TODAY 01-12-11

NL (a.o.): Unilever Investor meeting, Akzo Investors day, Randstad Analyst day, Philips at conference, Ordina EGM ;
***NL Tomorrow** (a.o.): -*;
EUR (a.o.): ZFS Investor day;
***EUR Tomorrow** (a.o.):-;*
EUR Ex-div (a.o.): - ;
***EUR Ex-div Tomorrow** (a.o): - ;*

MACRO:
10:30 Spanish Bond Auction
11:00 French Bond Auction
14:30 US Jobless Claims
16:00 US Construction Spending, ISM Manufacturing/prices paid
23:00 US Total Vehicle Sales
US ICSC Chain Store Sales

FINANCE Credit / CDS HFs

- **Wall Street Pushed Federal Reserve For Action On Europe** -- Wall Street executives, in a private meeting with a top Federal Reserve official in late September, recommended a coordinated effort by central banks to remedy the European financial crisis, according to Fed documents received in an open-records request. The meeting, led by Louis Bacon, founder of hedge fund Moore Capital Management, preceded a joint action Wednesday by the world's major central banks, which banded together to provide liquidity to the markets through cheap U.S. dollar loans. Wednesday's moves involved central-bank coordination to lend to European banks, and it couldn't be determined what precisely prompted the Fed and the other central bankers to act. In the September meeting, the Wall Street executives suggested a different kind of coordination by central banks -- boosting the global economy by buying securities or through other methods of injecting liquidity. Coordinated lending to European banks wasn't among their suggestions. But analysts say Wednesday's broad stock-market rally was partly fueled by investors' expectations that central banks will do more to ease the crisis, such as the kind of central-bank coordination recommended by the members at the September meeting. (WSJ)
- **[yday] EU Writedown Plan Puts Banks' Long-Term Debt in Firing Line** -- Owners of long-term unsecured debt in a collapsing bank would be first in line to take losses under draft plans from the European Union to protect taxpayers' money from future bailouts. Short-term debt, with a less than one-year maturity, and derivatives should only be written down by regulators as a last resort if losses from longer-term debt aren't "sufficient to restore the capital of the institution and enable it to operate as a going concern," according to a draft European Commission proposal obtained by Bloomberg News. "They are terrified of inadvertently killing off the interbank market," Simon Gleeson, a financial services lawyer at Clifford Chance LLP in London, said in a telephone conversation. "This is a desperate attempt" to preserve it. EU Financial Services Commissioner Michel Barnier had delayed proposing the law, which was originally scheduled to be released in September, because of market turbulence. The Bloomberg Europe Banks and Financial Services Index has fallen 34.7 percent in the past year on concerns lenders have been weakened by the European sovereign debt crisis. (BN)
- **FDIC to Weigh Alternatives to Ratings for Debt, Securitizations** -- The Federal Deposit Insurance Corp.'s board will consider proposing alternatives to credit ratings for debt and securitization positions at a meeting in Washington next week. The FDIC announced the Dec. 7 meeting in an e-mail statement. (BN)
- **[yday] House Committee Approves Bill Restricting Swap-Trading Venues** -- A U.S. House committee approved legislation to bar regulators from requiring a certain number of swap-market participants to receive or respond to price quotes on trading platforms governed by Dodd-Frank Act rules. The House Financial Services Committee moved in a voice vote today to advance the measure aimed at allowing flexibility in trading methods on so-called swap execution facilities and coordinating rules drafted by the Commodity Futures Trading Commission and Securities and Exchange Commission. (BN)
- **Fed Names A New Chief Regulator** -- The Federal Reserve said Wednesday that Michael Gibson would take over as director of its regulatory division, a key role as the U.S. central bank implements the Dodd-Frank financial overhaul law. Mr. Gibson, 45 years old, a deputy chief at the Fed's economic research department with expertise in risk management and financial markets, will take on his new role at the start of next year. He succeeds Patrick Parkinson, 59, who is retiring after more than 30 years at the central bank. (DJ)
- **BNP's Prot Says Euro Penalized by Governance, Tribune Says** -- Baudouin Prot, who becomes chairman of BNP Paribas SA today, said that the increased cost of debt for euro countries isn't justified by economic fundamentals and that the area is being penalized for its governance. The euro area must adopt "unity of command and communication" to be able to exit the crisis, Prot told the newspaper. Prot said that the bank should be adapted to new capital requirements following its currently announced job-cut plan. However, everything depends on the development of the world economy in coming years, he added in the interview. (BN)
- **[yday] BNP CEO to Decide on Div., Bonuses Early 2012, Le Monde Says** -- BNP Paribas CEO Baudouin Prot sees "significant drop" in dividends, bonuses, according to Le Monde. * BDVD forecast for BNP FP annual dividend EU2.20; current dividend EU2.10 * Euro zone economic fundamentals "correct," governance failings behind debt crisis, Prot tells Le Monde * "Essential" ECB provides liquidity for banks, Prot tells Le Monde * Prot to become BNP FP chairman Dec. 1, according to Le Monde (BN)
- **Societe Generale SA** -- France's second-largest bank agreed to sell $600 million of commercial property loans to Macquarie Group Ltd. as the lender pares assets. (BN)
- **Deutsche Bank Said to Begin Talks With Bidders for Fund Unit** -- Deutsche Bank AG, the biggest German lender, has begun talks with suitors for its asset-management arm and may be open to a breakup of the division, said people with knowledge of the matter. The bank, which said last week that it's reviewing options for the business, may fetch less than $4 billion for the operations, said the people, who spoke on condition of anonymity because the talks are private. While Deutsche Bank prefers to sell the division as a whole, the Frankfurt-based lender would also consider bids for parts of the unit, they said. (BN)
- **Zurich Financial Warns Tough Economy Could Dent Profit** -- Zurich Financial Services AG Thursday warned that it could miss its long-term profitability target if the currently negative economic outlook persists, but said the insurer still aims to pay an attractive dividend. "The strategic ROE [return on equity] target is unchanged and we remain committed to delivering long-term business operating profit after tax return on equity of 16%," Chief Executive Martin Senn said in a statement. He cautioned, however, that a return of around 2 percentage points below the target is more realistic if the negative economic outlook persists. Despite that, the Swiss insurer's strong solvency and cash generation support its policy to pay a sustainable and attractive dividend, he added. (DJ)
- **UBS Names Lofts Chief Risk Officer, Replacing Miskovic** -- UBS AG said it appointed Philip Lofts as group chief risk officer, replacing Maureen Miskovic, who's leaving the Swiss bank. Robert McCann will assume Lofts's previous role of head of Americas in addition to his wealth management Americas CEO role, the bank said today. (BN)

