



TODAY 06-07-11

NL (a.o.): - ;

NL Tomorrow (a.o.): *Roodmicrotec* ;

EUR (a.o.): Sodexo Sales, EasyJET Traffic;; ;

EUR Tomorrow (a.o.): *Hays, Man Group, BMW sales* ;

EUR Ex-div (a.o.): Babcock, British Land, Burberry, Carphone Warehouse, Fomento de Construcciones, Vendanta;

EUR Ex-div Tomorrow (a.o.): *Repsol*;

FINANCE Credit / CDS HF's

- **Warning over diverging derivatives rules** -- Proposed rules for derivatives trading could push up financing costs and create "material risks" for the global economy because of a lack of co-ordination, the US and European Union have been warned by the financial services industry. The warning is contained in a letter sent on Wednesday by eight leading trade associations – including the European Banking Federation, the Futures and Options Association, the Investment Management Association and the Wholesale Market Brokers' Association – to Tim Geithner, the US Treasury secretary, and Michel Barnier, EU internal market commissioner. The letter warns that the extraterritorial effect of separate legislative initiatives in the US and Europe could have "significant adverse consequences" for financial and non-financial companies and for the wider global economy. It says: "Even if extraterritorial application of domestic rules and the associated erection of artificial barriers to the functioning for businesses with an international footprint is not the intention, in many instances the economic effects often associated with protectionism will result." It also says overlapping rules will push up costs, "which in turn undermines the ability of firms to manage risk and makes for higher financing costs for the real economy". (FT)
- **ISDA General Counsel: Voluntary Greek Deal Not A Default Trigger-CNBC** -- A voluntary rollover of Greek debt wouldn't trigger a default in the eyes of the agency that oversees credit default swaps, the group's general counsel said in an interview on CNBC television Tuesday. David Geen, general counsel of the International Swaps and Derivatives Association, said a committee would review any debt exchange plan to officially determine whether a default occurred, but current plans wouldn't likely trigger a default. Such a review would take place quickly, with ISDA making an official announcement as soon as a day after a debt deal was announced. Geen's comments come a day after ratings agency Standard & Poor's said it would likely view the current plan being floated to roll over Greek debt as a default. (DJ)
- **EU's Almunia Says There are 'Too Many' Banks in Europe, FT Says** -- European Union Competition Commissioner Joaquin Almunia said there are too many banks in Europe and there should be more consolidation in the industry, while the bloc's fragmented market, without an integrated payment system, makes competing with banks from the U.S. or China difficult, the Financial Times reported, citing an interview. "I would not have any problem with observing a process of reducing the number of players at the European Union level," Almunia said, according to the newspaper. "We have a lot -- too many," he said, the FT reported. (BN)
- **Stress Tests to Be Published on July 14, Cinco Dias Says** -- The Bank of Spain told Spanish lenders that European stress tests will be published on July 14, Cinco Dias reported, without saying where it got the information. The central bank and the lenders will get a preview of the test results on July 13, the newspaper said. (BN)
- **Moody's: EBA stress tests - rating implications likely to be limited** -- The European Banking Authority's [EBA] stress test of European banks is likely to have limited rating implications and should have a variety of positive effects for banks, says Moody's Investors Service in a Special Comment. As Moody's ratings already incorporate its own stress-testing exercises, the rating agency anticipates that the EBA stress test results will mostly reveal weaknesses that are already captured in Moody's ratings. Moody's will respond accordingly in any case where the results reveal weaknesses that are not already reflected in the ratings. Moody's views positively the EBA's statement that for those banks failing the EBA stress test, support measures will be announced. Such support measures may contribute to strengthening these bank's credit profiles and possibly their stand-alone ratings. (Moody's)
- **Euro Region Banks Discuss New Greek Debt Rollover Plan, FT Says** -- A new proposal on the terms of investors' participation in the restructuring of Greek debt to be discussed in Paris tomorrow includes a reduction of the interest rate on rolled-over bonds to 5.76 percent, the Financial Times reported, citing two people involved in the talks. The basic coupon would be floating, based on the Euribond 3-month rate, currently 1.56 percent, and a buffer of as little as 1.7 percent, the FT cited one person close to the talks as saying. The "kicker," limited to a maximum of 2.5 percent, would be based not on growth, but on the level of Greek inflation, the newspaper said. (BN)
- **UniCredit CEO Says Greek Selective Default Would Be Problematic** -- Banks won't volunteer to roll over maturing Greek debt as part of a new rescue if the move forces them to write down the value of the securities used in the plan, UniCredit SpA Chief Executive Officer Federico Ghizzoni said. Credit rating companies have said they may rule Greece in default under such a rollover plan, and banks don't know how they would have to account for the debt involved, Ghizzoni said. A selective default would be acceptable to the banks if it wouldn't force them to make writedowns, Ghizzoni told reporters at a press conference yesterday in Rome. "Having a default that brings impairments is not a condition that can be accepted, because it is too much," he said. A rollover plan based on a proposal of the French banking association, which is a blueprint for discussions between lenders and regulators on banks' contribution to Greece's rescue, would put Greece in "selective default," Standard & Poor's said July 4. (BN)
- **Greek Banks Ready for Rollover as Investors Discuss Aid Plan** -- Greek banks are willing to roll over their government bonds as part of a European Union aid plan, Finance Minister Evangelos Venizelos said, as debt-holders meet in Paris today to discuss their role in rescuing the country. "The Greek banks are ready to participate," Venizelos said yesterday in an interview with Bloomberg Television in Athens. "We must respect absolutely the voluntary character of this procedure. This is very sensitive and I give a very crystal clear answer on this topic." (BN)
- **Swiss Banks Block Access to Offshore Accounts Over Tax Deals**-- Some Swiss banks are blocking clients from gaining full access to offshore accounts in connection with tax treaties being negotiated between Switzerland and Germany, the U.K. and the U.S., the Swiss banking ombudsman said. "This is a new type of complaint we're getting only since this year," Hanspeter Haeni said by telephone today, adding that he's not allowed to disclose the names of the banks. "I'm afraid there will probably be more such cases." Total complaints this year from foreign clients about treatment by Swiss banks have already surpassed the 39 made for the whole of 2010. The 44 complaints received by the ombudsman's office this year come mostly from customers with U.S. citizenship or a green card and from Germany, Haeni said. Switzerland is in talks with Germany, the U.K. and the U.S. about resolving the issue of untaxed assets held in Swiss bank accounts.

