, Idaho. "It's a legal question of who is best to represent the company. We'll make a decision soon." The antitrust subcommittee has asked Google to provide a top executive who could deliver testimony, and has threatened to issue subpoenas to compel Schmidt or Chief Executive Officer Larry Page to attend. The Senate probe reflects a groundswell of scrutiny of Google's competitive position. The U.S. Federal Trade Commission is probing the business, as is the European Union. Separately, the antitrust division of the Department of Justice is reviewing Google's \$400 million purchase of the Internet-advertising company Admeld Inc. (BN)
- **SK Telecom Falls to Eight-Year Low on Speculation of Hynix Bid** -- SK Telecom Co., South Korea's largest mobile-phone carrier, fell to the lowest in more than eight years in Seoul trading on mounting speculation it will bid for a stake in Hynix Semiconductor Inc. SK Telecom, whose parent group has said it's undecided whether it will bid for the chipmaker, declined for a fourth day, dropping as much as 3.9 percent to 148,500 won as of 9:32 a.m. in Seoul, the lowest intraday level since March 2003. Korea Economic Daily and Mirae Asset Securities Co. analyst Choi Yoon Mee said in reports today the company may make a bid. (BN)
- **ASMI Reverse Takeover By ASM PT Best Way to Unlock Value: Exane** -- Exane says "most feasible scenario" for ASM International to unlock value would be by getting taken over by ASM Pacific Technology, in which ASMI is majority shareholder. * Exane notes record



EU460m implied negative value market ascribes to ASMI's front-end unit (with ASMI market cap lower than the value of its stake in ASM PT), despite recent return to profit * NOTE: ASM PT controls ASMI's back-end unit * Exane says ASMI remains top pick in semi equipment due to diversified exposure to ALD, back-end, LEDs. * NOTE: ASMI was asked to split up by shareholder AIM&R, Het Financieele Dagblad reported July 1, citing a letter from the investor. (BN)

RESEARCH UPDATES

Bernstein cut **Santander** to Underperform, from Market Perform, cut **BBVA** to Market Perform, from Outperform; ; RBC upped **TNT Express** to Sector Perform, from Underperform; Bernstein upped **Sanofi** to Outperform, from Market Perform; HSBC cut **Heidelberger Druck** to Underweight, from Neutral; Standard & Poor's cut **Reed Elsevier** to Strong Sell, from Sell; JP Morgan cut **Hays** to Neutral, from Overweight; UniCredit cut **EDF** to Hold, from Buy; UniCredit cut **Casino** to Hold, from Buy; BofA/ML cut **Metro** to Underperform, from Neutral;

