

TODAY 07-07-11

NL (a.o.): Air France Traffic, Roodmicrotec;
NL Tomorrow (a.o.): Arseus ;
EUR (a.o.): Hays, Man Group, BMW sales;;
EUR Tomorrow (a.o.): -
EUR Ex-div (a.o.): Repsol;;
EUR Ex-div Tomorrow (a.o.): BBVA;

MACRO:

12:00 Greece Industrial Production
 13:00 BOE Announces Interest Rates
 13:45 [ECB Announces Interest Rates](#)
 14:15 US ADP Employment Change
 14:30 US Jobless claims
 14:30 [ECB News Conference](#)
 17:00 DOE Crude Inventory data
 US ICSC Chain Store Sales

FINANCE Credit / CDS HF's

- **Dutch Fin Min: Unrealistic To Expect Private-Sector Support For Greece Deal –Report** -- It's unrealistic to expect the private sector to voluntarily participate in a new aid package for Greece and it may need to be forced to contribute, Dutch Finance Minister Jan Kees de Jager said in an interview with daily Het Financieele Dagblad published Thursday. "I think we have to accept that a voluntary contribution is not realistic. If a forced contribution of the banks results in a short and isolated rating event, this won't be a disaster. Greece is currently not on the market anyway and it won't be for some time," De Jager was quoted as saying. (DJ)
- **Greek Default Not 'Worst' Outcome for Banks as Options Mull'd** -- Greek creditors may be willing to risk a planned and managed default to help resolve the nation's debt crisis, said the head of the world's biggest group of international financial companies. "It may well be that some rating agencies reach judgements that involve a selective default," Charles Dallara, the managing director of the International Institute of Finance, said in a Bloomberg Television interview yesterday. "I don't think that a temporary period of selective default as it has been narrowly framed for sovereigns in the past is necessarily the worst thing that could happen here." His comments, which contrast with the opposition to default by the European Central Bank, European Union and Greece itself, came as **Germany revived a proposal for a bond swap to lengthen Greek debt maturities**. The Germans dropped that suggestion two weeks ago after it was rejected by the ECB. Dallara met with about 20 banks and insurers in Paris yesterday to examine proposals to roll over maturing bonds into new Greek securities. The discussions included a plan floated last week by French banks to roll over 70 percent of bonds maturing by mid-2014 into new 30-year Greek securities backed by AAA-rated collateral, as well as other proposals, Dallara said. (BN)
- **U.S. Company Credit Risk at July High on Portugal Downgrade** -- A gauge of credit risk rose to the highest level in a week as investor concern grew that Europe's sovereign-debt crisis would slow the global recovery and restrict company access to capital. Credit-default swaps on Citigroup Inc. and Morgan Stanley, climbed, while the Markit CDX North America Investment Grade Index, which investors use to hedge against losses on corporate debt or to speculate on creditworthiness, added 0.9 basis point to a mid-price of 92.3 basis points as of 5:04 p.m. in New York, according to index administrator Markit Group Ltd. The benchmark, which typically rises as investor confidence deteriorates and falls as it improves, has climbed for the past two days after Moody's Investors Service downgraded Portugal four levels to junk. The rating company also said China may have underestimated local government debt and may cut its outlook on its banking system to negative. (BN)
- **U.S. Consumer Bureau Plans to Write Rules for Mortgage Servicers** -- The Consumer Financial Protection Bureau is preparing to impose rules on U.S. mortgage servicing firms, said Raj Date, the bureau's associate director. When the bureau begins formal operation July 21, "mortgage servicing will be one of CFPB's priorities," Date said in testimony prepared for delivery to members of the House Financial Services Committee today. The \$10.4 trillion industry has structural features "that make it especially prone to the risk of consumer harm," one of which is lack of consumer choice, Date said. A homeowner doesn't have the option of shopping for a better or more competent provider, he said. "I get to choose my pharmacist. I don't typically get to choose my mortgage servicer," Date said. Members of the financial services and oversight subcommittees of the House panel are examining lapses and gaps in mortgage servicing regulation. State attorneys general and the Justice Department are advanced talks with JPMorgan Chase & Co., Bank of America Corp. and three other servicers on a \$20 billion settlement to resolve state and federal claims over botched foreclosures, faulty paperwork and inadequate staffing by the industry, according to two people briefed on the matter. (BN)
- **Lawmakers Mulling Fate of Fannie Mae Split on U.S. Housing Role** -- The U.S. housing industry is finding political traction in Congress as it objects to plans that would wind down Fannie Mae and Freddie Mac and eliminate any government role in mortgage finance. Two members of the House Financial Services Committee, Gary Miller, a California Republican, and Carolyn McCarthy, a New York Democrat, plan to introduce legislation today that would create a government-run replacement for the two mortgage finance companies, which originally were chartered by Congress. The measure directly challenges House Republican leaders, who have backed bills that would do away with the two companies and aim to minimize the risk that taxpayers will have to bail out future mortgage failures. Fannie Mae and Freddie Mac have cost the Treasury Department about \$130 billion since they were seized by regulators in September 2008. The Miller-McCarthy legislation is endorsed by the National Association of Realtors and the National Association of Homebuilders. It reflects concerns by the industry, consumer activists and some policymakers that a complete withdrawal of government support for home lending could deepen the housing recession. (BN)
- **BofA, JPMorgan Said to Near Foreclosure Deal With U.S., States** -- Bank of America Corp., JPMorgan Chase & Co. and three other U.S. mortgage servicers are in advanced talks to resolve state and federal claims over faulty foreclosures, according to two people briefed on the matter. Negotiators tentatively set a July 13 target for a settlement, which may exceed \$20 billion, the people said, speaking on the condition of anonymity because the talks are private. Some banks are briefing their boards on deal terms, which would form state and federal funds to resolve claims and provide relief to borrowers, they said. The target date may be postponed as parties iron out details. (BN)
- **BofA Must Face Mortgage Modification Claims, Judge Rules** -- Bank of America Corp. must face claims from homeowners who accuse the biggest U.S. bank of failing to honor agreements for modifying their mortgage loans, a federal judge ruled. Homeowners who say they met requirements for permanent modifications under contracts with the bank can proceed with their cases, according a decision filed today by U.S. District Judge Rya Zobel in Boston. Zobel dismissed some claims against the bank. The complaint consolidates 26 cases originating in 19 states that were transferred to federal court in Boston, according to Zobel's decision. The homeowners sought loan modifications from Bank of America under the federal government's Home Affordable Modification Program, which is aimed to lower payments for borrowers and help them avoid foreclosure. (BN)