- **[yday] UBS Plans to Combine European Businesses, Handelszeitung Says** -- UBS AG will combine its European activities into a single marketing organization and place its European business under the leadership of Jakob Stott from next year, Handelszeitung reported, citing the Swiss bank. Stott, a 56-year-old Dane who has been with UBS for about a year and previously worked for U.S. investment bank JPMorgan Chase & Co., is a "close associate" of UBS Chief Executive Officer Sergio Ermotti, the newspaper reported. (BN)
- **Santander UK To Launch $314 Million SME Fund – FT** -- Santander UK on Thursday is to unveil a GBP200 million ($314 million)_ SME fund for small businesses struggling to obtain credit, the Financial Times reported. The scheme is targeted at businesses with turnover of no more than GBP10 million, and will provide so-called "mezzanine debt", the report on the FT website said. (DJ)
- **Brazil Eases Accounting Rules to Help Small, Mid-Sized Banks** -- Brazil will slow the implementation of new accounting rules on the sale of portfolio loans to help small and mid-sized banks raise cash as the European debt crisis squeezes liquidity. Brazil's monetary council will gradually implement the regulations scheduled to take effect Jan. 1 by which banks selling loan portfolios couldn't immediately book the sale as a profit, Sergio Odilon dos Anjos, head of the central bank's financial-regulation department, told reporters in Brasilia today. The decision will allow banks to book at least part of the sales as profit. (BN)
- **Merrill Lynch Shuts Brazil Private-Banking Unit, Firing 40** -- Bank of America Corp., the lender that plans to cut at least 30,000 jobs to control expenses, closed its Merrill Lynch private-banking operation in Brazil and dismissed about 40 people. "This was not an easy decision, but necessary given our goal to maximize shareholder return" Selena Morris, a spokeswoman for the Charlotte, North Carolina-based bank, said in an e-mailed statement. (BN)
- **U.S. Bank Funds Won't Cover MF Global Shortfall, Trustee Says** -- MF Global Inc., the futures brokerage that collapsed on Oct. 31, will have a shortfall in customer funds even if all the money in customer accounts at U.S. depository institutions is recovered, the trustee overseeing the firm's bankruptcy said. James W. Giddens, the trustee, has said there may be as much as $1.2 billion in missing funds. MF Global Inc. was a subsidiary of MF Global Holdings Ltd., the New York-based firm run by Jon S. Corzine that failed after making $6.3 billion in wrong-way bets on European sovereign debt. "The trustee has determined that even if he could recover everything that is at U.S. depositories, there will be a shortfall in what MF Global management should have segregated at U.S. depositories," according to a document, dated today, from Giddens's office that was obtained by Bloomberg News. Kent Jarrell, a spokesman for the trustee, confirmed the authenticity of the document, and said it was part of a briefing Giddens gave today in Washington with congressional aides and a lawmaker. (BN)
- **[yday] Getco to Buy Bank of America's NYSE Market-Making Business** -- Getco LLC agreed to buy Bank of America Corp.'s New York Stock Exchange market-making business, vaulting it to second place based on the number of securities it oversees at the world's largest bourse. Financial terms weren't disclosed. Once the deal closes, Getco, currently the smallest of the five primary brokers handling NYSE-listed companies, will be the designated market maker for about 650 companies and 850 securities at the exchange, according to a statement. Barclays Plc handles almost 1,200 securities. Knight Capital Group Inc. and Goldman Sachs Group Inc. also operate market-marking units at the exchange. (BN)
- **Goldman Sachs Chief Blankfein May Be Deposed in Gupta Case** -- Goldman Sachs Group Inc. Chief Executive Officer Lloyd Blankfein and six others may be questioned under oath by lawyers for the Securities and Exchange Commission and Rajat Gupta, who was charged with insider trading as part of the Galleon Group LLC investigation. (BN)
- **European Banks Cut to Underweight by Goldman's Oppenheimer** -- Goldman's Peter Oppenheimer says expects sector to remain under pressure; will need to shore up its balance sheet. * Select banks likely to raise more capital, should become more domestic as banks sell assets outside their main assets to reduce balance sheets: Goldman * Cut from neutral (BN)
- **Goldman Urges Bet Against Euro Junk Debt in Top 2012 Trade** -- Goldman Sachs Group Inc., after this year's losing endorsement of U.S. bank stocks, recommends as its top trade for 2012 a bet against European high-yield corporate debt and forecasts a "deeper recession" for the region. The fifth-biggest U.S. bank in terms of assets recommended in a research note that investors speculate on the rising cost of insuring against the default of European junk bonds by using the Markit iTraxx Crossover Index of 50 companies with mostly high-yield credit ratings. The gauge of derivatives will climb to 950 basis points, or 9.5 percentage points, from 770 basis points, according to Goldman Sachs, which urges investors to exit the trade if the index falls to 680 basis points. "The ongoing shocks from the region's sovereign crisis -- and policy responses to them -- are likely to be the biggest determinant of the outlook over the next few months," Dominic Wilson and Jan Hatzius, economists at Goldman Sachs, wrote in the research note, published today. (BN)

TECH/TELCO

- **[yday] Alibaba-Led Group Said to Prepare Bid for All of Yahoo** -- Alibaba Group Holding Ltd. and Softbank Corp. are in advanced talks with Blackstone Group LP and Bain Capital LLC about making a bid for all of Yahoo! Inc., said three people with knowledge of the matter. The group has prepared financing for a possible bid, said one of the people, who declined to be identified because the discussions are private. (BN)
- **Zynga Said to Plan IPO Valuing It at as High as $10 Billion** -- Zynga Inc., the biggest maker of games on Facebook Inc., is seeking a valuation of as high as $10 billion in an initial public offering, according to two people briefed on the matter. Zynga plans to raise about $900 million by selling shares at about $8 to $10 apiece, said one of the people, who asked not to be identified because the plans haven't been made public. Zynga would sell 10 percent or fewer of its outstanding shares, which are scheduled to be priced on Dec. 15, the person said. (BN)
- **Clearwire Weighs Conserving Cash or Keeping Creditor Support** -- Clearwire Corp., facing a $237 million interest payment tomorrow, will have to decide between conserving cash to fund its wireless business or satisfying creditors the company may need for financing in the future. (BN)
- **Woodford Seeks Shareholder Backing to Take Control of Olympus** -- Michael C. Woodford resigned as a director of Olympus Corp. in the first step of a campaign to take control of the camera maker from the board that fired him as chief executive officer in a dispute over falsified accounts. (BN)

RESEARCH UPDATES

Nomura cut Aegon to Neutral, from Buy; ING upped **Randstad, Adecco, USG People** to Buy, from Hold; Morgan Stanley upped **Renault** to Overweight, from Underweight, cut **Fiat** to Underweight, from Overweight; Barclays upped **GDF Suez** to Equalweight; BofA/ML upped **Beiersdorf** to Buy, from Underperform;