ENERGY, UTILITIES AND COMMODITIES

- **Oil Declines in New York on Signs U.S. Crude Stockpiles Ample** -- Oil fell from a three-week high, trimming its second weekly advance, on speculation that yesterday's 2.1 percent rally was exaggerated amid signs of ample crude supplies in the U.S. Futures slipped as much as 0.3 percent today. Crude supplies fell 889,000 barrels to 358.6 million last week, the lowest level since April, an Energy Department report showed. A 2.5 million-barrel decline was projected, according to the median estimate of 15 analysts surveyed by Bloomberg News. Crude for August delivery slid as much as 33 cents to \$98.34 a barrel in electronic trading on the New York Mercantile Exchange, and was at \$98.45 at 2:53 p.m. Sydney time. The contract yesterday climbed \$2.02 to \$98.67, the highest since June 14. Prices are 3.7 percent higher this week and up 30 percent the past year. Brent oil for August settlement fell 73 cents, or 0.6 percent, to \$117.86 a barrel on the London-based ICE Futures Europe exchange. Brent's premium to New York crude futures is headed for a second weekly gain after widening the most in almost four months yesterday as Libyan output cuts and North Sea maintenance drive the European benchmark grade higher. Futures in London were \$19.92 a barrel higher than West Texas Intermediate in New York yesterday, after widening \$2.95, the most since March 9. The gap between front-month futures of both grades surged to a record \$22.29 on June 15. (BN)
- **U.K. Orders Shell to Keep Brent Charlie Oil Platform Closed** -- U.K. authorities ordered Royal Dutch Shell Plc, Europe's largest oil company, to keep the Brent Charlie oil platform in the North Sea shut because of safety concerns. The Health and Safety Executive issued a prohibition notice to Shell on July 5 to close the platform by July 15, Liz Carridge, a spokeswoman at the agency, said today by e-mail. She declined to elaborate (BN)
- **SBM Offshore Partnership with PTT FLNG and PTTEP Australasia for FLNG** -- SBM Offshore, The Linde Group's Engineering Division, PTT FLNG Limited and PTTEP Australasia have signed a partnership agreement for the development of a Floating Liquefied Natural Gas (FLNG) facility in the Timor Sea off Northern Australia. The project foresees floating production of LNG from three gas field groups including Cash-Maple, Southern and Oliver fields, offshore Australia. It is the intention that upon final investment decision, the partners will incorporate a special purpose company in order to jointly construct, finance, own and operate the FLNG, which will be contracted on a lease and operate basis to the upstream company operating the fields. Through this partnership, SBM Offshore will increase its involvement in the growing LNG business. (SBMO)
- **FUGRO** -- Buy Fugro, Offers Attractive Entry Point, Goldman Says (BN)
- **RWE May Discuss Share Sale at August Board Meeting, FTD Says** -- RWE AG's supervisory board may discuss a possible share sale at an extraordinary meeting at the beginning of August, Financial Times Deutschland reported, citing Chief Executive Officer Juergen Grossmann. (BN)
- **Only 70% Of ThyssenKrupp Shares Sold To Investors; Rest With Banks –Paper** -- Only 70% of ThyssenKrupp AG shares have been sold to investors at a price of EUR32.95 a share, while the rest were taken over by the three managing investment banks, Deutsche Bank AG, Commerzbank AG and HSBC Trinkaus & Burkhardt, German daily Handelsblatt reports ahead of publication Friday, citing unnamed sources. "They [the banks] are sitting on 30% of the shares," which accounts for around EUR700 million, the newspaper quotes a Frankfurt-based investment banker as saying. According to the article, a reason for this unsuccessful emission is that the set price range of between EUR32.95 and EUR33.95 was too high. ThyssenKrupp, Deutsche Bank, Commerzbank and HSBC Trinkaus & Burkhardt all declined to comment on the report. (DJ)
- **EU Steel Demand Rose Almost 16% in 1st Quarter, Eurofer Says** -- European Union apparent steel demand rose almost 16 percent in the first quarter, compared with a year earlier, industry group Eurofer said. Apparent demand based on deliveries plus imports will rise 7.7 percent for the year to 161 million metric tons, the highest since 2008, the Brussels-based Eurofer said in an e-mailed statement today. Steel output will rise 6 percent over the same period, Eurofer said. "Demand-side fundamentals of the EU steel market are looking rather positive," said Gordon Moffat, director general of Eurofer. "Real consumption growth is the key driver and stocks in the distribution chain are seen remaining balanced with demand." Apparent demand surpassed the 15 percent increase in real demand, signaling forward buying by steel purchasers, "apparently more so by the participants in the steel distribution chain than by final consumers," Eurofer said. Inventories are "well-balanced" with demand, partly due to credit restrictions, it said. (BN)
- **Aluminum Product Exports From China Soar to Record on Rebate** -- Aluminum product exports from China, the largest supplier, may have jumped to a record for a second month in June as producers and traders rushed to sell ahead of an expected reduction of a tax rebate. Shipments likely gained to 400,000 metric tons in June, and stay above 340,000 tons in July, according to metals data provider SMM Information & Technology Co. Exports of semi-fabricated aluminum products, including sections, wires, plates, foils and tubes gained 73 percent from a year ago to a record 336,681 tons in May, according to customs data. (BN)
- **Central Banks Pull 635 Tonnes of BIS Gold in Last Year, FT Says** -- The Bank for International Settlements said central banks have withdrawn 635 tonnes of gold from the so-called "bank for central banks" in the past year, the largest amount to be taken out in more than 10 years, the Financial Times reported, citing the BIS's annual report. (BN)
- **Google Profits From Tax Credit to Boost \$750 Million Energy Plan** -- Google Inc. plans to ramp up its \$750 million investment in clean energy projects by taking advantage of tax rules to channel more funds into wind, solar and other renewable power sources. All except two of the the company's investments in clean energy projects were structured as tax-equity financing, tapping government incentives that encourage large companies to back promising projects that often have yet to generate income, said Rick Needham, Google's director of green business operations. "It's part of our culture to try and find ways that we can make things better," Needham said in an interview at Google's headquarters in Mountain View, California. (BN)