MACRO:

12:00 Germany Factory Orders

13:00 US MBA Mortgage Applications

13:30 US Challenger Job Cuts

16:00 US ISM Non-Manf. Composite

22:30 US API Crude Inventory data

The countries are negotiating about the possibility of withholding taxes on interest, dividends, capital gains and investment income earned by clients with offshore bank accounts as well as levying a tax for past non-disclosure. (BN)

- **Exchange-Traded Funds Said to Face Review by U.K. Fraud Office** -- U.K. fraud prosecutors are reviewing how exchange-traded funds are marketed and whether they have the proper tools to prosecute any wrongdoing in the industry, a person directly involved with the probe said. The Serious Fraud Office, which prosecutes white collar crime, hired a consultant to interview bankers and lawyers to determine whether there is a risk that sales of the products may involve criminal conduct in the future. The Financial Services Authority and the Bank of England's Financial Policy Committee have warned of a lack of transparency in the ETF market. ETFs are exchange-listed products that mirror indexes, commodities, bonds and currencies and allow investors to buy and sell them like stocks. They became more popular in the aftermath of the 2008 selloff that wiped \$37 trillion from global equity markets because they carry lower fees than other funds, require lower initial investment than futures, can be traded throughout the day and cover most indexes. (BN)
- **NYSE Shareholders Seen Backing Deutsche Boerse Merger** -- NYSE Euronext shareholders are lined up to approve a planned merger with Deutsche Boerse AG that would end 219 years of independence, though concerns linger about how regulators might dilute the claimed benefits of creating the world's largest venue for trading stocks and derivatives. The Big Board parent is seen easily surpassing the 50% of shares-voted threshold at a special meeting Thursday, according to people familiar with the situation, the first hurdle to sealing a pact reached in February. A sterner test comes July 13, when the German company must secure 75% of shares outstanding for the deal to progress past the debris of other planned exchange combinations, following an outbreak of industry consolidation that has waxed and waned since last October. (DJ)
- **U.S. Banks, Justice Dept. Close to Mortgage Settlement** -- Bank of America Corp., JPMorgan Chase & Co. Citigroup and other U.S. financial institutions are close to a settlement with the Justice Department and state attorneys' general over faulty mortgage servicing practices, the New York Post reported, citing an unidentified person close to the negotiations. The proposed settlement might be for as much as \$60 billion and would include two funds, one national and one for each state, and settlement of most foreclosure-related claims, the newspaper said. The settlement may be announced in several weeks and would include restitution as well as penalties to settle fraudulent practices such as robo-signing, the Post added. (BN)
- **Ex-WaMu Executives, FDIC Fail to Settle Suit, Lawyer Says** -- Ex-Washington Mutual Inc. Chief Executive Officer Kerry Killinger and two other former bank officials ended talks with the Federal Deposit Insurance Corp. on settling a lawsuit, a lawyer said. Killinger, former Chief Operating Officer Stephen Rotella and David Schneider, the bank's former home-loans president, asked a judge to dismiss the FDIC's suit after the negotiations failed, according to Barry Ostrager, a lawyer for Rotella and Schneider. "There are presently no settlement discussions and the defendants stand on their motions to dismiss," Ostrager said today in an e-mail, referring to all three defendants. In 2008, regulators seized Seattle-based Washington Mutual Bank, once the nation's biggest savings and loan, and sold it to New York-based JPMorgan Chase & Co. for \$1.9 billion. (BN)
- **JPMorgan, Customers at Impasse in Overdraft Fee Accord Talks** -- JPMorgan Chase & Co. and consumers who sued the bank over claims of excessive overdraft fees have reached an impasse in settlement talks, a mediator said. Two mediation sessions held between the company and the plaintiffs' committee on March 17 and June 28 failed, the mediator, Thomas E. Scott, said July 1 in a report filed in federal court in Miami. "Following the second effort, the undersigned has decided to declare an impasse at this time," according to the document signed by Scott. Consumers sued accusing JPMorgan and more than a dozen other banks of illegally charging excessive fees for overdrafts. (BN)
- **State Street Rehired by Calpers After Being Likened to 'Thugs'** -- California Governor Jerry Brown sued State Street Corp. in 2009, when he was attorney general, for "unconscionable fraud" against pension funds over foreign-exchange pricing. That didn't stop the largest of the funds from striking a new three-year deal with the firm. The \$232 billion California Public Employees' Retirement System last week signed a contract for Boston-based State Street to continue handling all its custody work, said Wayne Davis, a pension spokesman. Calpers, as the Sacramento-based fund is known, passed over competing bids from New York's JPMorgan Chase & Co. and Bank of New York Mellon Corp. "It does seem contradictory," George Diehr, a Calpers board member representing state employees, said in a telephone interview. "It was difficult to find someone who would provide all the services and at the terms we required." (BN)
- **U.K. Private Banks Are Looking at Riskier Assets, FT Reports** -- Britain's private banks have 17 percent of clients' cash in hedge funds, private equity, commodities and real estate, up from 7 percent at the end of 2009, the Financial Times reported, citing a study by Scorpio Partnership, a firm of wealth-management consultants. This indicates that wealth managers are overcoming the aversion to so-called alternative assets that resulted from the financial crisis and are ready to contemplate more risk, the newspaper said. (BN)

TECH/TELCO

- **News Corp. Phone-Hack Allegations to Be Debated by Lawmakers** -- U.K. lawmakers will debate calls for an urgent public inquiry into phone-hacking by Rupert Murdoch's News of the World after allegations that the tabloid hacked into the voicemail of a murdered schoolgirl in 2002. Members of the House of Commons agreed to the emergency debate demanded by Chris Bryant, a lawmaker from the opposition Labour Party, who is one of more than two dozen people suing the News Corp. tabloid over phone-tapping. The three-hour debate will be held in Parliament in London this afternoon. (BN)
- **Facebook Ad Rates Hold as Inventory Rises, Easing Price Concerns** -- Facebook Inc., the biggest social network, said advertising rates have held up even after it added new ways for marketers to promote products, allaying concern that prices would decline as inventory surged. Rates for so-called self-serve ads, which are sold through an automated auction system and account for most of sales, are unchanged since March, when the company completed a redesign to add promotions under photos and increase the number of spots on some pages to as many as five from three, Facebook said. (BN)
- **Twitter Is Said to Be Valued at \$7 Billion in Investment Round** -- Twitter Inc., the microblogging site that lets users post 140-character messages, is raising funding that values the startup at about \$7 billion, said a person with knowledge of the matter. The San Francisco-based company is in talks with investors to receive hundreds of millions of dollars, said the person, who asked not to be named because the discussions were private. Twitter's worth has almost doubled since December, when it received a \$200 million investment led by Kleiner Perkins Caufield & Byers that valued the company at \$3.7 billion. The startup was pegged at about \$1 billion in 2009, a person familiar with the matter said at the time. SharesPost Inc., an exchange for shares of closely held companies, has assessed Twitter's current worth at \$6.8 billion. (BN)