ENERGY, UTILITIES AND COMMODITIES

- **Oil Rises a Fifth Day on Central Bank Funding, Iranian Tension** -- Oil rose a fifth day after central banks took steps to ease a European debt crisis that threatens economic growth, countering speculation a bigger-than-expected rise in U.S. crude supplies signals weakening demand. Futures climbed as much as 0.5 percent after gaining 0.6 percent yesterday to cap a second monthly increase. The U.S. Federal Reserve and five other banks cut the cost of borrowing dollars for emergency funding by European banks. U.S. oil supplies rose by 3.9 million barrels last week, compared with a forecast for a 50,000 barrel increase in a Bloomberg News survey. The U.K. closed its embassy in Iran, OPEC's second- biggest oil producer, after an attack. Crude for January delivery rose as much as 48 cents to $100.84 a barrel and was at $100.75 in electronic trading on the New York Mercantile at 4:18 p.m. Sydney time. The contract yesterday rose 57 cents to $100.36, the highest close since Nov. 16. Prices gained 7.7 percent in November. Brent oil for January settlement was at $110.82 a barrel, up 30 cents, on the London-based ICE Futures Europe exchange. The European benchmark contract's premium to West Texas Intermediate was at $10.07, compared with $10.16 yesterday. The difference between front-month contracts in London and New York widened to a record $27.88 on Oct. 14 as unrest spread in the Middle East and North Africa and fighting in Libya reduced the availability of light, sweet crude, or oil with low density and sulfur content. (BN)
- **Iran Oil Sanctions Set to Shrink Circle of Foreign Buyers** -- Iran faces new hurdles to getting paid for its oil as the U.S. tightens financial sanctions to deter buyers from the world's third-largest crude exporter. The U.S. approved additional curbs on Iran's banking system and oil industry on Nov. 21, hoping to thwart the country's nuclear program, and the European Union may follow. Current sanctions have led Indian importers to route payments for Iranian crude through a Turkish bank. These refiners, concerned Turkey may stop cooperating amid the latest U.S. rules, are asking banks in Russia to arrange alternatives, said three people with direct knowledge of the situation. (BN)
- **Iran Clings to Oil Lifeline as U.S. Pushes Tighter Sanctions** -- Just after 3 p.m. on Nov. 29, about 200 demonstrators ransacked the British Embassy in Tehran, chanting "Death to England," setting fire to the Union Jack, carting off a portrait of Queen Elizabeth, and detaining staff as Iranian security officers stood by. It bore all the marks of a state-orchestrated provocation. What aroused Iranian leaders' ire were stiff financial penalties imposed on Nov. 21 by the U.K., the U.S., and Canada. The European Union may today also impose trade and travel bans on almost 200 Iranian individuals and companies. The sanctions punish Iran for clandestine nuclear weapons work and follow dozens of earlier measures intended to make leaders choose between prosperity and the bomb, Bloomberg Businessweek reports in its Dec. 5 issue. (BN)
- **Goldman Says Commodities May Rally in 2012 as Brent Surges** -- Goldman Sachs Group Inc. forecast that commodities may rally 15 percent in the next 12 months, sticking with an "overweight" recommendation on raw materials and predicting Brent crude may surge to highest level since 2008. Commodities may gain as the global economy avoids recession next year and in 2013, analysts led by London-based Jeffrey Currie said today in a report. Brent may jump to $127.50 per barrel at the end of next year and $135 at the end of 2013. Goldman's bullishness contrasts with the view from JPMorgan Chase & Co., which cut commodities to "underweight" on Nov. 22 citing policy failures in the U.S. and crisis-hit Europe. Data today showed manufacturing in China, the largest user of energy, and base metals, shrank for the first time since February 2009. (BN)
- **European Basic Resources Cut to Neutral by Goldman's Oppenheimer** -- Goldman's Peter Oppenheimer says basic resources is sector with highest beta to mkt; suggests should underperform if mkt falls. * Cut from overweight (BN)
- **Salzgitter to Post Higher 2011 Net Income After Consolidation** -- Salzgitter AG, the German steelmaker, said its 2011 profit after tax will be about 100 million euros higher after it combined its domestic holdings into a single unit for tax purposes. The company's forecast of about 200 million euros in fiscal 2011 pretax profit will be unchanged, it said in a statement issued today on PR Newswire. Salzgitter said the overhaul won't involve changes in the company's management. (BN)
- Sprott Says Central Bank 'Desperation' Good for Gold, Silver-- The moves today by the U.S. Federal Reserve and five other central banks to ease the European debt crisis are a "sign of desperation" heralding global inflation that will drive up gold and silver prices, said Canadian hedge fund manager Eric Sprott. The plan by the six central banks to lower interest rates on emergency dollar funding for European lenders signals that policy makers have decided to "inflate" their way out of the crisis by printing money, said Sprott, chairman of Toronto-based Sprott Inc. (BN)
- **Australian Court Freezes A$858 Million of Magnitogorsk's Assets** -- OAO Magnitogorsk Iron & Steel, controlled by billionaire Victor Rashnikov, had some of its Australian assets including a stake in Fortescue Metals Group Ltd., frozen under a court order sought by Eurasian Natural Resources Corp. MMK, as the company is known, is prevented from disposing of, dealing with or diminishing the value of any of its Australian assets up to the value of A$858 million, according to a Nov. 25 order made in Sydney by Federal Court Justice Steven Rares. This includes its 4.99 percent stake, valued at about A$735 million, Perth-based Fortescue, Australia's third-largest iron ore exporter. (BN)
- **Vestas Unable to Compete With China-Backed Offshore Producers** -- Vestas Wind Systems A/S will be unable to compete in the European sea-based turbine market against Chinese rivals with state-backed funds, according to Anders Soe-Jensen, president of the company's offshore unit. "You could imagine a situation where Asian entrants want to pay their way in to come here," Anders Soe-Jensen said today in an interview in Amsterdam. "I cannot compete with that and I will not. There's a limit to how much you can squeeze." (BN)

AEX/NETHERLANDS

- **Unilever Aims to Build Stronger Presence in Central Asia** -- Aims to build stronger presence in central Africa, Unilever comments in presentation from website. * Plans to establish strong presence in e-commerce * Aims to double business in drug stores * Holds investor seminar today (BN)
- **Akzo Says Decorative Paints Unit Has 'Solid Growth Platforms'** -- Akzo Nobel says unit has solid growth platforms in all key global markets. * Akzo hosts investor day that will focus on strategic opportunities for decorative paints business * Akzo says "teach-in"to focus on potential and how company will continue to build on opportunities despite current challenges in trading conditions and the overall economy (BN)
- **[re Imtech] Triton picks advisors for $1 bln Bravida sale – sources** -- Private equity group Triton has asked Deutsche Bank and Handelsbanken to advise it on a sale of Bravida, which provides installation services for buildings and plants, in a deal that could be worth more than $1 billion, sources familiar with the matter said on Wednesday. One of the sources said while Bravida could be ready for an initial public offering on the Swedish stock exchange in late spring, the transaction would be prepared for either a listing or a sale. The Nordic region's private equity industry has held up relatively well during the recent credit crunch. Volatile markets have made going public a tough

option, but the region's well-capitalised banks -- which have full access to funding markets during the downturn -- have been keen to put together funding for small or mid-sized deals. Bravida had net sales of 10.3 billion crowns in 2010 and an operating profit of 621 million. It employs 8,000 people and has offices in Sweden, Norway and Denmark. Industry peers and potential buyers include players such as Imtech, a Dutch engineering group which owns Swedish installation services firm NVS, and French engineering group Spie. (R)

- **Swedish Automobile Posts 9-Month Loss of EU366.9 Million** -- Swedish Automobile NV posted a net loss of 366.9 million euros in the nine months to Sept. 30, compared with a net loss of 104.1 million euros in the seven months to Sept. 30 last year, the company said in a statement today. The company posted a third-quarter Ebit loss of 87.5 million euros and sales of 75.8 million euros in the period, it also said. (BN)