NETHERLANDS / AEX NEWS

- **Air France-KLM Group** -- Investors in Europe's largest airline voted to extend Chief Executive Officer Pierre-Henri Gourgeon's mandate for another four years, Agence France-Presse reported. (BN)
- **Air France-KLM June Passenger Traffic Rose 2.9%** -- Air France-KLM Group, Europe's biggest airline, had a 2.9 percent rise in June passenger traffic from year-earlier levels and a 2.8 percent decline in cargo traffic over the same period, it said in an e-mailed statement today. (BN)
- **Vopak Agrees to Buy Bulk Liquid Storage Terminal in India** -- Royal Vopak NV agreed to buy a bulk liquid storage terminal in India's Port of Kandla for an undisclosed sum, the Dutch company said in an e-mailed statement today. The terminal has two sites with a total capacity of 261,600 cubic meters, Vopak said. (BN)
- **Air France Seeks Sweeter Plane Deal From Airbus, Boeing** -- Air France, part of Air France-KLM, is trying to squeeze a sweeter deal from Airbus and Boeing Co. for its planned purchase of around 100 long-haul, wide-bodied jets, Air France-KLM Chief Executive Pierre-Henri Gourgeon said Thursday. The company has said it plans to split the order between Boeing and Airbus, the commercial aircraft division of European Aeronautic Defence & Space Co. NV. Airbus's A350, which is planned to be in service by late 2013, is vying with Boeing's 787 Dreamliner. (DJ)
- **Heineken Should Target Ethiopia, Congo for Growth, De Man Says** -- Heineken NV, the world's third-largest brewer by volume, needs to build its business in nations such as Ethiopia and the Democratic Republic of Congo to sustain growth in Africa, according to the retiring division head. The maker of Amstel and Star lager should target markets with relatively low beer consumption and fast-growing economies, which are supported by investment and, when necessary, global political intervention to aid stability, according to Tom de Man, who steps down from his role as president of Heineken's Middle East and Africa unit in August. Rwanda and Burundi may also provide growth opportunities, he said. (BN)
- **Philips Chief Seen Calling Upon KKR Past to Eliminate More Costs** -- Frans van Houten, 100 days into his job as chief executive officer at Royal Philips Electronics NV, is poised to announce a bigger overhaul of the Dutch maker of lighting and DVD players, drawing on cost-cutting skills honed when working with private equity firms. Philips may remove management layers and cut office and information technology costs, said FNV Bondgenoten union official Ron van Baden. At least 300 million euros in savings are needed just to offset higher costs, analysts surveyed by Bloomberg said. Philips will announce "decisive action" shortly, spokesman Joost Akkermans said, without being specific. Van Houten, the former head of NXP Semiconductors, part owned by Kohlberg Kravis Roberts Co, faces the challenge of boosting profit and sales growth against a backdrop of slowing markets for lighting and traditional electronics in Western Europe and competition from low-cost Asian manufacturers. Shares of the Amsterdam-based company dropped 8.8 percent on June 22, when van Houten warned profit from lighting and consumer-electrical goods slumped in the second quarter. "You would rather think management layers or specific product groups may be cut out," given the job cuts Philips already made, van Baden said in an interview. He posted on Twitter: "Philips employees now will experience what van Houten learned from KKR." (BN)

M&A and OTHER CORPORATE NEWS

- **Asia Stocks, Won Gain Before U.S. Data; Japan Bond Risk Falls** -- Asian stocks climbed, heading for a third weekly gain, the won rallied and treasuries fell before data today forecast to show U.S. payrolls increased. The Nikkei 225 Stock Average rose to a four-month high and Japanese bond risk declined. The MSCI Asia Pacific Index added 0.6 percent as of 11:13 a.m. in Tokyo, and the Nikkei 225 advanced 0.6 percent. The Markit iTraxx Japan index slid to a six-week low. Ten-year Treasury yields rose one basis point, while futures on the Standard & Poor's 500 Index slid 0.1 percent. The dollar headed for a third weekly gain against the yen, while the won jumped to the strongest level in almost three years. Brent oil snapped a three-day surge. U.S. employers likely added almost twice as many jobs in June compared with May, economists said before today's Labor Department report, after better-than-forecast figures from ADP Employer Services yesterday. China, which raised interest rates this week for the third time this year, brought forward the release of June inflation data to tomorrow. About five shares advanced for every three that declined on MSCI's Asia Pacific Index, helping extend the gauge's weekly advance to 1.9 percent. The measure is headed for its first three-week rally since April. The Nikkei 225 was bound for the highest close since March 11 after Japan's Finance Ministry said today the current-account surplus narrowed less than economists forecast in May, a sign the economy may be overcoming the drop in exports after the record earthquake in March. Toyota Motor Corp. rallied 1.6 percent, leading exporters higher. (BN)
- **U.S. Stocks Climb as Job Data, Retail Sales Bolster Optimism** -- U.S. stocks jumped, sending the Standard & Poor's 500 Index close to a three-year high, as retail and job market data bolstered confidence in the economy. Target Corp., the second-largest U.S. discount retailer, and Kohl's Corp. rose at least 6.6 percent as June retail sales surpassed analysts' projections. Urban Outfitters Inc. rallied 6 percent after Morgan Stanley recommended investors buy the shares. JPMorgan Chase & Co. climbed 1.9 percent as banking shares soared. The S&P 500 Index climbed 1.1 percent to 1,353.22 at 4 p.m. in New York, its highest closing level since May 10. The Dow Jones Industrial Average rose 93.47 points, or 0.7 percent, to 12,719.49, as a report by ADP Employer Services showed U.S. companies added more jobs than forecast in June. Volume on U.S. exchanges totaled about 6.8 billion at 4:30 p.m., 4 percent less than the three-month average through yesterday. The S&P 500 has climbed 6.7 percent over the past eight days, with last week's gain the biggest since July 2009. The index is about 10 points shy of a three-year high reached April 29. Through June 24, U.S. equities had fallen for seven of the previous eight weeks on concern that the European debt crisis would spread and the U.S. economy slow. (BN)
- **EUROPE** -- European stocks seen higher, government debt seen consolidating, euro, sterling rangebound, oil, gold lower European bourses are likely to edge higher at the open Friday, amid investor caution ahead of a key data release in the U.S. For Friday's opening, IG Markets is calling the FTSE up 12 at 6067, the DAX up 20 at 7491 and the CAC up 2 at 3982. (DJ)
- **Germany Plans Rules to Reward Long-Term Shareholders, FTD Says** -- Germany's governing coalition plans to introduce rules that reward long-term shareholders with higher dividends, to achieve more continuity in corporate governance, the Financial Times Deutschland reported, citing Patrick Sensburg, a Christian Democrat politician. The rules may set a threshold of two to three years or allow for dividend increases proportional to the time shares are held, the newspaper said. Managers may be required to hold their companies' shares for a fixed period, according to the report. The regulation may either be enacted at national level, or be part of a European Union framework law, the newspaper said. (BN)
- **Murdoch's Riskiest Scrape Yet May Not End With Tabloid Shutdown** -- News Corp.'s Rupert Murdoch has spent years clashing with unions, rivals and governments. Now the scandal at one of his London newspapers is threatening to become the biggest crisis of the 80-year-old's career. "He's been through lots of scrapes and likes to live on the edge, but this must be the most complicated, fast-moving and