- **EBay's PayPal U.K. Twitter Account Suspended After Hacker Attack** -- EBay Inc.'s PayPal said its Twitter account in the U.K. was hacked and later suspended, though no user data were breached. Attackers infiltrated the account and began tweeting messages to PayPal U.K.'s 17,000 followers at about 3:15 p.m. New York time. "The PayPal U.K. Twitter handles, one of the many Twitter handles we have for the company, was hacked this evening," said Anuj Nayar, spokesman for PayPal, in a telephone interview today. "It's now been turned off." "No account information or anything else was in any way, shape or form breached or affected," he said. A tweet sent from the hacked account read, "PayPal can freeze your funds for no reason, do not use PayPal!!" The account's photo and description was changed before being taken down by Twitter. (BN)
- **Nokia Cuts Smartphone Prices as Share Drops, CCS Insight Says** -- Nokia Oyj, the world's biggest maker of mobile phones by units shipped, cut its smartphone prices in Europe by as much as 15 percent at the beginning of this month, according to analyst firm CCS Insight. "We've absolutely seen the drops," Ben Wood, a London-based analyst with CCS, said in an interview. "They're under aggressive pressure from entry-level players and equally their customers in the channels know they're in a strong negotiating position." Reuters reported the price drop earlier today, sending the stock down as much as 3.1 percent. (BN)
- **Nintendo Pares Gains After Ruling Out Push Into iPhone Games** -- Nintendo Co. pared gains in Osaka trading after the company ruled out expanding into smartphone games, damping speculation triggered by affiliate Pokemon Co.'s development of software for Apple Inc.'s iPhones and handsets that run on Google Inc.'s Android operating system. (BN)
- **Hyundai Heavy Rules Out Bid for Hynix Semiconductor** -- Hyundai Heavy Industries Co. ruled out bidding for a controlling stake in Hynix Semiconductor Inc., fueling speculation shareholders will fail to unload their stake in the chipmaker for the fourth time in two years. Hyundai Heavy, the world's largest shipbuilder, jumped as much as 8.8 percent and Hynix tumbled as much as 7.9 percent in Seoul trading. The South Korean shipbuilder won't submit a letter of intent for the stake because adding the chipmaker to existing businesses would create "little synergy," Ulsan-based Hyundai Heavy said in a statement today. (BN)

RESEARCH UPDATES

JP Morgan upped **Adecco** to Overweight, from Underweight; UBS initiated **Nexans, Prysmian** at Buy; UBS issued a short-term Buy rating on **Unilever**; Morgan Stanley cut **WPP** to Equal Weight, from Overweight; Nomura initiated **Dia** at Buy; Jefferies cut **CSM** to Underperform, from Hold;

ENERGY, UTILITIES AND COMMODITIES

- **Oil Climbs for Second Day on Forecast U.S. Stockpiles May Drop** -- Oil rose for a second day in New York on speculation crude inventories declined for a fifth week in the U.S., signaling fuel demand may be climbing in the world's biggest consumer of the commodity. Futures gained 0.6 percent, after advancing 2.1 percent yesterday, before an Energy Department report tomorrow that may show crude stockpiles dropped 2.5 million barrels last week, the longest streak since January. The industry-funded American Petroleum Institute will report its own data today. Oil supplies have dropped 3.8 percent since the end of May amid U.S. peak gasoline demand and the start of the Atlantic hurricane season. Crude for August delivery rose as much as 59 cents to \$97.48 a barrel, in electronic trading on the New York Mercantile Exchange and was at \$97.45 at 12:25 p.m. Singapore time. The contract yesterday gained \$1.95 to \$96.89, the highest settlement since June 14. Futures have gained 35 percent in a year. Floor trading was closed July 4 for the U.S. Independence Day holiday and electronic trades were booked with yesterday's transactions for settlement purposes. Oil rose yesterday as data showed orders placed with U.S. factories increased in May, indicating manufacturing may rebound from a slowdown. Brent oil for August delivery rose 24 cents to \$113.85 a barrel on the ICE Futures Europe exchange. The European benchmark contract was at a premium of \$16.65 to U.S. futures. The spread reached a record \$22.29 on June 15. (BN)
- **CFTC data reveal day traders' role in volatile oil markets** -- The Commodity Futures Trading Commission has for the first time revealed that almost 95 per cent of US crude oil futures volume is generated by day trading or betting on arcane price relationships, suggesting long-term bets on whether prices will rise or fall have little effect on energy price volatility. The US regulator released data showing that only 5.5 per cent of crude trading volume on the New York Mercantile Exchange involved net changes in large traders' stance on price direction. Changes to net positions also involved a minority of volumes in metals and agriculture and in financial futures on markets such as Treasury notes, stock indices and exchange rates. The detailed volume data from the CFTC's trader reporting system followed a review of the "flash crash" of May 6 2010, when stock and other markets momentarily plummeted and prompted calls for the reform of electronic trading. The day traders who contribute to the majority of oil futures volume include so-called high-frequency firms, which typically exit the market without a net position at the end of the day. The data appear after oil prices climbed to their highest levels in three years, prompting some lawmakers to redouble efforts to rein in investment funds pumping money into commodities as an asset class. Crude has since pulled back in a series of nerve-rattling moves, with the Nymex contract rising or falling more than 4 per cent on five days in May and June. The CFTC, which has proposed rules limiting commodity investment, said the data for the first time show how much trading results in daily changes to net positions. (FT)
- **China to Offer New Shale Areas to Tap Gas Reserves Topping U.S.** -- China, estimated to hold more gas trapped in shale than the U.S., will open new areas to exploration as PetroChina Co.'s parent and Cnooc Ltd. seek drilling technology through partnerships and acquisitions. The government aims to sign contracts with Chinese explorers this month to develop two blocks offered in the country's first auction, and a second sale is planned later this year, Zhang Dawei, deputy director of oil and gas strategy research at the Ministry of Land and Resources, said in a telephone interview from Beijing yesterday. (BN)
- **Saudi Arabia Loans Growing Fastest in Persian Gulf: Arab Credit** -- Saudi Arabian bank lending is climbing the most among the six Gulf Cooperation Council nations this year as growth in the biggest Arab economy accelerates. Bank credit to the private sector expanded 4.6 percent in the five months through May, according to data from the Saudi Arabian Monetary Agency this week. The rate ranged from a 4 percent drop in Bahrain to a 2.7 percent increase in the other five GCC countries. Higher oil production to compensate for a drop in output from Libya and increased government spending to counter the political unrest in the region are boosting the economy of the world's largest exporter of crude, according to John Sfakianakis, the Riyadh-based chief economist at Banque Saudi Fransi, a lender part-owned by Credit Agricole SA. (BN)
- **Arab States' Aid to Egypt Seen as Effort to Block Iran Influence** -- The United Arab Emirates joined Saudi Arabia in offering a multibillion dollar economic assistance package to Egypt as it seeks to block the way for Iranian influence in post-Mubarak Egypt, analysts said. With Egypt's first elections since the fall of President Hosni Mubarak due in September, members of the interim government are touring the Persian Gulf to get support for their country's ailing economy. The benefit of aiding Egypt is twofold for nations including Saudi



Arabia, the U.A.E. and Kuwait: They can assert claims that Iran is meddlesome while benefiting from opportunities in Egypt, the Arab world's most populous nation. (BN)