- **In Departing FDIC, Bair Leaves Behind A Transformed Agency** -- Sheila Bair, who is stepping down as chairman of the Federal Deposit Insurance Corp. this week, leaves behind an agency transformed from a sleepy bank overseer into a financial regulatory powerhouse focused on preventing another financial crisis. At her last FDIC meeting Wednesday, the agency finalized a rule allowing the government to recover compensation from executives responsible for a financial firm's collapse. The rule is one of many Bair successfully pushed through in the wake of the 2008 financial crisis to try to mitigate risk taking by financial firms and their leaders. (WSJ)
- **Visa Says Revenue Growth May Slow in 2012 on Debit-Card Rules** -- Visa Inc., the world's largest payment network, said a Federal Reserve cap on debit-card fees may lead to slower growth in revenue and earnings in 2012 compared with the current year. Revenue growth for the 2012 fiscal year will be in the "high single-digit to low double-digits range" the San Francisco-based company said yesterday in a filing. That's down from a projection of 11 to 15 percent for the 2011 fiscal year. "We expect that fiscal 2012 will bear the weight of the regulations financially and in fiscal 2013 revenue growth will regain momentum," Visa Chief Executive Officer Joseph Saunders said yesterday on a conference call. The 2012 forecasts are "based on the changing business landscape including the assumption that some portion of transactions may be routed away" to competitors, he said. (BN)
- **Goldman Sachs Took Biggest Loan From Undisclosed Fed Program** -- Goldman Sachs & Co., a unit of the most profitable bank in Wall Street history, took \$15 billion from the U.S. Federal Reserve on Dec. 9, 2008, the biggest single loan from a lending program whose details have been secret until today. The program, which peaked at \$80 billion in loans outstanding, was known as the Fed's single-tranche open-market operations, or ST OMO. It made 28-day loans to units of 19 banks between March 7, 2008, and Dec. 30, 2008. Bloomberg reported on ST OMO in May, after the Fed released incomplete records on the program. In response to a subsequent Freedom of Information Act request for details, the central bank disclosed borrower names, amounts borrowed and interest rates. ST OMO is the last known Fed crisis lending program to have its details made public. The central bank resisted previous FOIA requests on emergency lending for more than two years, disclosing details in March of its oldest loan facility, the discount window, only after the U.S. Supreme Court ruled it had to. When Congress mandated the December 2010 release of data on special initiatives the Fed created in its unprecedented \$3.5 trillion response to the 2007-2009 collapse in credit markets, ST OMO -- an expansion of a longstanding program -- wasn't included. (BN)
- **Tyrie calls on banks to reveal ICB proposals** -- The chairman of the Commons Treasury Select Committee increased the pressure on Britain's banks by calling for the immediate publication of their submissions to the Independent Commission on Banking [ICB] following Monday's deadline for proposals. Andrew Tyrie said last week that banks should publish their proposals to allow a proper debate on the commission's plans to ring-fence retail and investment banking. But no institution has revealed its hand since the date for submissions to the ICB lapsed. Asked yesterday when they should publish, Mr Tyrie said: "Now. The commission published its interim report in April and the banks have had ample time to think through how they will respond. "All the banks, directly or indirectly, have benefited from taxpayer support in this crisis. In working out how best to protect against future bailouts, the banks need to engage fully and publicly. So far the banks' engagement has been distinctly mixed."(Indep)
- **KBC, Dexia Pass Second European Bank Stress Test, Tijd Reports** -- KBC Groep NV and Dexia SA have passed a second stress test organized by European Union regulators, De Tijd reported, citing unidentified people with knowledge of the results. Out of 91 banks tested, 10 to 20 may not have been successful and extra capital would need to be found for these banks, according to the newspaper. The results of the stress test will probably be announced on July 13, the newspaper said. EU finance ministers will discuss the results and needs of the failed banks on July 12. (BN)
- [Earlier this week] **EU Stress Tests 'Missing the Point,' Credit Suisse Analysts Say** -- European regulators' stress tests on 91 of the region's banks are in practice assessing government bailout systems rather than the lenders themselves, analysts at Credit Suisse Group AG said. "Although exercises looking at the sensitivity of individual banks are not wholly without value, they are largely missing the point," analysts led by Daniel Davies wrote in a note to clients today. "Everyone can do arithmetic on balance sheets. The information that the markets need is whether there is a well-organized and well-capitalized structure in place to recapitalize the failures." Five or six Spanish savings banks may fail the tests and need as much as 12 billion euros (\$17.4 billion), the analysts said. That would require the Spanish bailout fund, known as FROB, to borrow additional money in the six months after the results, the analysts said. The fund has about 12 billion euros in cash, and can boost its capacity to about 99 billion euros. (BN)
- **Danish Covered Debt Wins Soros JV Backing After Moody's Cut** -- Denmark's covered bonds are likely to be snapped up by U.S. buyers even after Moody's Investors Service downgraded the securities, according to Alan Boyce, the head of the George Soros joint venture Absalon Project. "You buy Danish mortgage bonds if you want no credit risk and plenty of liquidity," Boyce, who was a bond trader at Soros' \$28 billion Soros Fund Management LLC before becoming chief executive officer at the venture, said in a phone interview out of California. "It should be easy to find new buyers for Danish mortgage bonds in the U.S.; there are lots of mortgage bond traders who will understand exactly how Danish bonds work, just like in the U.S." (BN)
- **Deutsche Bank's Boersig Wants to Remain Chairman, Welt Reports** -- Deutsche Bank AG Chairman Clemens Boersig has no intention of leaving his post to make way for current Chief Executive Officer Josef Ackermann and plans to complete his mandate, which runs until 2013, Die Welt reported, citing an unidentified person familiar with the matter. Boersig's decision on the leadership of the company is "no longer a matter of weeks," the newspaper said, adding that board members Juergen Fitschen and Anshu Jain are favorites to head the lender together. (BN)
- **OTP May Bid Against Sberbank for Volksbanken Unit, RIA Reports** -- OTP Bank Nyrt., Hungary's largest lender, may bid against OAO Sberbank to buy VBI, the Eastern European unit of Oesterreichische Volksbanken AG, RIA Novosti reported, citing OTP Chairman Sandor Csanyi. OTP is interested in VBI to expand in central and eastern Europe, RIA said, citing Csanyi. (BN)
- **Lone Star Close to Sale of IKB to BNP Paribas, FTD Says** -- Lone Star Funds is closer to the sale of IKB Deutsche Industriebank AG to BNP Paribas SA, Financial Times Deutschland reported, citing unnamed people familiar with the talks. BNP conducted an audit of a purchase weeks ago and is considering whether to buy all or part of IKB, the newspaper said. (BN)
- **Buffett Said to Join Bid for Citigroup's Consumer-Lending Unit** -- Billionaire Warren Buffett has joined a group seeking to buy Citigroup Inc.'s consumer-lending unit, said two people with knowledge of the talks. Buffett's Berkshire Hathaway Inc. has teamed with Centerbridge Partners LLC and Leucadia National Corp. to bid for the business formerly known as CitiFinancial, said the people, who spoke on condition of anonymity because the talks with New York-based Citigroup are private. Buffett has said he's looking for acquisitions and has \$41.2 billion in cash to back his offer. (BN)