risky mess he's been in," said Charlie Beckett, director of the media institute Polis at the London School of Economics. News Corp. said yesterday it would close the 168-year-old News of the World tabloid after allegations that its journalists tapped the voice mails of murder victims and paid police officers for stories. Murdoch acquired the paper in 1969 as he expanded into the United Kingdom from Australia. (BN)

- **Carrefour SA** -- Brazil's state development bank shouldn't intervene in a political capacity in the French retailer's efforts to merge its Brazilian business with Cia. Brasileira de Distribuicao Grupo Pao de Acucar, Finance Minister Guido Mantega said. (BN)
- **Sun Art Said to Plan Hong Kong IPO Price at Top of Range** -- Sun Art Retail Group Ltd., China's largest hypermarket operator, plans to sell shares in a Hong Kong initial public offering at HK\$7.20 (93 cents) apiece, the top end of a range marketed to investors, two people with knowledge of the matter said. The Shanghai-based company, due to set a final price for the offering later today, will raise HK\$8.2 billion from the sale of 1.14 billion shares, according to the people, who asked not to be identified before an announcement. Sun Art originally offered the shares for HK\$5.65 to HK\$7.20 each, according to its IPO prospectus. (BN)
- **PPR SA** -- The owner of Gucci and Puma's online fashion retailer Redcats may draw acquisition bids from buyout firms including TPG Capital, Bain Capital LLC and Permira Advisers LLP, according to people with knowledge of the matter. (BN)
- **Hays to Treble Staff, Expand Globally, Over Five Years, FT Says** -- Hays Plc, a U.K. recruitment company, plans to treble its workforce over the next five years and open offices in Malaysia, Columbia and Chile, the Financial Times reported, citing the company. (BN)
- **Arseus Second-Quarter Sales Rise 13%; Confirms 2011 Forecasts** -- Arseus NV, Europe's largest supplier of ingredients to compounding pharmacies, said second-quarter revenue rose 13 percent to 121.4 million euros. The growth in sales excluding acquisitions was 2.7 percent, the company said. Arseus confirmed its sales and profit forecasts for 2011. (BN)
- **Billionaire Anil Ambani Said in Talks to Sell Road, Power Stakes** -- Billionaire Anil Ambani's Reliance Infrastructure Ltd. is in talks to sell stakes in its power transmission business, road and subway projects, said two people with direct knowledge of the matter. The Mumbai-based company's board hasn't taken a final decision on the sale, said one of the people, who declined to be identified because they're not authorized to discuss the matter. Reliance Power Transmission Ltd. is a wholly-owned unit of Reliance Infrastructure, according to the company's website. The Reliance Anil Dhirubhai Ambani Group, which controls Reliance Infrastructure, is selling stakes in assets to pare debt in companies including its flagship Reliance Communications Ltd. The mobile-phone company, which has 320 billion rupees (\$7.2 billion) of net debt, is in talks to sell its tower business, three people with knowledge of the matter said on June 7. Reliance Infrastructure has 166 billion rupees of debt, according to data compiled by Bloomberg. (BN)
- **Caterpillar Accused of Demoting Executive Discovering Tax Dodge** -- Caterpillar Inc. used offshore subsidiaries in Switzerland and Bermuda to avoid about \$2 billion in U.S. taxes from 2000 to 2009, boosting its earnings through a "tax and financial statement fraud," according to a Caterpillar executive's lawsuit. The company, the world's largest construction-equipment maker, sold and shipped spare parts globally from an Illinois warehouse while improperly attributing at least \$5.6 billion of profits from those sales to a unit in Geneva, according to the suit filed by Daniel J. Schlicksup. He was a global tax strategy manager for Caterpillar from 2005 to 2008. (BN)