M&A and OTHER CORPORATE NEWS

- **Asian Stocks Advance as China Eases, Central Banks Act on Crisis** -- Asian stocks jumped, with the regional index set for its biggest gain in more than a month, after six central banks cut the cost of emergency dollar funding for European banks and China reduced curbs on lending. Developers Agile Property Holdings Ltd. and Evergrande Real Estate Group Ltd. gained at least 14 percent, leading a gauge of Chinese companies listed in Hong Kong to its largest jump since 2008. Hitachi Construction Machinery Co., a Japanese manufacturer that depends on China for about a quarter of sales, jumped 7.5 percent. BHP Billiton Ltd., the world's biggest mining company, gained 4.1 percent in Sydney after commodity prices rose. The MSCI Asia Pacific Index rose 3.1 percent to 117.09 as of 2:50 p.m. in Tokyo, headed for its largest gain since Oct. 27. All 10 industry groups on the measure advanced, with about seven stocks gaining for each that declined. The index, priced in dollars, fell during normal trading yesterday before turning positive overnight as the joint action by central banks spurred gains in the Japanese yen and the Australian dollar, inflating the value of stocks denominated in those currencies. Hong Kong's Hang Seng Index jumped 5.6 percent, set for its second-biggest gain since May 2009, while China's Shanghai Stock Exchange Composite Index increased 3.3 percent. Japan's Nikkei 225 Stock Average rose 1.8 percent. Australia's S&P/ASX 200 index gained 2.6 percent. South Korea's Kospi Index advanced 3.7 percent. (BN)
- **Dow Jumps Most Since 2009 as Central Banks Take Action on Crisis** -- U.S. stocks advanced, driving the Dow Jones Industrial Average up the most since March 2009, after six central banks took action on Europe's debt crisis by making it cheaper for lenders to borrow in dollars. Financial shares rallied 6.6 percent, the biggest gain in the Standard & Poor's 500 Index among 10 groups. JPMorgan Chase & Co. and Bank of America Corp. surged at least 7.3 percent. Caterpillar Inc. increased 8.1 percent and U.S. Steel Corp. climbed 15 percent after China lowered banks' reserve requirements, bolstering optimism about economic growth. The Dow Jones Transportation Average jumped 4.8 percent. The S&P 500 rose 4.3 percent to 1,246.96 at 4 p.m. New York time. The benchmark gauge rallied 7.6 percent in three days, the most since March 2009. The Dow added 490.05 points, or 4.2 percent, to 12,045.68. About 10 billion shares changed hands on U.S. exchanges, or 25 percent above the three-month average. (BN)
- **EUROPE** -- European bourses may test higher to start Thursday, with bunds and gilts mixed. The euro is higher, while spot gold is lower and oil futures mixed. Investors are likely to nudge shares higher to start as optimism builds that the world's authorities will work together to thwart budding signs of slowdown. For Thursday's opening, IG Markets is calling the FTSE up 19 at 5524, the DAX up 35 at 6124, and the CAC up 15 at 3169. (DJ)
- **EU To Announce WTO Compliance Over Plane Subsidies** -- The European Union said Wednesday it will meet a WTO deadline the next day to eliminate certain subsidies for aviation giant Airbus, in the latest stage of a long-running dispute with the United States. The World Trade Organisation gave Brussels until December 1 to comply after it found some of its subsidies caused "serious prejudice" to U.S. interests. "We have always said that we would honour our WTO obligations and comply fully and on time," said John Clancy, EU Trade spokesman. (DJ)
- **Airbus Plans to Deliver, Sell 25 to 27 A380s in 2011, 2012** -- Airbus SAS will deliver 25 to 27 of its A380 superjumbo jets by the end of this year and next year, and projects sales of about the same number, as the company works toward a goal of three a month, an executive said. The Toulouse, France-based planemaker is considering adding about 150 seats to the world's largest airliner by around 2020, Chief Operating Officer John Leahy said today at a Credit Suisse Group AG conference in New York. The double-decker A380 currently can carry as many as 525 passengers. (BN)
- **U.S., China to Hold Annual Defense Talks Next Week in Beijing** -- U.S. and Chinese defense officials will meet in Beijing next week for annual talks three months after the Obama administration decided to sell weapons to Taiwan over China's objections. Under Secretary of Defense Michele Flournoy will meet with General Ma Xiaotian, the deputy chief of the People's Liberation Army General Staff on Dec. 7 for the 12th defense consultative talks, said Navy Commander Leslie Hull-Ryde, a Pentagon spokeswoman. (BN)
- **Finmeccanica SpA** -- Chairman Pier Francesco Guarguaglini has reached an agreement to step down on Dec. 1 when the defense company's board discusses a review of his delegated powers, Radiocor reported, citing people familiar with the decision. The company's Chief Financial Officer Alessandro Pansa and board member Paolo Cantarella are frontrunners to replace Guarguaglini, Radiocor reported. (BN)
- **Ranbaxy's Lipitor Copy in U.S. Stores Threatens Pfizer Sales** -- Ranbaxy Laboratories Ltd.'s copy of the $10.7 billion Lipitor cholesterol pill was released in the U.S., sending its share up the most in six months and threatening sales for Pfizer Inc. Ranbaxy, India's biggest drugmaker, won approval to sell generic versions of the world's top-selling medicine by the Food and Drug Administration yesterday. The company, based near New Delhi, will share profit on the first six months' sales with Israel's Teva Pharmaceutical Industries Ltd., Ranbaxy said today, adding that terms of the agreement won't be disclosed. (BN)
- **Roche's Cobas Mutation Test For Lung Cancer Gets CE Mark** -- Roche Holding AG Thursday said its cobas EGFR Mutation Test is now CE marked for commercial availability in Europe and other countries that recognize CE mark. (DJ)
- **Foster's Shareholders OK SABMiller's A$9.9 Bln Bid** -- SABMiller PLC's 9.9 billion Australian dollar takeover of Foster's Group Ltd. cleared its last major hurdle Thursday when the Australian brewer's shareholders approved the deal. SABMiller received the go ahead from Australia's foreign investment review board last week, although on the condition beer operations and management of the iconic Australian brand remain in the country. As expected, Foster's shareholders voted overwhelmingly in favor of the takeover, with 99.1% of votes cast by shareholders for the bid. (DJ)_ [yday] Seat Pagine Falls After Asking for More **Time to Pay Coupon** -- Seat Pagine Gialle SpA fell the most in more than two years after asking bondholders to postpone a 52 million-euro coupon on its subordinated Lighthouse bond. The stock fell as much as 14.6 percent, the most since April 2009, and traded down 13.5 percent at 3.2 cents as of 3:26 p.m. in Milan. Italy's largest phone-book publisher has declined 62 percent this year, cutting the company's market value to 62 million euros. (BN)

* **Starbucks To Add 300 New UK Stores Over Next 5 Years – FT** -- U.S. coffee chain Starbucks Corp. plans to open 300 new outlets in the U.K. over the next five years, resulting in at least 5,000 new hires, the Financial Times reported Thursday. "This might be a better time than any (to expand)," said Kris Engskov, the company's managing director for U.K. and Ireland. "Rents are coming down across the UK. If there's anything we've learnt over the last few years, especially in the U.S., it is to invest ahead of the curve," he said, according to the FT on its website. (DJ)
* **Delhaize Plans 450 New Stores in High Growth Ops Next 3 Yrs** -- Delhaize plans to open 450 new stores in high-growth ops in the 2012-2014 period. * Targets rev. growth 5-7% annually within 3 yrs * Achieved 60% of 500M euro annual gross cost savings target (BN)
* **Euro Stoxx 50 to Fall to 1825 Over 3-Mo: Goldman's Oppenheimer** -- In near term market has further to fall as recession further priced in, earnings downgrades accelerate, Goldman's Peter Oppenheimer says. * Sees profits fall 10% in 2012 (bottom-up consensus is +9.6%)_ with profit recovery of 14% "penciled in" for 2013: Goldman * Political, economic risks high: Goldman * Buy EM exposure, stable growth, DY, FTSE 100: Goldman (BN)