- **Citigroup to Link High-Speed Dealers, Smaller Investors, FT Says** -- Citigroup plans to introduce platform by year-end to allow high-speed dealers, smaller investors to trade together, FT reports, without attribution. * Citi Cross dark pool in final testing * Retail trades currently go through Citi Match; doesn't allow high-frequency trading/broker-dealer orders * NOTE: Knight Capital said in April planned dark pool to match orders from retail, institutional, algorithmic traders: FT (BN)
- **NYSE Euronext Holders to Vote on Deutsche Boerse Takeover Plan** -- NYSE Euronext shareholders are scheduled to vote today on the company's \$9.33 billion takeover by Deutsche Boerse AG, a deal that would create the world's largest exchange operator. The New York-based company needs owners of half its stock to approve the plan, which was announced in February amid a wave of exchange acquisitions. 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. Approval would clear one of three main obstacles for the takeover. Also pending is the July 13 deadline for at least 75 percent of Deutsche Boerse holders to favor the plan. European regulators, who set an initial deadline of Aug. 4 to rule on the deal, are reviewing the transaction because it would unite venues that handle more than 90 percent of the region's exchange-traded derivatives. (BN)
- **Tradeweb Hires Compliance Chief for Swaps Facility** -- Tradeweb Markets has tapped Bob Paul, a former general counsel of the Commodity Futures Trading Commission, as the chief compliance officer for a new swaps execution facility. The move positions the firm to register as an SEF after the CFTC and Securities and Exchange Commission establish final rules of operation for SEFs. The Dodd-Frank Wall Street Reform Act gave the CFTC and SEC the ability to come up with regulations for the \$700 trillion over-the-counter derivatives market; those include requiring contracts to be traded through electronic platforms coined SEFs and cleared through central clearinghouses. The regulators are trying to define an SEF and create guidelines on which market participants get to operate them and which products in the various asset classes will trade on SEFs. While bulge-bracket brokers have dominated the OTC derivatives markets for years, SEFs could open up access to the swaps trading business to new players. Dealers, interdealer brokers (IDBs), exchanges, alternative trading systems (ATS) and others are looking to position their firms as players in the SEF space. Each SEF must provide transparent price discovery and ease of execution to **market participants. (STM)**

TECH/TELCO

- **Samsung Electronics Second-Quarter Profit Drops on LCD Slump** -- Samsung Electronics Co., the world's largest maker of televisions, posted a 26 percent drop in second-quarter profit after a slump in sales of flat screens masked a surge in demand for smartphones and tablet computers. Operating profit in the three months ended June fell to about 3.7 trillion won (\$3.5 billion), compared with 5.01 trillion won a year earlier, the Suwon, South Korea-based company said in a statement today, without giving an explanation. That compared with the 3.8 trillion won average of 25 analyst estimates compiled by Bloomberg. Flat-panel business probably had a loss for a second consecutive quarter as TV makers held back purchasing displays, according to six analysts surveyed by Bloomberg News. That damped earnings at the company, which is counting on the new Galaxy smartphone and a bigger tablet computer to take on Apple Inc. and revive earnings. Samsung fell as much as 1.3 percent to 886,000 won on the Korea Exchange today, while the benchmark Kospi index dropped 0.3 percent. (BN)
- **Permira to Offer \$1.3b for Alcatel-Lucent Enterprise: Reuters** -- Permira frontrunner to buy collection of businesses from Alcatel-Lucent, to offer \$1.3b, Reuters says, citing sources familiar. * Businesses being sold include Genesys software unit and IP Telephony * Sale process seen lasting another month * Siemens Enterprise Communications previously seen as frontrunner * Permira, Alcatel-Lucent, Siemens decline to comment: Reuters * NOTE: People familiar with plans told Bloomberg in April ALU FP was considering options including IPO for its enterprise telecommunications operations (BN)
- **STX May Team With Middle-East Sovereign Fund for Hynix Bid** -- STX Group, owner of the world's third-largest marine-engine maker, said it may team up with a Middle Eastern sovereign wealth fund to bid for a stake in Hynix Semiconductor Inc. STX is "highly likely" to submit a bid before tomorrow's deadline set by shareholders including Korea Exchange Bank, the group said in an e-mailed statement yesterday. It wouldn't need to borrow to pay for a stake of about 15 percent, according to Vice Chairman Lee Jong Chul, who didn't identify STX's potential Mideast partner. (BN)
- **Japan Watchdog Probes Elpida Insider Trading, Nikkei Says** -- Japanese investigators are probing a government official for suspected trading of Elpida Memory Inc. stock in 2009 based on undisclosed information about a state-led bailout, the Nikkei newspaper reported, citing people familiar with the matter. **The Securities and Exchange Surveillance Commission is investigating whether the official -- a deputy director general at the Ministry of Economy, Trade and Industry when Elpida was applying for government assistance two years ago -- bought shares of the chipmaker through a third-party account before the ministry announced the approval of an aid package on June 30, 2009, according to the report. (BN)**
- **RIM Avoiding Independent Chair Commitment, Glass Lewis Says** -- Research In Motion Ltd.'s decision to study the overhaul of its management structure to avoid a shareholder vote next week indicates it's avoiding a commitment to appoint an independent chair, Glass Lewis & Co. said. "The appointment of independent board leadership does not require further study, but rather concrete action," Dimitri Zagoroff and Marian Macindoe, analysts with the San Francisco-based proxy adviser firm, wrote in a report. Glass Lewis advises investors that manage more than \$15 trillion on proxy voting. (BN)
- **Italian, Swiss Police Search Homes In Online Investigation** -- Police in Italy and Switzerland searched more than 30 apartments as part of an investigation into the online activist collective "Anonymous," amid a growing global law-enforcement crackdown on high-profile computer attacks by the group's followers. The move is the latest enforcement activity that now has netted more than 40 arrests of individuals allegedly linked to Anonymous by authorities in the U.K, Netherlands, Spain and Turkey since December. And, in the U.S., the Federal Bureau of Investigation is continuing a probe that has involved dozens of searches over recent months. That includes the raid last week of a Hamilton, Ohio man believed to have links to an Anonymous splinter group called LulzSec. (WSJ)

RESEARCH UPDATES

UBS upped **ASML** to Buy, from Neutral; Morgan Stanley Initiated **TNT Express** at Equal Weight, PT EU8.5, initiated **PostNL** at Overweight, PT EUR7.4; UBS upped **Solvay** to Buy, from Neutral; JP Morgan cut **Iliad** to Neutral, from Overweight; BofA cut **Umicore** to Underperform, from Neutral; Jefferies cut **Solarworld** to Underperform, from Hold; Citi Strategists upped **Global Financials** to Neutral, from Underweight;