MACRO / GEOPOLITICS

- **[yday] Trichet Signals Further Rate Increase as Portugal Rules Relaxed** -- European Central Bank President Jean- Claude Trichet signaled he may raise interest rates again in coming months and will ease Portugal's access to emergency funds as officials battle both faster inflation and the debt crisis. The ECB increased its benchmark rate by 25 basis points to 1.5 percent today, the second increase in three months. The decision on Portugal came after Moody's Investors Service sparked a renewed selloff in euro region bond markets after saying on July 5 the country may need a second bailout package. "Our monetary policy stance remains accommodative," Trichet said at a press conference in Frankfurt. "It is essential recent price developments do not give rise to broad based inflation pressures over the medium term." Policy makers are trying to balance the risks of further turmoil in debt markets against the danger that Germany's export-led recovery will fuel a wage-price spiral. While the yield on Greek, Irish and Portuguese two-year bonds all exceed 15 percent, inflation across the region has breached the central bank's 2 percent limit for the past seven months. (BN)
- **Weidmann Says ECB's Interest Rates Are Still 'Relatively Low'** -- European Central Bank Governing Council member Jens Weidmann said interest rates in the 17- nation currency region are "still relatively low," indicating he sees further room to tighten policy. "Rates are still relatively low, when one looks for example" at "the difference between short-term interest rates and inflation rates," Weidmann told German broadcaster ARD in an interview in Frankfurt today. While the bank is never pre- committed on future policy moves, it's "committed on its primary goal, which is price stability," he said. The ECB today raised interest rates for the second time in three months, increasing the benchmark by 25 basis points to 1.5 percent, and eased Portugal's access to emergency funds to balance the risks of further turmoil with the danger of price pressures. While the yield on Greek, Irish and Portuguese two- year bonds all exceed 15 percent, inflation has breached the central bank's 2 percent limit for the past seven months. (BN)
- **[yday] EU's Barroso Says Task Force to Help Greece Apply Structural Aid** -- European Commission President Jose Barroso said a task force to help Greece absorb and more quickly utilize European Union structural funds will be set up. "We need to address with determination the bottlenecks behind the poor utilization of the funds on the ground," Barroso said in a response to a letter by Greek Prime Minister George Papandreou on June 30. "The task force would work to identify and agree with the relevant Greek authorities the details of the kind of technical assistance to be provided, the results to be delivered and the timeframe for the work," Barroso said in the letter, the text of which was distributed by e-mail today by the Athens-based Press Ministry. Barroso, whose letter was dated July 4, said the force could allow cooperation between EU and Greek officials to get Greece's "economy moving" and fight unemployment. (BN)
- **[yday] Trichet Says Ignoring 'No Default' Rule Risks European Stability** -- European Central Bank President Jean- Claude Trichet said the region's governments may put financial stability at risk if they ignore his advice to avert even a partial default of Greece. Trichet, at a press conference in Frankfurt today, reiterated that it's up to European governments and not the ECB to solve the sovereign debt crisis. He also called on authorities to stick to a "global doctrine" that he said limits creditor involvement in Greece's rescue. "We ask the governments to stick to the international doctrine," he said. "It's not in the international doctrine at all" to "ask for restructuring, haircut, you name it" on top of loans by the International Monetary Fund and the European Union. "If you depart from that global doctrine, you are weakening what you are aiming at, namely financial stability in Europe and the euro area as a whole." (BN)
- **[yday] Juncker Urges More Efforts to Create European Rating Agency** -- Luxembourg's Prime Minister Jean- Claude Juncker said that European governments need to step up their efforts to create a credit-rating company for Europe to circumvent the "disastrous" influence of the existing firms. A European rating company would be more in tune with reform programs undertaken by governments in the region and



so provide more accurate assessments of creditworthiness, said Juncker, who chairs the group of euro-area finance ministers. "I'm really of the opinion that we should intensify our efforts to create a European rating agency in order to be able to better judge the medium-term outlook for the European states," Juncker said in an interview in Berlin today. (BN)