- **Centrica Reopens U.K. Gas Field After Tax Change, FT Reports** -- Centrica Plc has reopened the U.K.'s largest gas field after the U.K. Treasury said it would raise tax allowances for investment in the region, the Financial Times reported. The move to reopen the South Morecambe field was made because of "commercial optimization," a Centrica spokesman said, according to the FT. (BN)
- **Oil Supply Falls in Survey on Refining, Imports: Energy Markets** -- U.S. oil supplies fell for a fifth week as refiners scaled back purchases halfway through the summer driving season and imports declined, a Bloomberg News survey showed. Inventories decreased by 2.5 million barrels, or 0.7 percent, to 357 million in the week ended July 1, according to the median of 11 analyst estimates before an Energy Department report tomorrow. All of the respondents forecast a decline. Refineries probably operated at 88.6 percent of capacity last week, a so-called run rate 0.7 percentage point below the five-year average, according to the survey. Refinery utilization rates peaked in July or late June in four of the last five years, then declined as plants prepared for maintenance in September. Imports tumbled seven days ended June 24 to a 12-year low for the end of June. (BN)
- **SBM, Petrofac, CGG are Morgan Stanley's Top Oil Services Picks** -- Says SBM has 32% upside potential to EU25 PT. * SBM well placed on \$5.9-\$7b of contracts for award in next 12 months. (BN)
- **GDF Suez Aims To Connect Chile's SIC, SING Power Grids** -- French power company GDF Suez plans to build a 570 kilometer transmission line to connect Chile's central SIC power grid to the northern SING grid, the company said Tuesday. Connecting the SIC, which provides energy to over 90% of Chile's population and runs from the northern city of Talta to the southern island of Chiloe, to the SING would increase energy security and likely reduce costs. The SING covers the far northern reaches of the Andean nation and supplies energy to the vast majority of the country's copper mining industry, which supplies a third of the world's copper supply. (DJ)
- **Siemens to Start First Solar Thermal Plant After Solel Takeover** -- Siemens AG is set to commission its first solar-thermal power plant within two months and is seeking financing for projects that will triple its capacity, said the company's head of solar energy for Spain. Europe's largest engineering company will start feeding power into the Spanish power grid from its 50-megawatt plant at Lebrija near Seville, a joint venture with the Spanish construction firm Sacyr Vallehermoso SA, Jose Luis Moran said. (BN)
- **Chinese Curbs on Raw-Material Exports Break Rules, WTO Says** -- Chinese restrictions on exports of nine raw materials violate global rules and give the country's manufacturers an unfair edge, a World Trade Organization panel said, backing a complaint by the U.S., the European Union and Mexico. Today's ruling comes more than 18 months after WTO judges agreed to investigate whether Chinese quotas, export duties and license requirements on overseas shipments of industrial ingredients including coke, zinc and bauxite are discriminatory. The restrictions have stoked tensions between China and its trading partners, which often accuse the Chinese government of having unfair commerce and currency policies. "The panel found that China's export duties were inconsistent with the commitments that China had agreed to in its Protocol of Accession," WTO judges said in a summary of the 315-page ruling on the Geneva-based trade arbiter's website. (BN)
- **Mining Companies Need To Ramp Up Cash Payouts -BlackRock** -- Major mining companies have not returned enough cash to shareholders despite close to \$20 billion of disbursements announced in recent months, said the largest shareholder in BHP Billiton Ltd., Rio Tinto PLC, and Anglo American PLC. The comments by Evy Hambro, manager of BlackRock Inc.'s \$35 billion natural resources funds, signal a growing impatience in the market at the underperformance of mining company shares relative to other sectors, and concern that miners could be tempted into a value-destructive deal as a way to lower their cash pile. "The excess prices they are getting are clearly surplus to their requirements," he said in a recent interview with Dow Jones Newswires. "They don't need all that additional money and the windfall that they're getting from today's markets should be shared with investors." BHP Billiton Ltd., the world's biggest miner by market capitalisation, last week completed a \$10 billion share buy-back plan, prompting analysts to speculate that more returns on the same scale are likely to be announced in annual results due next month. Vale, the world's second-biggest miner by market value, announced a separate \$3 billion program last week. A BHP spokeswoman declined to comment on the speculation. Paul Galloway, a mining analyst at Sanford Bernstein in London who advises several other major mining funds, argues that companies still owe a debt to investors who bailed them out during the financial crisis. (DJ)
- **Vale Sees No Slowing of China Iron-Ore Demand, CFO Says** -- Vale SA, the world's largest iron-ore producer, sees no slowdown in demand from China as the country seeks to build 36 million low-income houses in the next five years, Chief Financial Officer Guilherme Cavalcanti said. The country will continue leading global consumption of the steelmaking raw material as it invests in new dwellings and infrastructure, Cavalcanti said on Bloomberg Television's "The Pulse with Maryam Nemazee" today in London. Difficulties in bringing new projects to the production stage will cause a demand-supply imbalance lasting six or seven years, he said. (BN)
- **Vale May Lift Metorex Bid After \$1.36 Billion Jinchuan Offer** -- Vale SA, the world's largest iron-ore producer, may raise its bid for Metorex Ltd. after Jinchuan Group Co. offered \$1.36 billion to acquire the African copper company, analysts said. Jinchuan, the biggest Chinese nickel producer, offered 8.90 rand (\$1.32) yesterday for each share of Johannesburg-based Metorex, 21 percent more than Vale's bid of 7.35 rand a share on April 8. Vale, based in Rio de Janeiro, has until July 15 to match or beat Jinchuan's offer, Metorex said. (BN)
- **Turkey Iron Prices Leap 50 Percent, Hit Constructors, Sabah Says** -- The price of iron for use in construction has risen 50 percent in the last four months, upsetting plans for many building companies, Sabah newspaper reported. Iron producers have widened their margins and are acting for short-term profit, rather than considering the long-term health of the industry, the Istanbul-based newspaper said, citing Omer Faruk Celik, chief executive of constructor Sinpas Gayrimenkul Yatirim Ortakligi AS. (BN)
- **Europe Must Curb \$37 Billion CO2 Permits Surplus, Sandbag Says** -- The European Union should curb an oversupply of carbon permits with a value of as much as 26 billion euros (\$37 billion) to avoid a decline in carbon prices and delay in low-carbon investment, climate group Sandbag said. The 27-nation bloc should withhold at least 89 percent of the forecast 1.9 billion excess allowances through 2020 and amend the emissions law to tighten the future cap, according to a report by London-based Sandbag published today. The EU emissions trading system, known as the ETS, is the cornerstone of the region's climate change strategy, imposing pollution limits on more than 11,000 factories and power stations. (BN)

NETHERLANDS / AEX NEWS

- **CSM: self-raising costs** -- Cakes and doughnuts seem like perfect comfort food, until the sugar crash. Just ask CSM, the world's biggest provider by sales of bakery products. [...] CSM thinks better times are coming. Ebita for the first half of the year will be about 20 per cent lower than a year ago, but the second half of the year should be about the same as last year, the company said. It thinks prices will catch up

with raw material costs and that volumes will also recover. Investors – who remember the company's two profit warnings in 2008 after higher prices hurt sales – will take only crumbs of comfort. (FT Lex Column)

- **Dutch companies paying more dividend** -- Dutch companies quoted on the stock exchange paid more than 7.6 billion euro in dividend in the first half of 2011. This is half a billion euro more than in the first half of 2010. Nearly all the dividend was paid by companies outside the financial sector. For the third year in a row, banks and insurance companies paid nearly no dividend <http://www.cbs.nl/en-GB/menu/themas/macro-economie/publicaties/artikelen/archief/2011/2011-3427-wm.htm>. (CBS)

M&A and OTHER CORPORATE NEWS

- **Asian Stocks Rise as Hyundai Heavy Jumps; Chinese Banks Plunge** -- Asian stocks rose, reversing earlier declines, as Hyundai Heavy Industries Co. jumped in Seoul after a takeover bid collapsed. Chinese banks slumped after share sales and on concern about credit quality. Hyundai Heavy, a shipbuilder, jumped 6.4 percent after saying it won't bid for control of Hynix Semiconductor Inc. Commodity companies advanced, led by BHP Billiton Ltd., as oil and gold climbed and after copper touched a 10-week high. Bank of China Ltd., the country's fourth-largest lender by market value, tumbled to the lowest level in a year and China Construction Bank Corp., the No. 2, fell 3.1 percent after Singapore's Temasek Holdings Pte. sold stakes worth \$3.6 billion. The MSCI Asia Pacific Index climbed 0.3 percent to 137.29 as of 1:39 p.m. in Tokyo after falling 0.1 percent. About eight stocks rose for every seven that retreated on the 1,018-member gauge. Through yesterday, the index lost 2.8 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 advanced 0.2 percent and Australia's S&P/ASX 200 Index climbed 0.2 percent. South Korea's Kospi Index was little changed. Hong Kong's Hang Seng Index declined 0.4 percent as China's banks retreated. (BN)
- **U.S. Stocks Decline as Moody's Cuts Portugal Rating to Junk** -- U.S. stocks fell, ending the Standard & Poor's 500 Index's five-day winning streak, as a Moody's Investors Service downgrade of Portuguese debt rekindled concern the economy will slow and offset gains by energy producers. Bank of America Corp., the biggest U.S. lender, and General Electric Co. lost 0.8 percent as shares of financial and industrial companies led losses in the S&P 500. A gauge of banks dropped the most in the S&P 500 within 24 groups, falling 1.2 percent, as Citigroup Inc. said 2012 industry earnings estimates may be too high. Energy companies in the S&P 500 advanced 0.5 percent, the most among 10 groups. The S&P 500 slumped 0.1 percent to 1,337.88 at 4 p.m. in New York. The intraday move in the S&P 500 between its high and low was 0.5 percent, the smallest move since April 29, when the index peaked for the year. The benchmark equity index rose 5.6 percent last week, the biggest rally since July 2009. The Dow Jones Industrial Average fell 12.90 points, or 0.1 percent, to 12,569.87 today. (BN)
- **EUROPE** -- European stocks are seen slightly higher, government debt is seen gaining, the euro is rangebound, sterling mixed, oil higher, gold lower. European bourses are likely to open cautiously higher Wednesday, as investors digest news of Portugal's downgrade to junk status and look ahead to the European Central Bank rate decision Thursday and U.S. payrolls data Friday. For Wednesday's opening, BGC Partners is calling the FTSE up 5 at 6029, the DAX up 14 at 7453 and the CAC up 9 at 3988. (DJ)
- **China Said to Discuss Letting SEC Probe Mainland Companies** -- U.S. and Chinese officials will meet next week to discuss giving American securities regulators the right to investigate companies within China for the first time, said two Chinese officials with direct knowledge of the plans. Representatives from the Securities and Exchange Commission and the Public Company Accounting Oversight Board will meet with counterparts from the China Securities Regulatory Commission in Beijing from July 11 to 12, said the officials, who asked not to be named because the talks are private. A joint delegation from the SEC and PCAOB will share "technical and practical information regarding audit inspection and cross-border oversight that we hope and expect should facilitate our achievement of our meaningful inspection procedure for Chinese audit firms going forward," said Colleen Brennan, a PCAOB spokeswoman, declining to discuss the timing of any meeting. John Nester, an SEC spokesman, declined to comment. China-Biotics Inc. and Heli Electronics Corp. are among dozens of companies traded in the U.S. that have disclosed auditor resignations or accounting irregularities this year, leading to the suspension or delisting of their shares. Some of the SEC's previous investigations of such companies have been stalled by the inability to gather information in China. (BN)
- **BASF Said to Consider Genetically Modified Crop Exit in Germany** -- BASF SE, the world's biggest chemical maker, may withdraw genetically modified crop research from Germany in response to growing political opposition, three people familiar with discussions said. The maker of the Amflora scientific potato is considering the future of its research facility in rural Limburgerhof in southwestern Germany, said the people, who asked not to be identified because the plans aren't public. A move to the U.S. is possible for the plant biotechnology operations, which employ 700, said one of the people. (BN)
- **AirAsia To Extend Airbus Deal To 300 Planes – Reuters** -- Malaysia's low-cost airline AirAsia Bhd. will extend a deal with Airbus for its revamped A320 medium-haul jets to 300 aircraft, taking the list price of the contract to \$27 billion, Reuters reported Wednesday, citing an unnamed source. At the Paris Air Show last month, AirAsia and Airbus signed a deal for 200 of these jets at a list price of \$18.5 billion, the largest-ever single commercial aircraft order at that time. Airbus is a unit of European Aeronautic Defence & Space Co. EADS N.V. AirAsia official declined to comment. (DJ)
- **Air France-KLM targets 20 pct China sales growth – exec** -- Air France-KLM SA, Europe's largest airline by revenue, targets sales growth of at least 20 percent per year in China, a senior executive said on Wednesday. "We aim for 20 percent minimum growth each year," Mamix H. Fruitema, senior vice-president for Asia-Pacific, told Reuters on the sidelines of an industry conference. "In Asia-Pacific we are looking at five more destinations in the coming two years," Fruitema said, adding that one or two would be destinations in China. Air France-KLM's biggest Asian market is currently Japan, but the carrier is looking to boost China sales by adding routes. More recently this year, the airline started flying to the southern city of Xiamen. Air France-KLM flies to eight destinations in China. (R)
- **Goldman, Morgan Stanley Placing 9.2% Of Amadeus** -- Goldman Sachs Group Inc. and Morgan Stanley said Tuesday they have begun placing up to 41 million shares in Spain-based Amadeus IT Holdings SA with institutional investors. In a regulatory filing, the two investment banks said the package, which equals 9.2% of Amadeus's outstanding shares, will be sold through an accelerated book-building process--a quick issue of equity with little or no marketing. They didn't say which shareholder or shareholders are selling. Information technology company Amadeus's shares closed Tuesday at EUR14.14 each, valuing the package sold at EUR580 million. The two banks said the exact number of shares sold and final price of the placement would be communicated once the book-building has finished. (DJ)