ENERGY, UTILITIES AND COMMODITIES

- **Oil Rises as U.S. Crude Stockpiles Seen Dropping a Fifth Week** -- Oil rose from a two-day low in New York as investors bet shrinking stockpiles and signs of economic recovery in the U.S. indicated fuel demand is strengthening in the world's biggest crude consumer. Futures climbed as much as 0.8 percent after the American Petroleum Institute said yesterday that inventories dropped 3.2 million barrels last week, more than the 2.5 million barrels predicted in a Bloomberg News survey before an Energy Department report today. Prices also advanced before data tomorrow that may show the U.S. added more jobs in June. Morgan Stanley said the cost of light, sweet oil may decline in "coming weeks" as stockpiles are released to the market. \$97.45 a barrel in electronic trading on the New York Mercantile Exchange and was at \$97.35 at 12:12 p.m. Singapore time. The contract yesterday fell 24 cents to \$96.65, the lowest since July 1. Prices are 32 percent higher the past year. Brent crude for August delivery increased 48 cents, or 0.4 percent, to \$114.10 a barrel on the London-based ICE Futures Europe exchange. The European benchmark contract was at a premium of \$16.72 to U.S. futures. The spread reached a record \$22.29 on June 15. (BN)
- **Sudan Still 'Diametrically Opposed' Over Oil, Diplomats Tell FT** -- North and south Sudan remain "diametrically opposed" over how to split the oil that is mainly produced in the south and refined and exported in the north, the Financial Times reported, citing unnamed diplomats. The negotiations between the two sides of the country, which will be partitioned in two days' time, is "like a poker game at the moment," said Barrie Walkley, U.S. Consul General in Juba, the capital of Southern Sudan, according to the FT. "The final cards aren't on the table," he said, the newspaper reported. (BN)
- **Shell Drilling Plan Won't Face More Detailed Australian Review** -- Royal Dutch Shell Plc's plan to drill an exploration well 50 kilometers west of the Ningaloo Marine Park is proceeding after the Australian government opted not to subject it to a more detailed environmental review. The Australian Environment Department's decision was filed yesterday in a document on its website. Shell must follow measures to avoid significant impact on the environment, the documents show. Shell said in March it expected to drill the Palta-1 well off the northwest coast as early as September. (BN)
- **BP** -- BP's plan to buy stakes in 23 oil and gas blocks in India operated by Reliance for \$7.2b may get cabinet approval next week, oil ministry official with knowledge of the matter says (BN)
- **RIG** -- * Transocean noticed water leak on board Marianas semi- submersible rig, working for Eni off Ghana coast; rig is stable (BN)
- **Reliance Exports Drop 30%, With Jet-Fuel Down From May's High** -- Reliance Industries Ltd., owner of the world's biggest refining complex, exported 30 percent less fuel last month as jet-fuel shipments fell from this year's peak in May. India's largest listed company, Mumbai-based Reliance shipped at least 1.6 million metric tons of oil products from its Jamnagar facility in western India in June, down from the year's high of 2.3 million tons in May, according to ship transmissions and vessel chartering tracked by Bloomberg and data from Clarkson Research Services Ltd. (BN)
- **Airlines Prepare to Take Off on Fuel Made From Algae, Wood Chips** -- After decades of waiting, commercial airlines have been given the go-ahead to use fuel made from algae, wood chips and other plants with obscure names. Test flights in recent years by United Continental Holdings Inc., Japan Airlines Co. and Virgin Atlantic Airways Ltd. have shown that planes can fly on everything from coconut oil to jatropa, a plant that grows in the tropics. On July 1, ASTM International, an American organization that sets worldwide technical standards for the airline and other industries, gave approval for carriers to mix fuel made from organic waste and nonfood plants with kerosene, which is conventionally used to power planes, Bloomberg BusinessWeek reports in its July 11 edition. (BN)
- **ThyssenKrupp To Sell 49.48 Million Treasury Shares To Cut Debt** -- German steelmaker and engineering company ThyssenKrupp AG said Wednesday it has decided to sell its 49.48 million treasury shares, which correspond to 9.6% of its capital stock, as part of its strategy to reduce net debt. The decision is based on an authorization granted by the company's annual general meeting On Jan. 21, 2010. The sale will be implemented through an accelerated book-building process in which shares will be offered to institutional investors. The process will be managed by Commerzbank AG, Deutsche Bank AG and HSBC Trinkaus & Burkhardt AG. ThyssenKrupp had repurchased a total of 51,015,552 treasury shares in 2006 and 2008, corresponding to 9.9% of its capital stock. Since then, a total of 1,530,710 shares had been sold under employee share programs. As a result, the company currently holds 49,484,842 treasury shares, corresponding to 9.6% of the capital stock. The company has been working on strategies to reduce its debt, which last stood at EUR6.5 billion. (DJ)
- **BHP Reports Fatality at Port Hedland, Suspends Operations** -- BHP Billiton Ltd., the world's largest mining company, said it halted its port and rail operations at Port Hedland in Western Australia following an incident at the site that led to a fatality this morning. Port Hedland houses BHP's port and rail facilities for its iron ore operations in Pilbara, in Western Australia, according to the company's website. Almost all of BHP's iron ore, the company's biggest revenue earner, is mined in the state, while a smaller quantity is produced through a joint venture in Brazil with Vale SA, the world's largest producer. Any impact on iron ore production will be reflected in BHP's next quarterly output report, Fiona Martin, a Melbourne-based spokeswoman for the company, said by telephone, declining to elaborate further. Shares of BHP fell 0.6 percent to A\$44.17 as of 11:05 a.m. (BN)
- **African Taxes Weigh on Mining Shares Even as Commodities Gain** -- African countries are moving to grab a bigger slice of their commodity wealth as rivalry for the world's remaining reserves of iron ore, uranium and gold sap the bargaining power of companies such as Anglo American Plc. Tanzania's proposal to study a so-called super tax on mines sent African Barrick Gold Plc, the East African nation's biggest producer of the metal, to a record low in June. Ghana, Namibia, Guinea, Uganda, Mozambique and Gabon also are acting to increase their share of profits from mining. The balance of power is swinging in favor of African governments as commodity prices soar and Brazil's Vale SA and China's Minmetals Resources Ltd. join Western companies bidding for contracts. At the same time, policy makers are looking to finance investment in roads, rail links and power supplies that they say is essential to maintain growth that has averaged 5.7 percent across the continent over the past decade. (BN)
- **Goldman Sachs Keeps Overweight Recommendation on Commodities** -- Goldman Sachs Group Inc. kept its overweight recommendation for commodities on a three, six and 12-month horizon as well as its 20 percent return forecast in the next year. Demand growth is likely to be sufficient to tighten key markets, while progress in dealing with the Greek budget crisis and better economic data has improved sentiment around cyclical assets in recent days, the bank said. Goldman reiterated its long-trading recommendations for Brent crude oil, U.K. natural gas, copper, zinc and soybeans. (BN)

NETHERLANDS / AEX NEWS

- **UNILEVER** -- Buy Unilever, Danone, Goldman Says Ahead of 2Q - Neutral Nestle. * Says Unilever, Danone, Nestlé will report 2Q numbers on August 4, July 28, August 10, respectively. (BN)
- **De Jager Tells Dagblad Bank Tax to Generate More Than EU300 Min** -- Dutch Finance Minister Jan Kees de Jager said the country's bank-tax proceeds will be more than 300 million euros in 2012, Het Financieele Dagblad wrote today, citing an interview. The proceeds will "definitely" be higher, De Jager was cited as saying by the Dutch newspaper. (BN)
- **ABN Amro Appeals European Commission's Acquisition Ban** -- Dutch state owned bank ABN Amro has initiated legal proceedings at the European Union's General Court regarding the European Commission's decision to ban the bank from making acquisitions following a state bailout earlier this year. (BN)
- **Dutch Fund Manager Renews Hunt for Warehouses After Thwarted Bid** -- The Dutch manager of the world's third-largest pension fund is trying to add to its investments in warehouses and industrial buildings to take advantage of rising Internet sales in Europe after failing to buy ProLogis European Properties last year. APG Algemene Pensioen Groep NV, based in Amsterdam, sold its stake in ProLogis European, or PEPR, for 150 million euros last month. APG's 1.1 billion-euro bid was trumped by Prologis Inc., the U.S. company that manages PEPR, Europe's biggest warehouse operator. (BN)