- **Flemish party scuppers Belgian coalition moves** -- Belgium waded further into political quagmire on Thursday after a promising attempt to form a government was ultimately rejected by the country's largest party. Bart De Wever's New Flemish Alliance, or N-VA, pulled the plug on what looked to be a potential exit from the political impasse which has gripped the country since its government collapsed in April 2010. The move marked another setback in attempts to bridge the linguistic and cultural gap between wealthy, Dutch-speaking Flanders in the north and the struggling Francophone south of the country, which has fuelled the protracted political crisis. Belgium has been ruled by a caretaker administration for more than a year, with no political mandate to undertake pressing economic reforms despite Belgium's sovereign debt being among the highest in the eurozone. A position note put forward by Elio Di Rupo, the leader of the French-speaking Parti Socialiste, had received tentative support from across the Belgian political spectrum in recent days, and hopes were high that it could form the basis for the formation of a new coalition in the coming weeks. But Mr De Wever, whose party won most votes in the June 2010 elections by promising more autonomy for Dutch-speaking Flanders, said the note was not a good starting point for negotiations. (FT)
- **ECB Coene: Further Talks On Private-Sector Involvement Greece Needed** -- European Central Bank governing council member Luc Coene said Thursday it isn't necessarily a good idea to involve the private sector in aid to Greece and that further discussions on a voluntary rollover of Greek debt are needed. Speaking to Belgian radio broadcaster VRT1, Coene said European finance ministers should have further discussions on how banks can participate in a deal to keep Greece solvent. The Belgian central bank governor added the ECB's decision to raise its key rate by 25 basis points to 1.50% Thursday was a unanimous one. (DJ)
- **Trichet Says Italy's Austerity Measures Go in 'Right Direction'** -- European Central Bank President Jean- Claude Trichet said Italy's 40 billion euros in austerity measures "go in the right direction," while also calling on the country to overhaul its labor and services market. He spoke today in an interview on Sky TG25 television. (BN)
- **Greek Unemployment Time Bomb Squeezes Papandreou: Euro Credit** -- Greece's growing ranks of unemployed are raising the political cost of Prime Minister George Papandreou's budget cuts, providing fodder for anti-government protests amid a third year of recession. The highest jobless rate on record is the most painful sign of an economy straining under the weight of measures demanded as a condition of emergency loans from the European Union and International Monetary Fund. The yield on 10-year Greek bonds has climbed 4.22 percentage points this year to 16.69 percent. The slumping economy has prevented Greece from reaching deficit targets prescribed in last year's 110 billion-euro bailout. The shortfall rose to 10.5 percent of gross domestic product last year, exceeding the 9.5 percent target set in the government's 2011 budget and adopted by the EU and IMF. Net revenue dropped 7.1 percent in the first five months of this year, Finance Ministry data released on June 14 showed. (BN)
- **IMF Greek Loan Decision May Counter Its Policy Guidelines** -- The International Monetary Fund may bend its own lending rules Friday to approve the next tranche a Greek loan, and likely won't provide the details it normally requires for program financing, current and former IMF officials say. The IMF board may counter the very guidelines for assessing a country's debt sustainability approved by Timothy Geithner, who was head of the IMF's policy development department in 2002 when the current policies were outlined. As U.S. Treasury secretary, he is now the fund's most powerful governor and a backer of the IMF bailing out Greece. The ability of a country to pay back its debt is a fundamental factor in IMF board approval of a loan program. "They are changing the rules and will set a precedent" said Mario Blejer, former central banker for Argentina and a former senior adviser to the IMF. Although the board is widely expected to approve the fifth tranche of Greece's loan in an effort to stem contagion into the rest of the euro zone, some board members from emerging-market countries have said they are skeptical the program is sustainable. Officially, the IMF says the program has won financial assurance from European officials, who have told the fund they will cover Greece's growing financing gap. Officials in the euro zone, however, still haven't decided how to involve private bondholders in financing Athens' cash needs. Those details will be estimated in the IMF's debt-sustainability analysis. But, as evidenced by ongoing deliberations in Europe, it is still unknown how much the private sector will ultimately contribute. (DJ)
- **ECB's Mersch Says Luxembourg Central Bank to Become BIS Member** -- European Central Bank Governing Council member Yves Mersch said Luxembourg's central bank agreed to buy shares in the Bank for International Settlements and become a BIS member. Mersch spoke in introductory remarks to a speech by BIS General Manager Jaime Caruana in Luxembourg today. (BN)
- **Obama: No Deal Yet But Meeting With Lawmakers Constructive** -- President Barack Obama on Thursday said he had a "very constructive" meeting with congressional leaders but suggested the two sides were still far apart on how to slash the country's deficit. Obama, speaking after meeting with congressional leaders at the White House for more than an hour, said everyone agrees they need to raise the debt ceiling but don't have a deal yet. "I want to emphasize that nothing is agreed to until everything's agreed to, and the parties are still far apart on a wide range of issues," Obama said. He continued, "But again, I thought that all the leaders here came in a spirit of compromise, in a spirit of wanting to solve problems on behalf of the American people." Neither Obama nor lawmakers provided any specifics on what was discussed. Yet an aide of a lawmaker who attended the meeting said three deficit reduction targets were discussed, ranging from \$2 trillion to \$4.5 trillion over the next decade. Another aide briefed on the meeting said that all the congressional Democrats agreed the group should push for the largest package of savings. Obama said the congressional leaders would be back at the White House on Sunday while staff would continue working throughout the remainder of the week. (WSJ)
- **Lawmakers Signal Openness To Trade-Pact Compromise** --House and Senate panels disagreed Thursday on whether to include funding to help workers hurt by globalization in legislation to approve free trade agreements, though key lawmakers in both parties signaled a willingness to find a way to move them at the same time. As Congress held its final debate before the White House formally sends up three trade agreements left over from the Bush administration, a deal to win final passage of the pacts remains elusive. The Obama administration insists that the expired funding to help workers displaced by trade be passed along with pacts with South Korea, Colombia and Panama--a proposal Republican leaders in the House and Senate have resisted. (DJ)
- **China Official: Can't Loosen Monetary Policy In 2H -- Report** -- China must maintain its monetary policy tightening in the second half of the year, the 21st Century Business Herald reported Friday, citing a bank regulator. Yu Xuejun, head of the China Banking Regulatory Commission's Jiangsu branch, predicted that China will likely raise interest rates by as much as 0.75 of a percentage point in the second half, according to the report. He made the comments before the People's Bank of China raised interest rates Wednesday, according to the report. He said any loosening in monetary policy will undermine China's efforts in the past year to curb inflation, the report said. Yu was