- **SEA Files With Regulator, Stock Exchange to Hold Milan IPO** -- Società per azioni Esercizi Aeroportuali SEA said it filed applications today with Italy's securities market regulator and the stock exchange to hold an initial public offering. Intesa Sanpaolo SpA's Banca IMI SpA and Morgan Stanley will manage the IPO, Milan's airports manager said in an e-mailed statement. (BN)
- **Renault Sees Better Sales Performance In Second Half** -- French car maker Renault SA said Tuesday it expects to see a better performance in its global sales in the second half of this year, although the first half was disappointing in its key French market. Renault was affected by supply-chain problems caused by the Japanese disasters in March that affected some key suppliers. It has estimated the cost of the disruptions in the first half at 150 million euros. Renault's freshly appointed chief operating officer Carlos Tavares told a group of journalists that the first-half sales results "will show the effects of the events in Japan." But the second half "will be better," he said, adding: "I don't see any big supply shocks." (DJ)
- **France's Sarkozy Holds Meeting With Peugeot Citroen Chief Varin** -- French President Nicolas Sarkozy in a meeting today reminded Philippe Varin, chief executive officer of PSA Peugeot Citroen, Europe's second-largest carmaker, of the support provided by the French state during the financial crisis, the office of the president said in an e-mailed statement. Varin confirmed the company's strong industrial commitment to France, noting an 800 million-euro investment in 10 French sites, and said there are no plans to close any plants in the country, according to the statement. (BN)
- **Alstom Sees Higher German Sales, FTD Says, Citing Division Chief** -- Alstom SA's German division expects sales to increase to as much as 500 million euros over the next two to three years, Financial Times Deutschland reported, citing Martin Lange, head of the unit. (BN)
- **France May Raise VAT on Soft Drinks to 19.6%, Le Figaro Says** -- French lawmaker Bernard Reynes is proposing an increase in the value-added tax on soft drinks from 5.5 percent to 19.6 percent to help finance assistance to agriculture, daily Le Figaro reported, without citing anyone. The money would be used to compensate for the loss of social security receipts that would result from Reynes's plan to reduce the cost of farm labor, the newspaper said. (BN)
- **[yday] SABMiller Looking At Brazil Expansion Opportunities** -- SABMiller PLC, the maker of Miller Lite, Tuesday said it is scrutinizing opportunities to expand its nascent operations in Brazil, but the global brewer declined to comment on recent speculation over potential acquisitions in the country. The world's second-largest brewer by volume behind Anheuser-Busch InBev NV said it is weighing up possible purchases to step up its expanding operations in Latin America outside its key markets of Colombia, Peru and Ecuador, according to Karl Lipper, president of Latin America. (DJ)
- **Deminor Says Carrefour Withheld Information from Market, FT Says** -- Deminor, a group that represents minority investors, said "essential information" about Carrefour SA's discussions with the Brazilian co-owner of Cia. Brasileira de Distribuicao Grupo Pao de Acucar "was not transmitted to the market," the Financial Times reported, citing an open letter from Deminor to Carrefour Chief Executive Officer Lars Olofsson. (BN)
- **Dia Falls Below Reference Price in Madrid Trading Debut** -- Distribuidora Internacional de Alimentacion SA, the world's third-largest discounter, fell from the reference price in its Madrid trading debut after being spun off from Carrefour SA. The shares closed at 3.20 euros, giving the Madrid-based company a market value of 2.2 billion euros. That's about 8.5 percent less than the reference price of 3.50 euros, for the company known as Dia, set in a regulatory filing for the spinoff. The spinoff is "justified by the limited synergies and by the conflict of interests between Dia and Carrefour's other operations," Nomura International analysts including Nicolas Champ wrote today in a note after initiating coverage with a "buy" recommendation on the stock. The independent Dia is "an ideal candidate for a breakup." Carrefour paid 3.50 euros a share to buy 100 percent of Dia from its subsidiary Norfin Holder SL before the spinoff, the company said on July 1. Carrefour's shares closed at 24.15 euros in Paris trading, excluding the value of Dia. (BN)
- **Lagardere May Pay Exceptional Div., Make Acquisitions: SocGen** -- Says proceeds from sale of International Magazines, stakes in Canal+ France, EADS may exceed EU3bn (~80% of market cap). * Sustainable debt may be EU1.0bn, with EU2.5b of financial firepower: SocGen * Company may do a 100% payout via exceptional div. or a 50/50 split between acquisitions, exceptional dividend: SocGen (BN)
- **Kodak Default Odds Reach 74% After Suit Delay: Corporate Finance** -- Derivatives traders are betting there's a 74 percent chance Eastman Kodak Co. is headed toward default after a trade panel delayed a decision on the 131-year-old camera maker's claims it should receive licensing fees for technology used by Apple Inc. and Research in Motion Ltd. The implied five-year default probability on Rochester, New York-based Kodak is up from 50 percent in December, according to data compiled by Bloomberg. The company's \$250 million of 7.25 percent debt due November 2013 yielded 11.7 percent on July 1, the day after the U.S. International Trade Commission failed to reach a consensus on the licensing suit and extended the decision to Aug. 30. The yield was 10 percent on June 23. (BN)
- **Prysmian Says It Got EU Antitrust Complaint Over Power Cables** -- Prysmian SpA said it received an antitrust complaint as part of a European Union price-fixing probe into underground and undersea power cables. Prysmian is "fully cooperating" with European Commission officials and intends to "defend itself in this matter," according to a statement. (BN)
- **Deutsche Boerse Says Demag Cranes Free Float Reduced to 27.19%** -- Demag Cranes AG's free float was reduced to 27.19 percent from 100 percent due to the takeover by Terex Industrial Holding AG, Deutsche Boerse AG said in an e-mailed statement today. The adjustment will become effective next Friday, July 8. (BN)

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- **Moody's Slashes Portugal Rating To Junk** -- Portugal received a serious blow Tuesday after Moody's downgraded its sovereign debt rating to junk status, saying, just like Greece, it will likely require further aid. Center to Moody's decision is the possibility that private investors will have to contribute to any new international bailout. Current discussions about a Greek debt restructuring are revolving around bond holders accepting the rollover of debt. Moody's said if that happens, it could discourage investors from investing in Portugal's paper. The country's EUR78 billion bailout money is scheduled to run out in 2013, and Portugal will have to tap the private sector for further financing. Despite the comparisons between the two countries, Moody's Investors Service Vice President Anthony Thomas said in an interview that Portugal is still at a "much lower risk than Greece." Moody's is the first rating agency to lower Portugal's debt to junk, prompting fears more downgrades are possible. If peers Fitch Ratings and Standard & Poor's Ratings Services follow Moody's, the European Central Bank could stop accepting Portuguese paper from banks as collateral, although in the case of Greece and bailed-out peer Ireland, it decided to suspend the minimum credit rating threshold. Portuguese banks have been relying on ECB funding for more than a year, with borrowings standing at EUR47.2 billion as of May. The ECB declined to comment. (DJ)