M&A and OTHER CORPORATE NEWS

- **Most Asian Stocks Advance as China Banks Gain on Rate Increase** -- Most Asian stocks rose, driving the benchmark index near a two-month high, as Chinese banks rose after the country raised interest rates, boosting lenders' margins, countering losses by Japanese nuclear-power generators. Industrial & Commercial Bank of China Ltd. increased 1.2 percent in Hong Kong, leading banks higher. Mitsubishi UFJ Financial Group Inc. gained after the head of the world's biggest group of international financial companies said a Greek default is not the worst outcome for banks. Kansai Electric Power Co. led a drop by Japanese electricity providers on concern the restart of idled reactors will be delayed by a government order for stress tests on all plants in Japan. The MSCI Asia Pacific Index climbed 0.06 point, or less than 0.1 percent, to 137.46 as of 1:46 p.m. in Tokyo, reversing a decline of as much as 0.4 percent and a gain of 0.2 percent. About five stocks gained for every four that fell on the 1,018-member gauge. China raised benchmark interest rates for a third time this year, adding to efforts to slow inflation in the world's fastest-growing economy. Through yesterday, the Asia-Pacific index lost 2.4 percent from this year's high on May 2 amid concern a slowing U.S. economy, Europe's sovereign-debt crisis and China's steps to curb inflation will crimp earnings. Japan's Nikkei 225 Stock Average declined 0.3 percent as manufacturers fell amid uncertainty about the extent to which production will be curbed by power shortages from halted nuclear generators. The MSCI Asia Pacific excluding Japan Index, which tracks shares outside of Japan, advanced 0.4 percent. Hong Kong's Hang Seng index climbed 0.7 percent. South Korea's Kospi index rose 0.6 percent in Seoul while Australia's S&P/ASX 200 Index added 1.6 point, or less than 0.1 percent in Sydney. (BN)
- **U.S. Stocks Rise as Transport, Consumer-Staple Shares Advance** -- U.S. stocks rose, posting their sixth advance in seven days, as gains in transportation and consumer-staple companies overshadowed a slowdown in service-industry growth and China's interest-rate increase. Union Pacific Corp. climbed 0.8 percent to lead gains in shipping companies, while Costco Wholesale Corp. rallied 1.7 percent to help lead an advance in companies that sell consumer necessities. DuPont Co., Intel Corp. and Caterpillar Inc. increased at least 1.3 percent, pacing gains among companies most-dependent on economic growth. Bank of America Corp. and JPMorgan Chase & Co. slumped at least 1.1 percent as financial stocks retreated. The Standard & Poor's 500 Index gained 0.1 percent to 1,339.22 at 4 p.m. in New York. The intraday move in the S&P 500 between its high and low was 0.7 percent, following a move of only 0.5 percent yesterday. The Dow Jones Industrial Average climbed 56.15 points, or 0.5 percent, to 12,626.02. Volume on U.S. exchanges totaled almost 6.1 billion at 4:53 p.m., 15 percent less than the three-month average through yesterday. (BN)
- **EUROPE** -- European bourses are likely to start higher Thursday, following modest gains on Wall Street, as investors mark time ahead of central bank rate decisions in both the U.K. and the euro zone, followed by key U.S. data. For Thursday's opening, IG Markets is calling the FTSE up 25 at 6028, the DAX up 40 at 7471 and the CAC up 17 at 3978. (DJ)
- **European Stocks Ex-U.K. Raised to Neutral by Citi Strategists** -- vs underweight. * Says should benefit more from rising bond yields than U.K. (BN)
- **U.K. Stocks Cut to Underweight by Citi Strategists** -- Says U.K. market tends to underperform when bond yields are rising. (BN)
- **Hays Net Fee Income Increased 14% in Second Quarter led by Asia** -- Hays Plc said net fee income rose 14 percent in the second quarter from a year earlier, led by the Asia-Pacific region. (BN)
- **Casino Sees No Risk to Pao de Acucar Voting Rights, Echos Says** -- Casino Guichard Perrachon SA doesn't consider that it's at risk of losing its voting rights in Cia. Brasileira de Distribuicao Grupo Pao de Acucar, French daily Les Echos reported, citing an unidentified person close to Casino. The newspaper cited Christian Devismes, an analyst at Credit Mutuel CIC, as writing that Brazilian law allows for the suspension of voting rights in the case of a conflict of interest between a company and a shareholder. (BN)
- **Citigroup Said to Seek First Round of EMI Offers This Month** -- Citigroup Inc. plans to seek initial bids for EMI Group by the end of July or early August, and aims to clinch a sale of the record label in a couple months, two people with knowledge of the situation said. Sony Corp. and BMG Rights Management GmbH have expressed interest in EMI, as has Len Blavatnik, who is leading the \$1.3 billion purchase of Warner Music Group, said the people, who weren't authorized to speak publicly. Universal Music Group and private-equity investor Alec Gores are also interested in EMI, the record label of Katy Perry and Coldplay. (BN)
- **Air France Pilots Vote in Favor of Regional Plan, Tribune Says** -- Pilots at Air France-KLM Group's Air France unit voted in favor of a plan to have low-cost flights from regional airports, La Tribune reported. Agreement from the pilots union was needed for the carrier to start the project, which is aimed at competing with budget airlines, the newspaper reported in an e-mailed preview of an article on its website. (BN)
- **EU Parliament Sets Conditions For Airport Body Scanners** --The European parliament backed Wednesday the deployment of body scanners at airports, but on condition that travelers have the right to refuse to walk through the controversial machines. European lawmakers gave their conditional support in a show of raised hands a day before the European Commission decides whether to authorise states in the 27-nation European Union to use body scanners at airport security checkpoints. The parliament has the power to overturn the decision within three months. (DJ)

- **BSkyB Approval Could Be Delayed** --News Corp. is facing new head winds in its effort to buy 100% of broadcaster British Sky Broadcasting Group PLC due to political repercussions from a scandal at its British tabloid, News of the World. The proposed deal, which has already been 13 months in the making because of complicated regulatory hurdles, may now face further delays in the wake of allegations that News of the World hacked into the mobile-phone voice mails of people ranging from celebrities and politicians to murder victims. (DJ)
- **Sino-Forest Postpones China Tour for Analysts to Await Study** -- Sino-Forest Corp., the tree-plantation owner targeted by short seller Carson Block, postponed an analyst tour of its Chinese operations until a committee reports on allegations it overstated production. Sino-Forest said yesterday in a letter to investors and analysts that it will wait for the independent committee's findings because "many" analysts who follow the company aren't able to resume coverage or comment publicly until then. The committee may need two to three months to finish the task, the Hong Kong- and Mississauga, Ontario-based company said. (BN)
- **China Tightens Some IPO Approval Requirements, Reuters Reports** -- China's securities regulator tightened requirements for approvals of initial public offerings in some industries judged to have a high risk of financial irregularities, such as restaurants, Reuters reported, citing people it didn't identify. The China Securities Regulatory Commission raised the annual profitability requirement for restaurant operators to 50 million yuan (\$7.7 million) from 30 million yuan, according to the report. The regulator suspended the approval of a plan by South Beauty Co., a Beijing-based restaurant chain operator, to list on Shenzhen's stock exchange, Reuters said, citing two unidentified people. Domestic IPOs in China raised 159 billion yuan so far this year, after companies sold a record 488 billion yuan of first-time shares in 2010, according to data compiled by Bloomberg. The boom in the country's IPO market has driven Citigroup Inc., JPMorgan Chase & Co. and Morgan Stanley to tie up with local securities firms to arrange yuan-denominated stock offerings. (BN)
- **Carlyle Leads Biggest Jump in CLOs Since 2009: Credit Markets** -- Carlyle Group and a unit of Blackstone Group LP are among firms raising collateralized loan obligations at the fastest pace since the start of 2009 as funding costs decline. Four CLOs totaling \$2.3 billion were raised in June, the most in a month since January 2009, according to Morgan Stanley. Blackstone's GSO Capital Partners LP paid 120 basis points more than the London interbank offered rate on a \$428 million AAA graded slice of its CLO, according to data compiled by Bloomberg. Ares Management LLC paid a spread of 160 basis points more than the lending benchmark on a similarly rated portion of its \$410 million fund earlier this year, Bloomberg data show. An increase in CLOs, which buy leveraged loans, might make it easier for borrowers to finance mergers and buyouts. (BN)