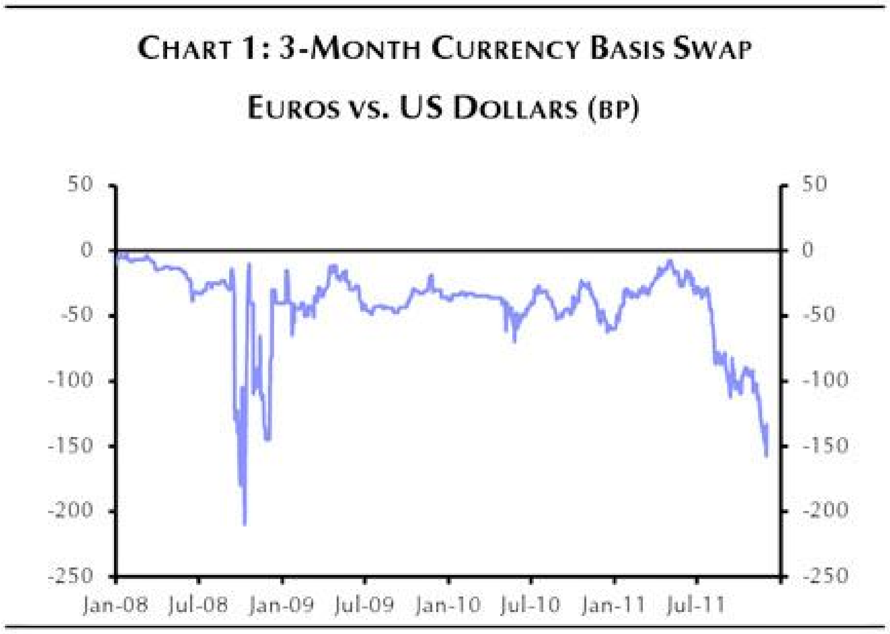
MACRO / GEOPOLITICS

* **Some EU Govts Call For ECB Intervention After Reforms** --Some European governments hope the European Central Bank will intervene forcefully in financial markets if euro-zone leaders agree to ambitious economic governance reforms at their summit next month, Polish Finance Minister Jan Rostowski said Wednesday. The comments hint at a deal that may be taking shape between the currency bloc's governments and their central bank: The governments agree to give European authorities broad powers over their national budgets, including the power to block budgets deemed fiscally irresponsible. The move could allow the ECB, in exchange, to buy massive amounts of euro-zone sovereign bonds to keep debt costs from spiralling out of control and the currency union from breaking apart. With government bond yields across much of the euro zone continuing to rise, European finance ministers believe that massive intervention will be needed in the short-term to stabilize markets, to accompany possible treaty changes that would fix the euro zone's long-term problems, said Rostowski after a European Union ministers' meeting here. (DJ)
* **IMF's Lagarde Welcomes Central Bank Action To Support Financial System** -- International Monetary Fund Managing Director Christine Lagarde on Wednesday welcomed the coordinated action by major central banks to lower the cost of dollar liquidity swaps in a move to support the financial system that prompted a rally in global markets. (DJ)
* **European Finance Ministers Look to Strengthen E.U. Rules** -- European finance ministers said Wednesday that they were counting on an agreement next week on stronger fiscal union to restore investor confidence in the euro zone and persuade the European Central Bank or the International Monetary Fund to intervene to restore calm in debt markets. The Polish finance minister, Jacek Rostowski, who was chairman of the meeting of 27 E.U. finance chiefs, said an agreement on new plans by Germany and France to tighten the euro zone's rule book must be accompanied by "extremely forceful" measures to reassure jittery investors of the solidity of the currency zone. The coordinated intervention Wednesday by six central banks to increase liquidity, especially in European markets, will not be "of itself sufficient" to resolve problems in the sovereign debt market, he added. Though the French-German plan, which has still to be outlined, could take months if not years to implement, the hope is that a deal on its content at a summit meeting next week of E.U. leaders will be enough to persuade the E.C.B. and the I.M.F. of Europe's political will to resolve the crisis. (NYT)
* **IMF Can Take On Enforcer Role In Italy Lending – Eichengreen** -- The International Monetary Fund may have to step in and lend to Italy because the IMF can enforce quid pro quo policy commitments in a way that euro-zone authorities cannot, a prominent scholar of international finance said Wednesday. Whereas the European Central Bank's charter of independence makes it very difficult for it to get Italy to "sign in blood" that it will stick to budget constraints and structural reforms, "the IMF is in the business of conditionality," said Barry Eichengreen, professor of economics at the University of California, Berkeley. He was speaking on the sidelines of a conference on Asia-Pacific economic policy sponsored by the Federal Reserve Bank of San Francisco. Yet Eichengreen is not convinced that the euro zone can get through its severe crisis and avert a breakup in the monetary union. He described the cut in currency swap fees that the U.S. Federal Reserve undertook in conjunction with other international central banks Wednesday, a move aimed to reduce the cost of dollar funding in the euro zone, as a "drop in the right bucket" that did nothing to resolve the underlying structural problems in the euro zone's financial system. (DJ)
* **[yday] Monti Says IMF Financial Aid to Italy 'Not Being Considered'** -- Prime Minister Mario Monti said Italy isn't planning to seek aid from the International Monetary Fund and that Europe faces a "fundamental" summit next week to tackle the sovereign-debt crisis. IMF aid to Italy "isn't being considered," Monti told a news conference today in Brussels after meeting Reza Moghadam, head of the Washington-based lender's European department, during a summit of European Union finance ministers. The two men discussed no plans for aid, Italian Deputy Finance Minister Vittorio Grilli told the briefing. The IMF denied on Nov. 28 a report in Italy's La Stampa newspaper that said it was discussing a rescue plan of as much as 600 billion euros to back Italian efforts to restore investor confidence. Italy's 10-year borrowing costs have surged to the 7 percent threshold that led Greece, Ireland and Portugal to seek aid, casting doubt on its ability to refinance about 200 billion euros in bonds maturing next year. (BN)
* **[yday] Italian Treasury Announces New System to Manage Liquidity** -- The Italian Treasury will use a new system to tap liquidity in its account managed by the Bank of Italy, the Finance Ministry said in an e-mailed statement. The Bank of Italy will manage a morning auction, and possibly a second sale in the afternoon "to allow the Treasury to lend or borrow possibly relevant amounts of cash on the money market," the statement said. "As a rule, transactions will have an overnight maturity and, in lending operations, credit limits will be applied to each counterparty." Liquidity may also be managed through bilateral negotiations handled by the central bank, the statement said. (BN)
* **Italy, Greece Among Worst Euro Countries in Corruption Ranking** -- Italy and Greece scored the lowest among euro-area countries in a global corruption ranking as their inability to tackle graft and tax evasion exacerbated the debt crisis, watchdog group Transparency International said. Italy came in 69th and Greece placed 80th, down from 67th and 78th respectively in the 2010 ranking, the Berlin-based group's Corruption Perceptions Index showed today. Ireland dropped five places to 19th, earning a score of 7.5 out of 10, a drop from 8 points in last year's ranking, Transparency said. (BN)
* **Greek PM Affirms Commitment to Reforms, Euro Zone In Letter To European Leaders** --Prime Minister Lucas Papademos reaffirmed the Greek government's commitment to economic reforms and the country's continued membership in the euro zone in a letter sent to European leaders this week. "The government is determined to continue the process of fiscal consolidation and structural reform in order to secure sound public finances and improve the country's international competitiveness," the letter, which was released by his office late Wednesday, said. (DJ)