quoted as saying that China may face inflation pressure in the long term as the country is still accumulating foreign exchange reserves, which exceeded US\$3 trillion at the end of March, due to an undervalued yuan. (DJ)

- **China Needs Innovative Policies To Curb Hot Money – Report** -- China needs to make use of innovative monetary tools to manage liquidity and rein in speculative fund flows, the China Securities Journal reported Friday, citing a senior banking official. Yan Qingmin, assistant chairman at the China Banking Regulatory Commission, said besides the gradual reform of its interest-rate regime, China could also consider including new tools, such as eliminating interest payments on banks' reserves and levying a tax on foreign capital gains, in its monetary policy tool kit, the report said. Yan was quoted as saying that the market has become immune to the central bank's traditional monetary policies, especially quantitative policy tools. (DJ)
- **Japan's Current-Account Surplus Narrows Less Than Forecast** -- Japan's current-account surplus narrowed less than economists forecast in May, a sign the economy may be overcoming damage from the steep decline in exports after a record earthquake. The gap shrank 51.7 percent from a year earlier to 590.7 billion yen (\$7.3 billion), the Finance Ministry said in Tokyo today. The median estimate of 18 economists surveyed by Bloomberg News was for a 75.2 percent decline. The surplus decreased 69.5 percent in April. Bank of Japan Governor Masaaki Shirakawa said this week that the economy is showing signs of recovery after a central bank report showed manufacturers forecast a rebound in profits this year. The Nikkei 225 Stock Average has gained 3 percent this week on optimism about the global economy. (BN)
- **Fed's Hoenig: Central Bank Should Have Raised Rates Some Time Ago** -- Federal Reserve Bank of Kansas City President Thomas Hoenig again on Thursday argued for the central bank to raise interest rates. The non-voting member of the interest rate-setting Federal Open Market Committee has long opposed the current course of monetary policy. The Fed has pegged short-term interest rates at zero for some time now and appears in no mood to change that stance, as it completes a controversial program that saw the central bank buy \$600 billion in Treasury bonds to help support growth. Hoenig was speaking at an event held in Ada, Okla. He was asked when the Fed could raise rates and said "I don't know the answer to that. I thought I had a good explanation for why they should do that 18 months ago." The official has long supported interest rate increases, and said again that even modest increases in the Fed's overnight target rate would still leave policy at very accommodative levels. Hoenig is worried that keeping short term rates near zero percent risks creating a new round of financial market imbalances, and in past remarks, he said there's already evidence of problem areas tied to the Fed's "easy money" provisions. "I'm not for tight monetary policy," Hoenig said. "I'm for non-zero monetary policy." (DJ)
- **U.K. House Prices Fall to Lowest in 17 Months, Acadametrics Says** -- U.K. house prices dropped for a third month in June to their lowest level in 1 1/2 years as a purchase-tax increase and a lack of mortgage finance deterred buyers, Acadametrics Ltd. and LSL Property Services Plc said. The average price of a home in England and Wales fell 0.8 percent to 219,365 pounds from May, when it also decreased 0.8 percent, the groups said in an e-mailed report in London today. Prices fell 1.4 percent from a year earlier. The decline partly reflected a drop in demand for homes worth more than 1 million pounds after the government raised stamp duty, a property-transfer tax, in April to help tackle the budget deficit. The housing market may struggle to gain momentum this year as banks restrict lending and inflation outpaces growth in wages. (BN)
- **German Exports Increased More Than Economists Forecast in May** -- Exports in Germany increased more than economists forecast in May, adding to signs the sovereign debt crisis isn't harming Europe's largest economy. Exports, adjusted for work days and seasonal changes, increased 4.3 percent from April, when they fell 5.6 percent, the Federal Statistics Office in Wiesbaden said today. Economists forecast a gain of 1.5 percent, according to the median of 12 estimates in a Bloomberg News survey. Imports rose 3.7 percent from the previous month. German factory orders and industrial production both increased in May, suggesting the economy is weathering the region's worsening fiscal crisis. With countries from Spain to Ireland cutting spending, companies have relied on faster-growing markets to boost sales. Bayerische Motoren Werke AG, the world's largest maker of luxury cars based in Munich, said yesterday deliveries jumped 16 percent in June. (BN)