MACRO / GEOPOLITICS

- **Selective Default Need Not Derail Greek Debt Plan, Dallara Says** -- Greece's efforts to emerge from its sovereign debt crisis could include a temporary default as part of a longer-term recovery plan, said Charles Dallara, managing director of the Institute of International Finance. Dallara said financial markets will, over time, recognize that Greece faces a different set of problems than Ireland or Portugal, which also needed aid from the European Union and International Monetary Fund. In an interview with Bloomberg Television in Paris today, Dallara said market participants shouldn't be "fixated" on comments from any one rating company. About 20 banks and insurers met with the IIF in Paris to examine proposals to roll over maturing bonds into new Greek securities. The discussions included a plan floated last week by French banks to roll over 70 percent of bonds maturing by mid-2014 into new 30-year Greek securities backed by AAA-rated collateral, as well as other proposals and broader efforts to address the debt crisis, Dallara said. (BN)
- **De Jager Tells Dagblad Investor Role May Have to Be Mandatory** -- Dutch Finance Minister Jan Kees de Jager said the private sector may have to be forced into contributing to a new Greek aid package, Dutch newspaper Het Financieele Dagblad wrote today, citing an interview. "I think we have to accept that a voluntary contribution is "not realistic," De Jager was cited as saying by the newspaper. If a mandatory contribution leads to a momentary and isolated rating event, it's not so bad now because Greece is not in the market right now and won't be for the time being, De Jager also said. (BN)
- **[yday] German Move Roils Talks On Greece** -- European governments' plan for private-sector creditors to help Greece's next bailout without triggering a default were thrown into doubt Wednesday, as senior German **officials resurrected a once-rejected proposal that would cost investors more. The German proposal -- calling for investors to be encouraged to swap Greek government bonds for new bonds** -- had been ditched a month ago after strong opposition from the European Central Bank and governments including France, because it would lead to Greece being called in default by rating agencies. The call from Berlin has reopened a debate over whether the 17 countries that use the euro should accept one of their number being labeled a defaulter even for a short period. It suggests Germany still thinks that's a price worth paying for a larger contribution by investors. That in turn would reduce the size of the new official bailout governments expect to provide for Greece to help tide it through 2014. (WSJ)
- **New Rollover Proposals Unlikely To Allay Rating Agency Concerns** -- Potential revisions to proposals involving private bondholders in emergency financing for Greece may go some way toward addressing rating agencies' threats of a default. But the changes may not be enough to convince the agencies that investors will enter into a deal voluntarily. That begs the question of whether officials and market participants will start to see a Greek default as inevitable. The consensus among rating agencies has been closely watched because finance officials in the euro zone are desperate to avoid a default that would upset the fragile, post-crisis recovery and destabilize healthier European sovereigns. A default also is expected to make it difficult for the European Central Bank to accept Greek bonds as collateral, cutting off a vital source of funding for Greece banks virtually overnight. (DJ)
- **[yday] BNP Paribas Chairman Says French Banks' Proposal Needs Changes** -- BNP Paribas SA's Chairman Michel Peberneau said a plan put forward by French banks last month to roll over Greek sovereign debt needs changes after Standard & Poor's said the proposal may trigger a default rating on Greece. "There is a need to try to find a solution that avoids a default, because we have been asked by the authorities for a plan that does not lead to a default," Peberneau said in an interview on BFM radio today. "Different solutions have been put on the table." About 20 banks and insurers met with the Institute of International Finance in Paris to examine proposals to roll over maturing bonds into new Greek securities. Standard & Poor's roiled markets on July 4 when it said the French plan, which includes a proposal to roll over 70 percent of bonds maturing by mid-2014 into new 30-year Greek securities backed by AAA-rated collateral, would likely trigger a default rating. (BN)
- **Portugal Downgrade Is 'Shot' in Dollar-Euro War, BES Chief Says** -- The downgrade of Portugal's debt rating to junk status by Moody's Investors Service is another "well-aimed shot" at the country in the "war being fought between the dollar and the euro," Banco Espirito Santo SA Chief Executive Officer Ricardo Salgado said. "We will only be able to get out of this situation if one or more European rating agencies are created and if the European institutions stop requiring ratings from North American agencies," he said today in an e-mail. (BN)