- **Greece's New Government Faces Challenge As Unions Strike** --Greece's new government will see its resolve tested Thursday as unions take to the streets against the latest austerity cuts demanded by its European peers in return for funds to keep the country afloat. Thursday's general strike, the sixth this year, would shut down public services, disrupt train and ferry services and see state hospitals on emergency staffing levels. The protests, likely to see a set-piece stand-off in central Athens between riot police and demonstrators, follow similar strikes across Europe as opposition grows to spending cuts and tax increases introduced by governments fearful of getting sucked into the euro-zone debt quagmire. The two top unions, private-sector GSEE and the civil service ADEDY, say they are fighting to avoid more of the same. "There must be no illusions, austerity will continue in 2012 and so will our mobilization because insecurity and the threat of unemployment persist," GSEE chairman Yiannis Panagopoulos said. (AFP)
- **Finland Wants Bigger ECB Role as Option in Euro Rescue Plan** -- Finland wants to include a bigger role for the European Central Bank in the toolkit of options available to the euro region to help end its debt crisis, Finance Minister Jutta Urpilainen said. “If there’s nothing else left on the table and we’re still in crisis, then I’m ready to think about strengthening the role of the ECB,” Urpilainen said in an interview in Brussels yesterday. “I prefer strengthening the role of the International Monetary Fund.” (BN)
- **Portugal PM: ECB Will Have To Intervene More Decisively** --Portugal Prime Minister Pedro Passos Coelho said late Wednesday that the European Central Bank will have to step in more "decisively" to help the euro zone solve its worsening crisis. The prime minister also said "we have to be prepared to all eventualities" when asked in an interview with a local TV station if the government was prepared for a possible end of the currency. (DJ)
- **Europe Needs Financial Discipline to End Crisis, Coelho Says** -- Europe won’t find a lasting solution to end the crisis if countries don’t return to financial discipline and aren’t able to reduce debt, Portugal’s Prime Minister Pedro Passos Coelho said in an interview broadcast by SIC television station. Coelho said the country is committed to defending the euro region’s common currency. (BN)
- **Ireland May Sweeten Merkel Plan for Treaty Change: Euro Credit** -- German Chancellor Angela Merkel may get some help from the Irish in her push for greater budget unity in the euro region. It will just come with a price. As the European debt crisis escalates, Merkel will deliver a speech to parliament in Berlin tomorrow, previewing a meeting of European leaders due to consider changes to Europe’s governing treaty. Irish Energy Minister Pat Rabbitte said last month that the Dublin government would consider a referendum needed to pass any changes if the country is promised “significant alleviation” on borrowings. At the heart of the Irish approach is reducing the 62 billion-euro cost of bailing out its financial system, which sent bond yields soaring and ultimately led the country to seek a rescue last year. While Irish debt is among the world’s best performing during the past six months, nine- year bonds pared gains over the last two weeks on concern the debt crisis will threaten the country’s economic recovery. (BN)
- **French Unemployment Climbs as Growth Stalls on Euro Debt Crisis** -- France’s unemployment rate increased in the third quarter as Europe’s debt crisis causes growth to stall and deters hiring. The jobless rate rose to 9.7 percent from 9.6 percent in the second quarter, national statistics office Insee said today in an e-mailed statement from Paris. The rate was in line with the median of seven forecasts from economists gathered by Bloomberg News. With growth set to stall in the fourth quarter according to a Bank of France estimate and Europe’s sovereign-debt crisis weighing on confidence, companies such as PSA Peugeot Citroen SA and Honeywell International Inc. are cutting jobs in France. The number of people actively looking for work is at an 11-year high of 2.815 million, the Labor Ministry said this week. (BN)
- **Spain, France Bond Sales Take on Crisis as Firewall Eludes EU** -- Spain and France auction 8.25 billion euros of bonds today as European efforts to strengthen the region’s firewalls against contagion failed to rein in surging borrowing costs. Spain is selling as much as 3.75 billion euros of notes as the extra yield on its 10-year bonds compared with benchmark German bunds was 395 basis points yesterday. France, rated AAA, is auctioning as much as 4.5 billion euros of debt as its 10- year securities yielded 111 basis points more than comparable German debt. (BN)
- **Goldman Sachs Cuts 2012 GDP Forecasts as Europe Seen Contracting** -- Goldman Sachs Group Inc. cut its global growth forecast for 2012, predicting the euro area’s economy will contract 0.8 percent. Global gross domestic product may expand 3.2 percent next year, down from an earlier estimate of 3.4 percent, it said in a report today. It cut the forecast for the euro area from a previous prediction for 0.1 percent growth. (BN)
- **Egan-Jones Cuts France’s Credit Rating to A on Bailout Risk** -- France’s credit rating was cut to A from AA- by Egan-Jones Ratings Co., which cited the risk that the country’s government will have to bail out its banks. (BN)
- **Fisher Calls Fed Dollar-Swap Decision a ‘Reassurance’** -- Richard Fisher, president of the Federal Reserve Bank of Dallas, said the central bank’s decision today to make it cheaper for overseas banks to borrow dollars is a “reassurance.” “They have to pull their socks up just like our Congress needs to do and get their act together and solve the underpinning uncertainty,” Fisher said of European authorities in an interview with Fox Business News. (BN)
- **Fed’s Fisher Says Central Bank Isn’t ‘Bailing Out Europe’** -- Federal Reserve Bank of Dallas President Richard Fisher said the central bank is not “bailing out Europe” with its decision to lower the cost of emergency dollar funding for financial companies. The Fed’s actions are not “bailing out European socialism, or bailing out Europe,” he said in an interview with the Fox Business Network that airs tonight. They are instead “trying to meet a shortage of dollars.” Fisher told the network “there is no dramatic event” that prompted the action, which is part of an effort to make sure “the recovery is gaining momentum.” (BN)
- **Lacker Says Fed Swap Arrangements Amount to ‘Fiscal Policy’** -- Federal Reserve Bank of Richmond President Jeffrey Lacker said he dissented against the Federal Open Market Committee’s currency-swap decision because it was a form of fiscal policy. “I opposed the temporary swap arrangements to support Federal Reserve lending in foreign currencies,” Lacker said in a statement released on the Richmond Fed’s website. “Such lending amounts to fiscal policy, which I believe is the responsibility of the U.S. Treasury.” The Fed and five other central banks agreed to lower their pricing on temporary U.S. dollar swap arrangements by 50 basis points. The premium banks pay to borrow dollars overnight from central banks will now be the U.S. dollar overnight index swap rate plus 50 basis points. The new pricing will be applied to operations starting on Dec. 5. (BN)
- **Beige Book points out slow gains** -- The Federal Reserve said the U.S. economy has shown "slow to moderate" gains since mid-October. In the Fed's periodic summary of the U.S. economy, known as the Beige Book report, the central bank said "overall economic activity increased at a slow to moderate pace since the previous report." In recent reports, the Fed had been describing an economic recovery that was hanging tough, despite a long slide in stock markets that began with a set of dour manufacturing reports in May Wednesday's Beige Book report said "consumer spending rose modestly" in the past month, although the economy showed familiar

weakness in housing and construction. Manufacturing "grew at a steady pace" across most of the country, the Fed said. The employment situation was described as steady to mixed. (UPI)

- **Republicans Seek Federal Job Cuts in Rebuttal to Millionaire Tax** -- Republicans in the U.S. Senate want to cover the cost of extending a payroll tax cut by freezing federal workers' pay through 2015 and reducing the federal civilian workforce by 10 percent, putting them at odds with Democrats over how to pay for the $119.6 billion tax break. The proposal counters efforts by President Barack Obama and Democrats to expand the payroll tax cut and pay for it by imposing a 3.25 percent surtax on income above $1 million. Procedural votes on the competing proposals could occur in the Senate as early as today, and lawmakers don't expect either approach to advance because of continued differences between the parties. (BN)
- **Central Banks' Action Hints At U.S. Fears** -- The sight of the world's largest central banks acting in concert to ease funding strains in global financial markets is about as reassuring as watching an anti-tank ditch being dug. One can't help wondering what's coming next and how effective this defense will be. European Commissioner Olli Rehn has said there are 10 days to save the euro, his eye on the Dec. 9 summit meeting at which we will see whether the euro zone reaches a decision to trade sovereignty for stability. The first thing to say about the central banks' action is that it proves that they aren't going to sit on their hands and watch while the euro zone wrestles with itself. There is still a backstop for, as the central bankers' parlance has it, "solvent counterparties with adequate collateral." Second, from a European perspective it is encouraging to see the Federal Reserve still prepared to intervene on Europe's behalf in any quantity at all, let alone the unlimited volumes in prospect. As has been documented elsewhere, Europe's banks have lost billions in dollar funding from U.S. markets, where patience with European dithering and obfuscation has finally snapped. And despite the attempts to present the action as a multilateral, multivectored mutual-support mechanism, it is clear that the only support offered here is that of dollars to Europe, and chiefly to the euro zone. It is a significant decision for the Fed to take. Private markets in the U.S., inasmuch as they represent the aggregated choices of U.S. taxpayers, may well feel aggrieved that the Fed is putting their dollars back on the line after they have consciously pulled them off it. And U.S. taxpayers can justifiably point out that if the ECB isn't stepping in to solve the crisis, why should the Fed? The answer, of course, is interconnectedness. The world over, it is the job of monetary authorities to provide official liquidity when the (normally far greater)
- amounts of liquidity that private markets make available to economies in normal times dry up. And in today's world, your neighbor's problem is never far away from being your own (WSJ)
- **Chart of the day: the graph that shows why the central banks had to act** --