Last Trading Day Stats

Index	Close	1D %Chg	YTD%Chg
EuroStoxx 50	2,844.51	0.42%	1.85%
CAC	3,979.96	0.47%	4.60%
DAX	7,471.44	0.54%	8.06%
AEX	345.16	1.04%	-2.65%
FTSE 100	6,054.55	0.86%	2.62%
SMI	6,211.11	0.51%	-3.49%
OMX	1,135.15	1.46%	-1.77%
S&P 500	1,353.22	1.05%	7.60%
Nikkei 225	10,137.73	0.66%	-0.89%

Index	Close	1D Chg	5D Chg
Dow Jones	12,719.49	93.47	458.07
VIX Index	15.950	-0.390	-1.320
VDAX Index	16.900	-0.400	-1.270

2-10 EUR	138.895
2-10 US	269.314
Eur / Dollar	1.4351

Bunds	Yield (%)	Chg 1d bp	Chg 5d bp
2YR	1.588	1.80	-6.30
5YR	2.191	0.90	-10.30
10YR	2.973	0.60	-6.10

	Close	1D Chg	5D Chg
1st CL future	98.67	-0.04	3.21
CRB index	#N/A	6.10	7.50

AEX close	345.16
ADR Impact	0.46
ADR Impact %	0.13%
AEX Parity	345.62
AEX Ex-div Impact	

ADRs	Volume	Rel.vol	NL Close	ADR (Eur)	Chg EUR	%Chg
AEGON NV-NY REG	573504	53%	4.68	4.69	0.01	0.16%
ARCELORMITTAL-NY	4942439	131%	24.33	24.58	0.25	1.01%
ASML HOLDING-NY	2970364	110%	26.69	26.92	0.24	0.90%
REED ELSEVIE-ADR	110037	111%	9.42	9.39	(0.03)	-0.30%
ING GROEP-ADR	1295022	60%	8.52	8.52	0.00	0.04%
PHILIPS ELEC-NY	1012458	68%	17.71	17.75	0.04	0.25%
ROYAL DUTCH-ADR	2698588	125%	25.45	25.49	0.04	0.16%
UNILEVER NV-NYS	1579378	73%	23.45	23.41	(0.04)	-0.16%

Dow Jones Sectors US	Close	%Chg	Chg 1d	Chg 2d	Chg 5d
BAS MAT	326.40	1.70%	5.46	5.66	12.86
CON CYC	379.22	1.42%	5.30	5.09	15.74
CON NCY	353.27	0.64%	2.26	3.80	11.04
ENERGY	658.57	1.30%	8.47	7.05	25.85
FINANCL	287.92	1.49%	4.22	3.41	7.19
HLTHCAR	375.63	-0.04%	-0.14	1.11	6.28
INDUST	349.01	1.05%	3.64	5.31	15.12
TECH	696.49	1.36%	9.37	12.78	35.18
TELECOM	140.90	0.09%	0.13	-0.70	1.98
UTILITY	166.39	0.34%	0.56	0.99	2.84

AFS BROKERS +31 20 522 0219 Jacob Jurg j.jurg@afsgroup.nl

Sources amongst others: Bloomberg (BN), Reuters (R), BBC, CNN, NY Times (NYT), Washington Post(WP), The Guardian (G), het Financieele Dagblad (FD), Telegraaf (T), Volkskrant (VK), NRC, Wall Street Journal Europe (WSJE), Dow Jones (DJ), AFX and the Financial Times (FT) The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. All opinions and estimates expressed in this document are subject to change without notice. AFS does not accept any liability whatsoever for any direct or consequential loss arising from the use of this document. This document is for information purposes only and is not, and should not be construed as, an offer to buy any securities or derivatives. The information contained in this document is published for the assistance of the recipient, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient.