



TODAY 11-07-11

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

NL Tomorrow (a.o.);

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

EUR Tomorrow (a.o.): l'Oreal sales

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

FINANCE Credit / CDS HFS

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

MACRO:

08:45 France Industrial Production

EU officials to discuss plans for 2nd rescue package Greece

- Italy Orders Short Sellers to Reveal Positions After Market Dip** -- Italy's financial-market regulator moved to curb short selling after the country's benchmark stock index fell the most in almost five months and bonds tumbled on investor concern Italy would be the next victim of the region's debt crisis. The regulator known as Consob ordered last night that short sellers must reveal their positions when they reach 0.2 percent or more of a company's capital and then make additional filings for each additional 0.1 percent. The measure takes effect today and lasts until Sept. 9. The decision came hours before Europe's finance ministers gather for a regular meeting in Brussels today to seek ways to shore up Greece and defend the region's other heavily indebted nations. The Italian ruling follows similar action taken in other European countries, including Germany, Rome-based Consob said in a statement posted on its website. Consob's commissioners held the emergency meeting yesterday after the country's benchmark FTSE MIB index plunged 3.5 percent on July 8, led by a decline in UniCredit SpA and other bank shares that are the among the largest holders of the country's debt. The yield on Italy's 10-year bond rose to a nine-year high of 5.27 percent, driving the premium investors demand to hold the country's debt over German bunds to a euro-era high of 244 basis points. (BN)
- UniCredit Received Interest for Libya Stake, CEO Tells Corriere** -- UniCredit SpA has received expressions of interest in a stake currently held by Libyan investors, Corriere della Sera reported, citing an interview with Chief Executive Officer Federico Ghizzoni. The bank hasn't been in contact with the Libyan shareholders, the CEO was quoted as saying. UniCredit also wants to maintain its stake in Mediobanca SpA "at the same level," Corriere cited Ghizzoni as saying. (BN)
- ECB Trichet: Non-Banking Institutions Need More Rules** -- The global economy is still fragile and more work needs to be done in terms of regulating financial institutions other than traditional banks, European Central Bank President Jean-Claude Trichet said Sunday. "The major revelation of the last four years was the fragility of the global economy," Trichet told the Rencontres Economiques d'Aix-en-Provence conference. "Strengthening resilience is absolutely essential given the fragility exhibited by the global economy," Trichet, whose term as ECB president ends in October, called for a "serious advance in the way we regulate systemic institutions, including non-banking institutions." "We have a lot of work to do on non-banking institutions in terms of reinforcing the non-cyclicality of regulations governing these institutions," he said. Trichet's comments echo those of Bank for International Settlements General Manager Jaime Caruana on the shadow-banking sector, which includes insurers, hedge funds, and money market funds and could be subject to growing regulation in the wake of the crisis. (DJ)
- EU Version of Basel Bank Capital Rules to Be Published July 20** -- The European Union said today that it will publish proposals to implement tougher Basel capital and liquidity rules for banks in the 27-nation region on July 20. Under the new rules lenders would need to "hold more and better minimum capital than in the past; will need to build up 'capital buffers' over time so they will have money on-hand in an economic downturn" and will also have to "monitor closely their liquidity positions and leverage," the European Commission, the EU's executive arm, said in a statement on its website. The plans are based on agreements reached last year by the Basel Committee on Banking Supervision, which brings together regulators from 27 nations including the EU, U.S. and China, the Brussels-based commission said. These so-called Basel III rules are "a tremendously important step forward in learning the lessons from the crisis and adopting a new approach to risk," the commission said. The proposals will need to be approved by governments and by lawmakers in the European Parliament before they can enter into force. (BN)
- Moody's Says Banks Sharing Greek Rescue Costs 'Credit Negative'** -- European government calls for banks to share in bailing out Greece are a "credit negative" for nations unable to access market funding, according to Moody's Investors Service. "The statements and proposals point to increased risk for creditors of Greece and other debt-burdened European sovereigns that have weak recovery prospects and that lack market access," Alastair Wilson, London-based chief credit officer for Europe, wrote in the rating company's Weekly Credit Outlook. "It is increasingly clear that private markets will deny distressed sovereigns access for months or even years, and that European Union and International Monetary Fund support will be required over the long term." (BN)
- Austrian Banks to Participate in Greek Bond Rollover, ORF Says** -- Austrian banks will participate in a Greek bond rollover according to the extent of their holdings, Austria's State Secretary for Finance Andreas Schieder told state radio broadcaster ORF today. "I believe that Austria's privately owned banks will take part according to the holdings they have," Schieder said in a live interview with ORF's Morgenjournal program. Schieder declined to say if Oesterreichische Volksbanken AG may have failed the European bank stress test. He said that it is mainly up to banks themselves to propose countermeasures if they fail the exercise. (BN)
- Volksbanken May Not Repay Aid After Stress Test, Standard Says** -- Oesterreichische Volksbanken AG may not be allowed to repay 300 million euros of state capital as planned if it failed the European Union bank stress tests, Austrian newspaper Der Standard reported, citing an unidentified "involved person." (BN)
- [Fri] EU Fears For Stress Test Credibility As Deadline Nears** -- The European Union is deeply worried that this year's round of bank stress tests will be seen as lacking credibility, only a week before the tests' results are due to be released, a document seen by Dow Jones Newswires showed Friday. Under the terms of the tests, banks that fail to prove that they can preserve a certain capital ratio in the event of a severe downturn are supposed to fill the gap, at the latest, within six months of the results being published. That date has now been confirmed as next Friday, July 15. In the event that those ailing the test also find themselves unable to raise the required capital, national governments are supposed to step in with "backstop mechanisms" to recapitalize or restructure the banks in question. However, the EU paper argued that "there is no guarantee that the market has been convinced of their willingness and/or ability to intervene." "This may affect the credibility of the overall exercise and entail serious risk for financial stability in the EU," it added. (DJ)
- European Banks Don't Want Regular Stress Tests, L'Echo Reports** -- European banks don't want stress tests to be repeated regularly because they create uncertainty, L'Echo reported, citing an interview with the head of the European Banking Federation. "I hope these stress tests will be the last," Guido Ravoet said, according to the Belgian newspaper. "We don't think they should be set up as a regular exercise because they are creators of uncertainty." (BN)