Source – Bloomberg

This chart demonstrating the liquidity crisis in European banking was produced by The Guardian's Jill Treanor who specialises in the banking sector. She says: If there was any doubt about the need for the intervention of the world's central banks to try to avoid a new credit crunch, the chart above tells it all. What is clear is that, with the U.S. dollar as the world's major reserve currency, this move to lower the price on U.S. dollar liquidity swap arrangements is due to the world's banks being short U.S. dollars. In the past few days, there have been rumours that a European bank was on the verge of failure due to a lack of U.S. dollar liquidity. (http://www.creditwritedowns.com/2011/11/chart-of-the-day-the-graph-that-shows-why-the-central-banks-had-to-act.html)

- **Fed's Cheaper Funding May Fail If Euro Crisis Worsens, UBS Says** -- The Federal Reserve's agreement with five other central banks to provide cheaper dollar funding for European banks may fail to ease strains in financial markets if the sovereign debt crisis worsens, according to UBS AG. While today's announcement boosted the euro and stocks, the optimism may prove short-lived if European leaders fail to come up with measures at a Dec. 9 summit to help indebted nations, London-based strategists Geoffrey Yu and Chris Walker wrote today in an e-mailed note. "In the event of extremely negative outcomes out of the eurozone, it is likely that funding stress will escalate regardless of the existence of the swap lines," Yu and Walker wrote. "If the summit fails to deliver, the euro's slide will resume and the selloff in risk would prove as dramatic as we have seen this year, if not more." (BN)

- **[yday] German Note Yields Fall Below Zero on ECB Outlook, Safety Demand** -- German one-year notes rallied, pushing the yield below zero for the first time, amid speculation the European Central Bank will intensify its economic stimulus and crisis-fighting measures. Two-year German yields fell to a record after the ECB and five other central banks agreed to reduce the interest rate on dollar liquidity swap lines to ease strains in financial markets. Euribor futures advanced, signaling investors were adding to bets for lower borrowing costs. Belgian and Italian bonds rallied. (BN)
- **Bank Stress Rewinds to October After Policy Move: Credit Markets** -- The global effort by central banks to make it cheaper for financial companies to borrow in dollars to ease Europe's sovereign-debt crisis may prove little more than a "Band-Aid." While the amount European banks pay to borrow in dollars in the swaps market dropped from a three-year high after six central banks led by the Federal Reserve cut overnight borrowing costs, the rate is still near the highest level since 2008. The U.S. two-year interest-rate swap spread, a measure of stress that fell by the most in nine months, remains above where it was in October. Even as central banks seek to avert a credit seizure like the one that followed the failure of Lehman Brothers Holdings Inc. three years ago, they didn't address the threat of contagion from bulging budget deficits. Euro-area finance ministers want the International Monetary Fund to take a larger role after saying their efforts to expand the European Financial Stability Facility missed the target. "It's more of a Band-Aid," said Colin Robertson, who oversees $375 billion as Northern Trust Corp.'s managing director of fixed income in Chicago. "The market is ahead of itself in believing this is the end of what's a pretty significant liquidity crisis and the pressure that's been building in the banking system and the euro-zone countries." (BN)
- **Central Bank Intervention Raises Questions** -- Did a big European bank come close to failing last night? European banks, especially French banks, rely heavily on funding in the wholesale money markets. Given the actions of the world's largest central banks last night, it raises the question of whether a major bank was having difficulty funding its immediate liquidity needs. The Federal Reserve, the Bank of England, European Central Bank, the Bank of Japan, the Swiss National Bank, and the Bank of Canada in a coordinated action moved to provide liquidity to the global financial system. In a separate move, the Chinese Central Bank cut bank reserve requirements. The People's Bank of China cut reserve–requirement ratio by 0.5%, the first cut in nearly three years. (http://www.forbes.com/sites/greatspeculations/2011/11/30/big-european-bank-failure-averted-what-central-banks-did-not-tell-us/)
- **Heard On The St:Fed Move Is A Painkiller, Not A Cure** -- It isn't the bazooka the market was looking for, but coordinated action by six central banks to provide cheaper access to U.S. dollar funding is a significant response to the crisis. It should help reduce pressure for banks to sell assets, helping to head off a growing credit crunch within the euro zone that had started to take its toll on the global economy. But while the action triggered a broad market rally, it also reflects the severity of the crisis and adds to pressure on European policy makers to take decisive action. The U.S. Federal Reserve, the European Central Bank, the Bank of Japan, Bank of England, Bank of Canada and the Swiss National Bank agreed on Wednesday to cut the cost of borrowing U.S. dollars under swap lines by 0.5 percentage point. European banks have been struggling to get hold of dollars as U.S. money-market funds have cut lending and the cost of swapping euro loans for dollar loans had reached levels not seen since the collapse of Lehman Brothers. http://online.wsj.com/article/SB10001424052970204012004577070352150094314.html. (WSJ)
- **Fed's Discount Rate Among Tools to Counter Europe's Debt Crisis** -- The Federal Reserve could if necessary dig deeper into its toolkit to ease the sovereign-debt crisis in Europe, by cutting the U.S. discount lending rate or restarting a program that auctions loans to banks. Six central banks led by the Fed yesterday lowered the cost of emergency dollar funding for financial companies, reducing the premium banks pay to borrow dollars overnight from central banks by half a percentage point to 50 basis points. The Fed may reduce what it charges on emergency loans to banks by a quarter point to 0.5 percent by early next week, said Michael Cloherty, head of U.S. interest rate strategy at RBC Capital Markets. It probably won't resort to its other options, including reopening the Term Auction Facility to give U.S. banks more access to funding, without a worsening in Europe's crisis, said Charles Lieberman, chief investment officer with Advisors Capital Management LLC in Hasbrouck Heights, New Jersey. (BN)
- **China November PMIs Fall; Lowest Levels Since 1Q 2009** -- Two separate surveys showed declining activity in China's manufacturing sector in November, falling to their worst levels since the global financial crisis in the first quarter of 2009. The official purchasing managers index fell to 49.0 from 50.4 in October, below economists' expectations for a reading of 49.7 in an earlier poll of analysts. It was the first contractionary reading below 50 for the index since February 2009, when the Chinese economy was still reeling from the effects of the global financial crisis. A PMI reading above 50 indicates an expansion in manufacturing activity, while a reading below 50 indicates contraction. Nomura economist Zhiwei Zhang said the weak PMI reading likely played a role in the decision by the People's Bank of China to lower the level of required reserves for banks on Wednesday. The authorities definitely had a sneak peek of the data before the official release, he said. Meanwhile, a competing PMI put out by HSBC also weakened, falling to 47.7 in November from 51.0 in October. That was below a preliminary reading of 48.0 that HSBC announced on Nov. 23. The preliminary figure is based on 85% to 90% of responses to HSBC's PMI survey. "The November PMI final reading points to a sharp deterioration in business conditions across the Chinese manufacturing sector," HSBC's chief economist for China, Hongbin Qu, said in a statement. "Combined with a faster-than-expected easing in inflation, this implies that growth is set to overtake inflation as Beijing's top policy concern." The HSBC PMI has been consistently weaker than the official PMI for the past several months. It has been below the contractionary threshold of 50 in four of the past five months. (DJ)
- **China's November Home Prices Drop for 3rd Month, SouFun Says** -- China's home prices fell for a third month in November as developers started to cut prices to boost sales amid the government's housing curbs, according to SouFun Holdings Ltd. Home prices dropped 0.28 percent last month from October, when they retreated 0.23 percent, according to SouFun, the nation's biggest real estate website owner. Prices slid in 57 of 100 cities tracked by the company, including in all 10 of the country's biggest cities including Shanghai and Beijing, it said in an e-mailed statement. (BN)
- **Japan Plans Fourth Extra Budget in Step Unseen Since 1947** -- Japan plans a fourth extra budget, a step unprecedented since postwar reconstruction, to help shore up a rebound that's under threat from a surge in the yen, Europe's crisis and Thai floods that have disrupted production. Prime Minister Yoshihiko Noda today ordered the measure, which will probably be at least 2 trillion yen ($26 billion), Finance Minister Jun Azumi told reporters in Tokyo. The step won't require the sale of deficit-covering bonds, he said. Japan has already allocated 18 trillion yen in three packages since the record earthquake in March. The plan is Japan's latest effort to secure its recovery, building on efforts including 15 trillion yen in asset purchases by the central bank and record amounts of yen sales to counter the currency's surge. Nissan Motor Co. Chief Executive Officer Carlos Ghosn said yesterday his company will gradually shift production abroad because of Japan's challenges. (BN)