- **Fitch Aims To Conclude Portugal Ratings Review End of July** -- Fitch Ratings aims to conclude its review on Portugal's creditworthiness around the end of July, after putting the European nation on negative ratings watch in April, David Riley, head of the ratings agency's sovereign group, told Dow Jones Newswires Tuesday. Fitch first placed Portugal on negative watch on April 1, and at the same time, slashed its sovereign rating from A- to BBB-, the lowest rung of investment grade. Riley said Tuesday that this review is targeted to conclude later this month, soon after which they will announce any associated ratings action. Earlier Tuesday, Moody's Investors Service became the first of the three major ratings firms to cut Portugal to junk territory. It slashed the nation's credit rating to Ba2 and negative watch, from Baa1. Moody's said Portugal will likely require further funding, highlighting the possibility that private investors will have to contribute to any new international bailout, as is planned for Greece. (DJ)
- **Portuguese Bonds Are Likely to Exit Markit iBoxx Index, RBC Says** -- RBC Capital Markets said Portugal's government bonds will probably be removed from a Markit iBoxx sovereign debt index after Moody's Investors Service cut the nation's credit rating to below investment grade. (BN)
- **Derivatives Group Says French Plan For Greek Bailout Not Default** -- A French proposal to involve private creditor banks in a new Greek bailout would not amount to a debt default and so would not trigger derivatives contracts designed to protect against that eventuality, the legal counsel for the International Swaps and Derivatives Association said Tuesday. On the basis of publicly available information about the French proposals, the ISDA, which acts as a clearing house for derivatives trades, would not term the plan a "credit event," said David Geen, legal counsel for the association. In that case, credit default swaps taken out to cover creditor exposure to Greece would not be triggered. The French proposals require private banks to rollover their loans to Greece, taking out much longer-dated bonds as debt obligations mature so as to give Athens more time to stabilize its finances. On Monday, however, credit-ratings agency Standard and Poor's warned that the plan, by forcing creditors to vary the terms of their investment, constituted a "credit event" and was tantamount to a default which would be rated as such. If Greece were to default, it could set off a dangerous chain of events, including triggering insurance contracts designed to protect against loss. Meanwhile, another of the top-three credit-ratings agencies, Moody's, said that banks taking part in the French plan would likely have to set aside larger provisions and expect to take additional losses. (AFP)
- **Greece Jitters Spark Hefty June Redemptions From US Money-Market Funds** -- Uneasy about potential euro-zone credit contagion hitting the region's banks if Greece were to default, investors withdrew about \$85 billion from U.S. prime money-market funds in June, according to J.P. Morgan, citing industry research. Another warning shot about euro-zone debt came Tuesday, as Moody's downgraded Portugal's debt to junk status. It remains to be seen whether news over the weekend that euro-zone finance ministers authorized short-term financial aid to Greece has reassured investors enough to slow that trend. Redemptions in June represent about 5.6% of total assets under management at such funds, surpassing the amount pulled out last March, when similar worries about Greece first arose, according to money-market researcher iMoneynet. Instead, investors are routing their cash into U.S. government money-market funds, which enjoyed \$47 billion of inflows in June. For global money-market funds, fund tracker EPFR found that investors pulled out \$80.84 billion in June, as jitters grew about euro-zone leaders' ability to extend Greece more financial aid--money the nation needs to avert a default. (DJ)
- **German Investors See Greek Debt Contagion, Handelsblatt Says** -- Forty percent of German investors see the Greek debt crisis spreading to Spain and Italy, Handelsblatt reported, citing a survey of almost 1,000 respondents conducted by the Frankfurt-based Sentix institute. (BN)
- **IIF's Dallara Urges Europe to Consider Greek Debt Buyback** -- Greece's next rescue package is more likely to succeed if it includes a plan to retire outstanding debt through organized buybacks, said Charles Dallara, managing director of the Institute of International Finance. A buyback fund of about 50 billion euros (\$72 billion), for example, could reduce Greece's outstanding debt as a proportion of gross domestic product by as much as 20 percent, Dallara said by phone yesterday. He spoke en route to Paris, where he will meet with about 20 banks and insurance companies today to discuss the role of bondholders in the new package. The financial firms will discuss a proposal from French banks to roll over 70 percent of bonds maturing by mid-2014 into new 30-year Greek securities backed by AAA-rated collateral. European Union leaders want banks and insurers to voluntarily roll over about 30 billion euros of Greek bonds to support official loans by the EU and the International Monetary Fund. (BN)
- **Debt Raters Miss Iceland Rebound After Failing to Spot Collapse** -- The credit rating companies that were too slow in predicting Iceland's economic collapse in 2008 may be underestimating the strength of its resurrection. Fitch Ratings said in May it may take two years for the island to shed its junk status, while Moody's Investors Service and Standard & Poor's give Iceland their lowest investment grades. That hasn't deterred investors from trying to buy twice the amount offered in last month's \$1 billion bond sale as the island returned to global capital markets less than three years after its banks defaulted on \$85 billion in debt. "When you look at how successful that auction was, it's clear that investors are now crunching the numbers themselves and that the credit grades from the rating agencies are less relevant," Valdimar Armann, an economist at Reykjavik-based asset manager Gamma, said in a July 4 interview. Iceland's experience shows the rating companies may be overcompensating after failing to identify some of the risks that led to the global financial crisis, said Armann. While Moody's kept a Aaa rating on Iceland until five months before its banks collapsed, reluctance to raise the island's credit grade now is blocking the country's access to a broader investor base. Debt derivatives show the low ratings may be unwarranted as credit default swaps on Iceland indicate it's less likely to default than euro member Spain. (BN)
- **Schaeuble Says Everything Should Be Done in Agreement With ECB** -- German Finance Minister Wolfgang Schaeuble said that he agrees "100 percent" with his predecessor, Peer Steinbrueck, who said when he was still in office that all political decisions should be taken in agreement with the European Central Bank. Schaeuble made his comments at an event honoring Steinbrueck in Berlin. (BN)
- **Italy's Debt Needs Surge as Costs Rise to Record: Euro Credit** -- In sovereign borrowing, as in comedy, timing is everything, and Italy's timing is terrible. The nation needs to refinance 26 percent of Europe's second-biggest debt burden just as wrangling over Greece's next rescue sends borrowing costs to euro-era records. The extra yield investors demand to hold 10-year Italian bonds relative to German bunds rose 16 basis points in the past two days to 199, approaching the all-time high of 223 set on June 27. "Italy has a lot of positives going for it, but foreign buyers are going to be cautious while there's contagion risk," said Steven Major, global head of fixed-income research at HSBC Holdings Plc in London. "Italy needs Greece to be sorted as it and all the other euro-region countries don't need the contagion." Investor confidence in Italian bonds waned the past two months as Standard & Poor's and Moody's Investors Service said they may cut the country's credit rating because slow economic growth will make it tough to curb debt. Italy's 10-year bond yield topped 5 percent last week for the first time since November 2008, leaving Italy with rising financing costs as it faces a surge in bond redemptions. (BN)