- **Lagarde Says Portugal Needs Time to Implement Austerity Plan** -- International Monetary Fund Managing Director Christine Lagarde said Portugal needs time to implement its austerity plan. "Portugal has committed itself to a courageous program that is supported by all political parties," Lagarde said today in an interview with France 24 television. People shouldn't expect that every time a program is put in place that "the deliverables have to be for tomorrow. We need a more judicious management of time and priorities." Lagarde also said she has spoken with Dominique Strauss-Kahn, her predecessor at the IMF. Our conversation was "strictly professional and devoted exclusively to the position I'm taking," she said. (BN)
- **EU Seeks to Curb Big Ratings Firms After Portugal Downgrade** -- European policy makers lashed out at rating companies after Moody's Investors Service cut Portugal's debt to junk, reviving calls to curtail their clout. German Finance Minister Wolfgang Schaeuble said the grip of the big three rating companies had to be broken when asked about Moody's downgrade. "I have said before that we have to curb the influence of the rating agencies," Schaeuble told reporters in Berlin today. There's a need to "break up" the companies' dominance, he said. German Chancellor Angela Merkel yesterday urged the commission, the European Central Bank and the International Monetary Fund not to leave judgments on creditworthiness solely to the rating firms. "I also place my trust above all in the assessments of these three institutions when it comes to certain procedures," she told reporters in Berlin. (BN)
- **[yday] Germany's Westerwelle Urges Independent European Rating Agency** -- German Foreign Minister Guido Westerwelle called for an independent European rating company to be set up to avoid potential conflicts of interest. "The current discussion about the downgrades and upgrades by the rating agencies show that on this issue there's a need for institutional reform," Westerwelle told reporters in Berlin today. "It's necessary to establish an independent European rating agency." The German government "will work on this," Westerwelle said at a joint press briefing with Greek Foreign Minister Stavros Lambrinidis. "This must be a goal that we all work on intensively." (BN)
- **Moody's Differentiates 'Significantly' Between Periphery Nations** -- Moody's Investors Service said it differentiates "significantly" between European periphery countries, suggesting it may not imminently cut Ireland's rating to junk in line with Portugal and Greece. Moody's, which on July 5 slashed Portugal to Ba2 from Baa1, in April lowered Ireland's credit rating to the lowest investment grade Baa3 and left the country's outlook on negative. "Moody's focuses its analysis on each country's economic strength, fiscal plan and medium-term debt trajectory," the ratings company said yesterday in an e-mailed response to questions on Ireland. "As reflected in the different ratings assigned to European periphery countries, we continue to differentiate significantly in terms of the credit profile." (BN)
- **[yday] Schaeuble Says German Industry Poised to Assist Greece** -- German Finance Minister Wolfgang Schaeuble said German industry is poised to step up investment in Greece to help the country grapple with its debt crisis. "Only with a strengthened private sector and only with private investment can Greece achieve a balanced budget in the longer and middle term," the German Finance Ministry said in a statement after Schaeuble met with his Greek counterpart, Evangelos Venizelos, today in Berlin. (BN)
- **[yday] Greek Minister Calls for German Investment, Sueddeutsche Says** -- Greek Foreign Minister Stavros Lambrinidis called on German companies to invest in Greece to assist it through its debt crisis as it sells off state-owned holdings, Sueddeutsche Zeitung reported, citing an interview. Germany industry could invest in such areas as renewable energy, pharmaceuticals or tourism, Lambrinidis told the newspaper. The foreign minister also criticized rating agencies, saying Greece had been downgrade first for not yet implementing certain budget-cutting measures, then for sluggish growth after the measures had been followed through, the newspaper said. (BN)
- **EFSM, EFSF Rates too High, Poland's Rostowski Writes in the FT** -- Interest rates in the European Financial Stability Mechanism and the European Financial Stability Facility for countries that meet their obligations are too high, Polish Finance Minister Jacek Rostowski writes in the Financial Times. Margins in the programs should be 20 basis points above the cost of funding, he writes, noting that "this would ensure credible debt dynamics for Ireland and Portugal and give Greece a real chance." (BN)
- **Trichet Fights a War on Two Fronts as ECB Rate Increase Looms** -- European Central Bank President Jean-Claude Trichet is fighting a war on two fronts as he seeks to contain price pressures while the Greek crisis threatens to blow the euro area apart. The ECB will raise interest rates for a second time this year, increasing the benchmark by 25 basis points to 1.5 percent, when council members meet in Frankfurt today, according to all 55 economist forecasts in a Bloomberg News survey. The central bank may increase borrowing costs further in the fourth quarter, according to a separate survey. Trichet is at odds with European leaders over how to contain the debt crisis, saying it's up to nations to plug budget gaps as policy makers fight price gains. While the ECB has supported lenders with unlimited cash, authorities are struggling to restore investor confidence. (BN)
- **ECB set to raise rates despite debt, growth concerns** -- The European Central Bank appears set to deliver its second rate hike in four months on Thursday despite renewed concerns about the debt crisis gripping parts of the 17-member eurozone and signs of slowing economic growth. The ECB is predicted to follow up its 25-basis-point increase in borrowing costs in April by announcing another 25-basis points rise following its meeting in Frankfurt on Thursday. This will raise the cost of money in the currency bloc to 1.5 per cent. But overhanging the meeting are renewed tensions about the debt crisis that has engulfed several eurozone states including Portugal and Greece following negative reports by international rating agencies. As a result, along with the ECB's plans for interest rates in the coming months, bank President Jean-Claude Trichet is likely to again face a barrage of questions at his regular press conference Thursday on the Greek debt crisis. (DPA)
- **King Diverges Further From Europe as BOE to Keep Rates on Hold** -- Bank of England Governor Mervyn King's monetary policy may diverge further from the rest of Europe today as officials keep record-low interest rates to aid the recovery and guard against threats from the Greek crisis. The nine-member Monetary Policy Committee will hold the benchmark rate at 0.5 percent, according to all 51 economists in a Bloomberg News survey. (BN)
- **Swaps Traders Target Spain, Belgium After Greece: Euro Credit** -- Credit-default swaps traders are increasing bets that Spain and Belgium will be dragged deeper into Europe's sovereign debt crisis, while reducing trades involving Greece and Portugal. Investors had bought and sold 7,866 contracts insuring a net \$18.7 billion of Spanish debt as of July 1, according to the Depository Trust & Clearing Corp. That's up 11 percent from what was at stake at the end of last year, and an increase of almost 35 percent from a year earlier. Belgian debt insurance contracts have soared 26 percent to \$7.1 billion this year, while those involving Greece tumbled 25 percent to \$4.8 billion and trades on Portugal dropped 23 percent to \$6.1 billion. (BN)
- **Irish, Portuguese Downgrade to Spark Rally, Top Bond Buyer Says** -- Europe's best-performing sovereign debt fund manager over the last decade, Sandor Steverink, correctly predicted Portugal's downgrade this week and says Ireland will soon follow. Then it's time to buy, he says. Steverink, who is co-head of a team managing 26 billion euros (\$37.3 billion)

- at Dutch insurer Delta Lloyd NV, plans to buy Irish bonds once the ratings companies cut the debt to junk as Moody's Investors Service did with Portugal on July 5. The extra yield investors demand for holding 10-year Portuguese bonds instead of the equivalent German bund surged yesterday to 10.13 percentage points, the most since at least 1997. (BN)
- **Hedge Funds Move Past Greece With Bets That Debt Crisis Expands** -- Hedge funds that trade bonds and loans are increasing bets that Europe's sovereign debt crisis will spread to Portugal, Spain and Italy, even after Greece won a temporary reprieve with 12 billion euros in aid. "Nothing you've seen so far has dealt with solvency, just liquidity," said Simon Finch, head of credit trading at CQS UK LLP, a London-based hedge fund that oversees \$11 billion. Finch, who has bought and sold corporate bonds and loans for 18 years, has stepped up trading in mobile-phone, utility and toll-road companies in the three countries. He expects their governments will be forced to slash spending to pay off lenders, slowing growth and reducing discretionary consumer outlays. (BN)
- **NY Fed Paper Divines Linkage Between Unemployment, Inflation** -- Economists at the New York Federal Reserve are refining the central bank's understanding of how changes in growth and unemployment shape the nation's inflation-creating potential. In a newly published paper, analysts Richard Peach, Robert Rich and Anna Cororaton say that contrary to the way many observers now understand it, there is not an automatic and continuous relationship between hiring and prices. Their work addresses a critical notion, which holds that the difference between the economy's resource utilization rate and its unemployment rate has a lot to say about whether inflation will rise or fall. The concept is particularly important right now because most Federal Reserve officials believe that as long as growth is modest and unemployment rates are high, the economy is unlikely to generate price pressures that would require the central bank to tighten monetary policy. This contention has allowed the Fed to shrug off the commodity- and energy-fueled increase in headline inflation as most likely a temporary phenomenon, and leave policy at very easy levels. The influence of unemployment on inflation has always been bounded by uncertainty. The paper observes evidence since the middle of the 1980s and the middle of the last decade shows a reduced relationship between unemployment and inflation. There are also issues with the concept of resources utilization, since it purports to weigh actual growth rates against a theorized potential growth rate no one can be sure exists. (DJ)
- **Short-Term Accord Is Probable for U.S. Debt Limit, Orszag Says** -- U.S. lawmakers will probably resolve the deficit debate by cutting a "short-term deal" to increase the federal debt limit, said Peter Orszag, former Obama administration budget chief. Orszag, in an interview with Carol Massar and Matt Miller on Bloomberg Television's "Street Smart," said the three possible outcomes of the negotiations are an agreement lasting past the elections, a "mini-deal" and a mistake that would push the U.S. "over the cliff for some period of time." "The most likely outcome, I think, is a short-term deal," Orszag said today. President Barack Obama called a meeting with Republican and Democratic members of Congress for tomorrow to find a long-term deficit reduction plan, saying he opposes a short-term fix. Some Republicans have signaled that they would agree to a short-term deal to raise the \$14.3 trillion debt limit before Aug. 2, the date the Treasury Department says the U.S. will no longer be able to borrow money. Lawmakers probably won't use tax rate hikes to cut the deficit, Orszag said, but they may try to generate revenue by cutting tax expenditures. Most Republican members of Congress have pledged not to raise taxes to reduce the deficit, while Democrats say some tax increases must be on the table. (BN)
- **White House Seeks 'Positive' Revenue as Debt-Limit Talks Resume** -- White House adviser David Plouffe pushed for "positive" revenue increases in a deal to cut the U.S. deficit while Republicans continued to resist any net growth in taxes as talks resume today on raising the government's debt ceiling. The Obama administration and congressional leaders are seeking an accord to lower the deficit during the next 10 to 12 years to pave the way for a vote to increase the \$14.3 trillion debt limit, and the tax issue looms as the major obstacle to a deal. (BN)
- **Bondholders May Vie With Farmers If U.S. Must Choose in Default** -- Failure to reach a deal to raise the U.S. debt limit may force President Barack Obama to choose between paying Chinese bondholders or American soldiers, and between Iowa farmers or elderly Social Security recipients. Those are among the dilemmas Obama may confront should talks with Republicans founder and the government falls short of funds needed to pay its bills. Other choices would include whether to sell at cut-rate prices financial assets such as gold in Fort Knox or loan portfolios acquired through the bank bailout, to avoid default and keep government services going. Even if full payments are made to bondholders, interest rates on U.S. debt may still rise, setting off ripples through the financial world that would drive up costs for other borrowers and impede economic growth, said bond traders. (BN)
- **U.K. Pay Growth Accelerates After Income-Tax Change in Budget** -- Take-home pay at Britain's largest listed companies rose the fastest since February 2009 in the second quarter, reflecting an increase in a tax-free allowance on incomes in the government's budget, VocaLink Ltd. said. Incomes after tax and other deductions climbed 3.3 percent on the year, up from 1.8 percent growth in the three months through May, the group said in a statement in London today. (BN)
- **PBOC Adviser: Overly Fast Rate Hikes Would Attract Fund Inflows --Report** -- China has been hesitant to raise interest rates too rapidly because it could attract fund inflows, especially with rates remaining low in other parts of the world, an adviser to the central bank was quoted by a local newspaper as saying. This fear accounts for why the central bank has relied more frequently on raising banks' reserve requirement ratios to tighten policy, Li Daokui, an academic adviser to the People's Bank of China, was quoted as saying in the 21st Century Business Herald Thursday. So far this year, the central bank has increased its benchmark interest rates three times, and raised reserve requirement ratios six times. (BN)
- **Japanese Machinery Orders Gain Most in Four Months in May** -- Japan's machinery orders rose at the fastest pace in four months in May, a sign companies are increasing spending to restore businesses and production disrupted by the March 11 earthquake and tsunami. Factory orders, an indicator of capital spending in three to six months, increased 3 percent in May from April, the Cabinet Office said today in Tokyo, matching the median forecast of 31 economists surveyed by Bloomberg News. (BN)
- **Australian Employment Rebounded in June on Full-Time Jobs Surge** -- Australian employment rebounded in June on the biggest surge in full-time jobs in three years, driving up the currency as concern eased that an economic expansion was faltering. The number of people employed rose by 23,400, exceeding the median estimate for a 15,000 increase in a Bloomberg News survey of 25 economists, a statistics bureau report showed in Sydney today.. (BN)
- **[yday] Argentina Loses Debt Immunity Suit in U.K. Supreme Court** -- Argentina's state immunity can't prevent an offshore trader in distressed sovereign debt from using British courts to enforce claims over the country's 2001 default, the U.K. Supreme Court ruled. The decision in London today, which reverses a lower court ruling from last year, permits an affiliate of New York-based hedge fund Elliott Associates LP to seize Argentina's assets in Britain using a \$284 million U.S. court judgment it has against the South American nation. Argentina had argued U.K. courts didn't have jurisdiction on the issue. " (BN)

Last Trading Day Stats

Index	Close	1D %Chg	YTD%Chg
EuroStoxx 50	2,832.63	-0.63%	1.43%
CAC	3,961.34	-0.44%	4.11%
DAX	7,431.19	-0.11%	7.48%
AEX	341.62	-0.43%	-3.65%
FTSE 100	6,002.92	-0.35%	1.75%
SMI	6,179.35	-1.02%	-3.99%
OMX	1,118.86	-0.75%	-3.18%
S&P 500	1,339.22	0.10%	6.49%
Nikkei 225	10,071.14	-0.11%	-1.54%

Index	Close	1D Chg	5D Chg
Dow Jones	12,626.02	56.15	437.33
VIX Index	16.340	0.280	-2.830
VDAX Index	17.300	0.220	-2.680

2-10 EUR	135.863
2-10 US	267.186
Eur / Dollar	1.4317

Bunds	Yield (%)	Chg 1d bp	Chg 5d bp
2YR	1.597	1.60	-1.20
5YR	2.184	1.70	-9.50
10YR	2.954	2.10	-7.10

	Close	1D Chg	5D Chg
1st CL future	96.65	0.66	2.54
CRB index	#N/A	-1.43	5.74

AEX close	341.62
ADR Impact	0.26
ADR Impact %	0.08%
AEX Parity	341.88
AEX Ex-div Impact	

ADRs	Volume	Rel.vol	NL Close	ADR (Eur)	Chg EUR	%Chg
AEGON NV-NY REG	823025	76%	4.68	4.69	0.01	0.14%
ARCELORMITTAL-NY	7792603	208%	23.85	23.79	(0.06)	-0.25%
ASML HOLDING-NY	2120968	79%	25.76	25.80	0.05	0.18%
REED ELSEVIE-ADR	90119	91%	9.39	9.44	0.05	0.54%
ING GROEP-ADR	1491910	69%	8.47	8.48	0.01	0.15%
PHILIPS ELEC-NY	713980	48%	17.55	17.56	0.01	0.05%
ROYAL DUTCH-ADR	1609107	75%	25.10	25.19	0.09	0.37%
UNILEVER NV-NYS	1467118	68%	23.19	23.16	(0.02)	-0.10%

Dow Jones Sectors US	Close	%Chg	Chg 1d	Chg 2d	Chg 5d
BAS MAT	320.94	0.06%	0.20	0.77	11.38
CON CYC	373.92	-0.06%	-0.21	0.55	11.83
CON NCY	351.01	0.44%	1.54	2.01	10.92
ENERGY	650.10	-0.22%	-1.42	1.74	25.35
FINANCL	283.70	-0.28%	-0.81	-2.75	9.32
HLTHCAR	375.77	0.33%	1.25	0.45	6.89
INDUST	345.37	0.49%	1.67	0.13	13.25
TECH	687.12	0.50%	3.41	4.94	27.34
TELECOM	140.77	-0.59%	-0.83	-1.13	2.68
UTILITY	165.83	0.26%	0.43	-0.45	3.06

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.