- **[yday] Brazil Lowers Key Selic Interest Rate To 11%** --Brazil's central bank on Wednesday moved again to spur the economy, knocking another half-point off its base interest rate as it responds to rapidly slowing economic growth at home and significant uncertainty about the global economy. The central bank's statement communicating the decision was identical to last month's, stating that this was a "timely" response to the effects of the global economic slowdown, that a "moderate" move would guide inflation towards the government's target in 2012. With the Selic rate now at 11%, Brazil ends the year close to where it began, after the central bank raised rates during the first half of the year, and then reversed course suddenly in late August as the euro-zone financial crisis flared up and took its toll on the global economy. (DJ)
- **Canada's Economy Rebounds Faster Than Forecast on Exports** -- Canada's economy rebounded at a faster pace than economists forecast in the third quarter as the biggest jump in exports since 2004 more than offset slower domestic spending. Gross domestic product grew at a 3.5 percent annualized pace from July to September following a revised 0.5 percent contraction the prior three months, Statistics Canada said today in Ottawa. Economists surveyed by Bloomberg forecast 3 percent growth, based on the median of 23 responses. (BN)
- **Australian Manufacturing Contracted for Fifth Month in November** -- Australian manufacturing contracted for a fifth straight month in November as weakness in industries outside mining outweighed strength at companies tied to a surge in resource extraction, a private survey showed. The manufacturing index was 47.8 last month compared with 47.4 in October, the Australian Industry Group and PricewaterhouseCoopers said in a survey released today. It was the eighth reading in the past nine months below 50, the dividing line between expansion and contraction. (BN)
- **Britain Has Entered Second Credit Crunch, Confirms Downing Street** -- Britain has entered a second credit crunch, Downing Street said on Wednesday night, as America was forced to intervene to stop the eurozone crisis leading to a global financial collapse. The US Federal Reserve spearheaded a scheme by central banks around the world, including the Bank of England, to lend money to ailing European banks that were struggling to borrow. The emergency action to stop the international financial system from freezing up again was prompted by rumours that a European bank was facing difficulties and could not raise money. Panic started to spread through the German bond markets, which threatened to result in a credit freeze for European banks. British banks have been warned by the Financial Services Authority, the City watchdog, that they must make preparations for the collapse of the single currency. (TEL)
- **U.K. Debt Chief Says He Sees 'No Major Setback' on Gilt Yields --** Yields on U.K. gilts should remain low if the Bank of England continues with its quantitative- easing program, and any rise is likely to be minimal, according to the nation's debt chief Robert Stheeman. If the Bank of England decides to expand its bond purchases, then "we will probably see the continuation of the current relative low yields that may rise marginally in the next weeks or months," Stheeman told Andrea Catherwood on Bloomberg Television's "Last Word." "I don't expect a major setback in yields in the foreseeable future." (BN)
- **West 'should not fear Islamist movements' --** Islamists are likely to represent the "next wave" of political power in the Arab world, Qatar's prime minister said, as early indications from Egypt's elections suggested the Muslim Brotherhood's political arm was heading for victory (FT)

Last Trading Day Stats

Index	*Close*	*1D %Chg*	*YTD%Chg*
EuroStoxx 50	2,330.43	4.31%	-16.56%
CAC	3,154.62	4.22%	-17.09%
DAX	6,088.84	4.98%	-11.94%
AEX	299.68	4.22%	-15.48%
FTSE 100	5,505.42	3.16%	-6.69%
SMI	5,652.31	2.19%	-12.18%
OMX	979.36	5.14%	-15.25%
S&P 500	1,246.96	4.33%	-0.85%
Nikkei 225	8,597.38	1.93%	-15.95%

Index	Close	1D Chg	5D Chg
Dow Jones	12,045.68	490.05	551.96
VIX Index	27.800	-2.840	-4.170
VDAX Index	33.860	-2.100	-5.230
2-10 EUR	197.042		
2-10 US	182.637		
Eur / Dollar	1.3451		

Bunds	*Yield (%)*	***Chg 1d bp***	*Chg 5d bp*
2YR	0.337	**-9.90**	-10.80
5YR	1.162	**-13.70**	3.30
10YR	2.28	**-5.10**	13.20

	Close	1D Chg	5D Chg
1st CL future	100.36	0.38	4.57
CRB index	313.82	3.37	2.89

AEX close	299.68
ADR Impact	**1.23**
ADR Impact %	0.41%
AEX Parity	**300.91**
AEX Ex-div Impact	

ADRs	**Volume**	**Rel.vol**	**NL Close**	**ADR (Eur)**	**Chg EUR**	**%Chg**
AEGON NV-NY REG	1014847	83%	3.23	**3.25**	0.02	0.58%
ARCELORMITTAL-NY	14174185	162%	13.95	**14.04**	0.09	0.67%
ASML HOLDING-NY	4068018	138%	28.99	**29.39**	0.40	1.39%
REED ELSEVIE-ADR	66626	106%	8.76	**8.77**	0.01	0.13%
ING GROEP-ADR	6780193	113%	5.74	**5.81**	0.07	1.30%
PHILIPS ELEC-NY	1558081	78%	15.05	**15.11**	0.06	0.43%
ROYAL DUTCH-ADR	1865327	87%	25.88	**26.02**	0.14	0.54%
UNILEVER NV-NYS	3792261	111%	25.30	**25.36**	0.06	0.25%

Dow Jones Sectors US	*Close*	***%Chg***	*Chg 1d*	*Chg 2d*	*Chg 5d*
BAS MAT	269.32	**6.91%**	17.40	17.77	18.68
CON CYC	354.58	**3.03%**	10.43	11.31	13.11
CON NCY	338.48	**2.99%**	9.83	11.79	13.82
ENERGY	601.43	**5.43%**	31.00	38.93	37.76
FINANCL	240.10	**6.15%**	13.90	12.61	13.52
HLTHCAR	349.81	**3.71%**	12.52	13.92	16.42
INDUST	306.22	**5.18%**	15.09	15.11	16.96
TECH	667.88	**4.03%**	25.90	21.38	22.81
TELECOM	128.05	**3.32%**	4.11	5.09	4.77
UTILITY	170.09	**2.74%**	4.54	6.45	6.75

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