- **U.S. Credit Risk Rises as World Recovery Shows Signs of Flagging** -- A gauge of U.S. corporate credit risk rose for the first time in six trading days on concern that the global economic recovery is flagging. The Markit CDX North America Investment Grade Index, which investors use to hedge against losses on corporate debt or to speculate on creditworthiness, rose 1.3 basis points to a mid-price of 90.8 basis points as of 1:34 p.m. in New York, according to index administrator Markit Group Ltd. The credit swaps index increased from the lowest level since May as orders placed with U.S. factories rose at a weaker pace than economists forecast and European services and manufacturing growth were revised lower. The benchmark fell every day last week as investor optimism grew that Greece could avoid default. (BN)
- **Dollar Falls as Jobless Rate May Deter Rate Rise; Kiwi Advances** -- The dollar weakened against most of its major counterparts on speculation the U.S. jobless rate will remain at a level that deters the Federal Reserve from raising interest rates. The greenback fell for the seventh time in eight days against the euro as economists said figures this week will show U.S. companies added 100,000 workers in June, less than the 200,000 cited by some analysts as the minimum needed to bring down unemployment. New Zealand's currency strengthened as gains in Asian stocks boosted demand for higher-yielding assets. (BN)
- **Obama Sets Thursday Meeting to Urge Long-Term Deficit Solution** -- President Barack Obama said he opposes a deficit-cutting measure that would only allow for a short-term increase in the country's debt limit as he called a meeting tomorrow with Republican and Democratic lawmakers to work toward long-term fixes in the government's finances. The president's comments were the second time in less than a week that he has come to the podium to publicly push lawmakers to secure a deal that addresses basic solutions to deficit spending while averting a first-ever U.S. default on its obligations. The Obama administration and congressional leaders are working to complete a deal on a long-term budget reduction package by July 22. That would give Congress enough time to craft legislation raising the \$14.3 trillion debt limit before Aug. 2, when the Treasury Department has said that its borrowing authority expires. Republicans have signaled that they could accept a short-term package -- an outcome that would force Congress to vote a second time on the debt ceiling before the 2012 elections and that Obama would like to avoid. (BN)
- **UK Jobs Market Weakened Further In June - REC/KPMG Survey** -- The growth of new jobs in the U.K. continued to slow in June, a development that threatens government hopes that job creation in the private sector will compensate for massive public sector jobs cuts from its austerity program. A monthly survey produced by the Recruitment and Employment Confederation, KPMG and Markit, found permanent and temporary jobs increased at the slowest pace in 22 months and eight months respectively. The index for permanent staff placements dropped to 52.2 in June from 55.1 in April, the lowest since August 2009. A reading above 50 signals growth in job placements from the previous month while a reading below 50 signals a decline. Kevin Green, chief executive of the REC, said it was still possible the private sector could absorb workers laid off by the public sector. (DJ)
- **Surging Food Prices Drive UK Inflation** -- U.K. shop prices rose at a faster pace in June, driven by the fastest annual rise in food prices in two years, the British Retail Consortium said Wednesday. According to the BRC, overall shop-price inflation increased to 2.9% in the year to June from 2.3% in May. Over the 12 months to June, food prices rose by 5.9%, the fastest increase since May 2009, and up from 4.9% in the 12 months to May. That reflects rising prices on world markets for corn, wheat and other commodities as they filter through to U.K. supermarket prices. The rate of annual non-food inflation rose to 1.3% in June from 0.8% in May, the highest rate since March, said the BRC. But prices for electrical goods, clothing and footwear were lower than in June 2010. The BRC suggested retailers are committed to absorbing some of the shocks of the economic climate by trying to maintain stable prices for consumers. It said the prices Britons face have risen at a slower rate than costs faced by retailers from their suppliers, and both farmers and manufacturers have seen an increase in their input costs over the past year. The BRC said retailers are aggressively competing for non-food budgets and trying to attract consumers through discounts. (DJ)
- **Complaints Over China Raw-Material Exports Bolstered by WTO** -- Complaints against China by the U.S., European Union and Mexico were bolstered by a World Trade Organization finding that the nation's limits on raw-materials exports broke global rules and gave domestic companies an edge. The ruling yesterday on the Geneva-based trade arbiter's website was after an 18-month investigation of quotas, export duties and license requirements. China said it was evaluating the report. An appeal is highly likely, Mei Xinyu, a professor at a government trade institute, said today. (BN)
- **Kan Says 'Considerable' Amount of Bonds Needed for Rebuilding** -- Japan's Prime Minister Naoto Kan said a "considerable" amount of government bonds will need to be issued to help pay for rebuilding from the March earthquake and tsunami disaster. Kan spoke today in parliament. (BN)
- **Yen Reserves Most in Decade as Emerging Banks Buy: Japan Credit** -- Emerging market nations increased yen in their central bank reserves to the most in a decade, helping preserve the world's lowest borrowing costs for Japan. The yen's share of emerging market reserves rose to 2.9 percent in the first quarter, the highest in more than a decade, from 1.9 percent a year ago, the International Monetary Fund said last week. Ten-year Japanese government bonds sold yesterday had an average yield of 1.17 percent, versus market rates of 3.16 percent in the U.S. and 3.01 percent in Germany. (BN)
- **Slovenian Central Bank Urges Budget Revision** -- The Slovenian central bank on Tuesday warned a budget revision was urgently needed to cope with increased uncertainty caused by a high public deficit and the delay of structural reforms. "A revision of the 2011 budget is urgently needed," the bank said, calling on the government to take all measures necessary to ensure fiscal consolidation and to improve the country's competitiveness. "Uncertainty has been increasing in the domestic environment due to the public deficit and possible delay in structural reform implementation," the central bank said. Slovenia's export-orientated economy was severely hit by global crisis and the center-left government's attempts to reform its labor and pension systems have been blocked by the unions and opposition. (AFP)





Last Trading Day Stats

Index	Close	1D %Chg	YTD%Chg
EuroStoxx 50	2,850.51	-0.69%	2.07%
CAC	3,978.83	-0.61%	4.57%
DAX	7,439.44	-0.05%	7.60%
AEX	343.10	-0.12%	-3.23%
FTSE 100	6,024.03	0.11%	2.10%
SMI	6,243.01	-0.04%	-3.00%
OMX	1,127.26	0.12%	-2.45%
S&P 500	1,337.88	-0.13%	6.38%
Nikkei 225	10,082.48	1.10%	-1.43%

Index	Close	1D Chg	5D Chg
Dow Jones	12,569.87	-12.90	526.31
VIX Index	16.060	0.190	-4.500
VDAX Index	17.070	0.280	-5.400

2-10 EUR	136.430
2-10 US	268.425
Eur / Dollar	1.4461

Bunds	Yield (%)	Chg 1d bp	Chg 5d bp
2YR	1.637	0.00	8.80
5YR	2.253	-0.60	3.90
10YR	3.001	-0.50	1.90

	Close	1D Chg	5D Chg
1st CL future	96.89	0.68	4.68
CRB index	#N/A	4.92	12.88

AEX close	343.10
ADR Impact	-0.64
ADR Impact %	-0.19%
AEX Parity	342.46
AEX Ex-div Impact	

ADRs	Volume	Rel.vol	NL Close	ADR (Eur)	Chg EUR	%Chg
AEGON NV-NY REG	648733	60%	4.79	4.76	(0.03)	-0.66%
ARCELORMITTAL-NY	2883765	79%	24.05	24.01	(0.04)	-0.15%
ASML HOLDING-NY	1624250	61%	26.20	26.10	(0.10)	-0.36%
REED ELSEVIE-ADR	42809	43%	9.39	9.38	(0.00)	-0.04%
ING GROEP-ADR	2104901	98%	8.59	8.57	(0.01)	-0.13%
PHILIPS ELEC-NY	1659704	112%	17.53	17.57	0.05	0.26%
ROYAL DUTCH-ADR	1969964	91%	24.95	24.81	(0.14)	-0.55%
UNILEVER NV-NYS	1671074	77%	23.03	22.94	(0.09)	-0.37%

Dow Jones Sectors US	Close	%Chg	Chg 1d	Chg 2d	Chg 5d
BAS MAT	320.74	0.18%	0.57	3.73	16.78
CON CYC	374.13	0.20%	0.76	7.16	17.53
CON NCY	349.47	0.13%	0.47	4.10	12.08
ENERGY	651.52	0.49%	3.16	9.39	43.88
FINANCL	284.51	-0.68%	-1.94	3.11	11.32
HLTHCAR	374.52	-0.21%	-0.80	3.97	11.02
INDUST	343.70	-0.45%	-1.54	4.53	16.58
TECH	683.71	0.22%	1.53	12.28	32.34
TELECOM	141.60	-0.21%	-0.30	1.72	4.45
UTILITY	165.40	-0.53%	-0.88	1.25	3.56

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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.