- **[Fri] Netherlands to Ensure Units of Biggest Banks Can Be Split** -- The Netherlands plans to guarantee the stability of the country's biggest banks, including ING Groep NV, Rabobank Groep and ABN Amro Group NV, by ensuring that different units can be separated in times of crisis. The operations of big banks should be "ringfence ready" to ensure financial stability and protect savings, the government said in an e-mailed statement today. The government favors making the banks safer as whole, rather than splitting them now, it said. The government, which bought Fortis's Dutch banking and insurance units and its stake in ABN Amro Holding NV for 16.8 billion euros in 2008 after the company ran out of short-term funding, will also implement international agreements for tougher capital requirements for systematically important financial institutions. The proposals come before the results of a second round of stress tests, aimed at easing investor concerns that banks in the region are inadequately capitalized, are announced by regulators on July 15. (BN)
- **Danish Banks May Pool Bond Sales to Penetrate Funding Freeze** -- Denmark's regional lenders may pool their debt sales in an effort to attract investors reluctant to lend following the failure of a second bank to trigger senior creditor losses. Nykredit Markets, the investment banking unit of Denmark's biggest mortgage lender, is looking into arranging combined debt sales for some of the country's roughly 120 banks. The pooled borrowing would require a group of lenders to absorb losses triggered by an individual bank and protect bondholders. The plan will "provide some risk diversification for buyers," Kim Duus, chief executive officer at Nykredit A/S's banking unit, Nykredit Bank A/S, said in an interview. "We're talking to both investors and banks." The country's regional banks have faced an international funding wall since Fjordbank Mors A/S last month became Denmark's second lender to seek resolution under the country's bail-in bill, forcing a 26 percent loss on its senior creditors. Government efforts to encourage consolidation have so far failed, prompting lenders to seek other avenues as they struggle to refinance 182 billion kroner (\$35 billion) by 2013, when a state guarantee expires. (BN)
- **Banco Santander SA** -- Spain's largest bank may make acquisitions in Colombia within three years and in Peru in the next five years, El Economista said, citing Francisco Luzon, head of the lender's Latin American unit. (BN)
- **Bank of Ireland Plc** -- Ireland's largest lender said it plans to raise 1.9 billion euros in a share sale, as it seeks to raise capital and avoid state control. (BN)
- **Deutsche Bank AG** -- Germany's biggest bank denied a Der Spiegel report that Chief Executive Officer Josef Ackermann told management board members at a recent meeting that he wants to become chairman. (BN)
- **Japanese Banks Won't Waive \$42 Billion of Tepco Loans, FT Says** -- Japanese banks won't waive loans made to Tokyo Electric Power Co. even though a government rescue plan for the utility may hinge on them doing so, the head of the Japanese Bankers Association told the Financial Times. A debt waiver is "inconceivable," Katsunori Nagayasu, chairman of the association, said in an interview with the paper. The comment illustrates the concern about the outlook for Tokyo Electric and its implication for Japan's largest banks and insurers, the newspaper said. Japan's banks and insurance companies have made 3.4 trillion yen (\$42 billion
- of loans to the utility known as Tepco and may hold a large part of its 4.4 trillion yens in outstanding bonds, the newspaper said. The government has previously suggested that the waiver of outstanding loans by Japan's banks may be a condition for financial support of Tepco, the newspaper said. Such a move would "destabilize the financial system considerably," Nagayasu, also president of Mitsubishi UFJ Financial Group Inc., Japan's biggest publicly traded bank, told the newspaper. (BN)
- **[Fri] Goldman shuts DBS Partners after margin call** . -- DBS Partners, one of the biggest market makers in S&P 500 Index .SPX options, was shut after failing to meet a margin call from Goldman Sachs, according to people familiar with the situation. Goldman, DBS's clearing firm at the Chicago Board Options Exchange, auctioned off part of DBS's position last Friday. The underlying value of the position was in the hundreds of millions of dollars, the sources said. Attempts to reach DBS were unsuccessful. Goldman Sachs and CBOE representatives declined to comment. "DBS Partners was a force in the SPX pit," said online brokerage Trademonster.com co-founder Jon Najarian, using the acronym for the S&P 500 index options. "It was not uncommon for them to be bidding for 25,000 options at a clip." (R)

TECH/TELCO

- **Tokyo Electron Drops Most in a Month After Quarterly Orders Fall** -- Tokyo Electron Ltd., a Japanese maker of semiconductor equipment, dropped the most in a month after orders in the three months ended June declined 34 percent from the previous quarter. The shares retreated 2.3 percent to 4,460 yen as of 9:14 a.m. on the Tokyo Stock Exchange, headed for the biggest fall since June 6. The benchmark Nikkei 225 Stock Average slid 0.5 percent. (BN)
- **SK Telecom Drops to Eight-Year Low, STX Units Fall on Hynix Bid** -- SK Telecom Co., South Korea's largest mobile-phone operator, and units of shipping magnate Kang Duk Soo's STX Group fell in Seoul trading after they disclosed plans to bid for Hynix Semiconductor Inc. The phone unit of Chey Tae Won's SK Group fell for a fifth day, dropping as much as 4 percent to 143,500 won, the lowest intraday level since March 2003. STX Offshore & Shipbuilding Co. lost as much as 4.9 percent, STX Corp. 3.8 percent and STX Engine Co. 4.2 percent. (BN)
- **KPN wins government fixed line phone contract after court case** -- Former state monopoly KPN has won an order to provide fixed line services for the national government apparatus after a court case, the Financieele Dagblad reported at the weekend. The paper says KPN was excluded at an early stage of the tender process because it had approached competitors. The contract, worth €120m, eventually went to Tele2. However, in April, a court in The Hague ruled that the state was wrong to exclude KPN and re-opened the tender process. The contract has now been awarded to KPN but competitors have until July 26 to appeal, the paper says. (DutchNews)

RESEARCH UPDATES

BofA/ML upped **ArcelorMittal** to Buy, from Neutral; HSBC cut **Intesa Sanpaolo** to Neutral, from Overweight; Citi upped **ASML, KLA-Tencor** to Hold, from Sell, upped **Lam Research** to Hold, from Sell; BNP Paribas cut **ASM PT** (522) to Reduce; UBS cut **Lufthansa** to Neutral, from Buy; SocGen cut **Fiat** to Sell; Bernstein cut **Diageo** to Market Perform, from Outperform; Exane cut **Mobistar** to Neutral, from Outperform; Nomura cut **European Telecoms** to Underweight, from Neutral;

ENERGY, UTILITIES AND COMMODITIES

- **Oil Drops a Second Day on Signs China, U.S. Fuel Demand May Slow** -- Oil declined for a second day in New York as investors bet that a slump in Chinese imports and rising unemployment in the U.S. indicated that fuel demand may falter in the world's biggest crude-consuming nations. Futures slipped as much as 0.9 percent after China's net oil imports shrank 10 percent in June to the lowest in eight months, according to Bloomberg calculations based on General Administration of Customs data released yesterday. Prices also dropped after the Labor Department said on July 8 that employers added the fewest workers in nine months and the unemployment rate unexpectedly rose to the highest this year. Crude for August delivery fell as much as 90 cents to \$95.30 a barrel in electronic trading on the New York Mercantile Exchange, and was at \$95.44 at 1:08 p.m. Singapore time. The contract dropped \$2.47, or 2.5 percent, to \$96.20 on



July 8. Prices are 28 percent higher the past year. Brent oil for August settlement decreased 87 cents, or 0.7 percent, to \$117.46 a barrel on the London-based ICE Futures Europe exchange. The European benchmark contract was at a premium of \$22.06 to U.S. futures. The difference reached a record \$22.29 on June 15. (BN)

- **Kencana, SapuraCrest Plan \$4 Billion Merger, Reuters Says** -- SapuraCrest Petroleum Bhd. and Kencana Petroleum Bhd., two Malaysian oil and gas services providers, will merge in a deal worth about 12 billion ringgit (\$4 billion), Reuters reported citing an unidentified person familiar with the matter. The two suspended their shares from trading in Kuala Lumpur today pending announcements. SapuraCrest and Kencana issued separate exchange filings saying that Integral Key Sdn., a closely held company, plans to announce a "material corporate exercise" involving them. "A merger would be good, both have different strengths, Kencana is mainly in fabrication and SapuraCrest is in offshore works, pipe-laying and rigs, so there is a fit," Kaladher Govindan, an analyst at TA Securities Holdings Bhd., said in a telephone interview in Kuala Lumpur. "This will lead to other mergers of smaller players. They have to as competition will become steep." (BN)
- **Iraq, Shell To Sign Initial \$12B Gas Deal Tue-Official** --Iraq and Royal Dutch Shell PLC and its partners hope to sign Tuesday the long-stalled \$12 billion gas deal to capture and exploit huge volumes of gas flared from southern oil fields, the deputy spokesman of Iraq's oil ministry said Sunday. The project is crucial to Iraq's plans to expand its oil production, because as oil output rises, the associated gas that is produced with the oil will need to be handled. Once signed, the deal still needs the approval of the Iraqi government. "We are hoping to sign an initial contract with Shell on Tuesday," Murtadha al-Jashaamy told Dow Jones Newswires by telephone from Baghdad. (DJ)
- **Royal Dutch Shell Plc** -- Europe's largest oil company was granted "Major Project Facilitation" status by the Australian government for its Prelude liquefied natural gas project. The designation assures government assistance during the final approval process for the A\$12 billion project in the Browse Basin off Western Australia. (BN)
- **Shell CEO Aims To Grow Dividend But At 'Right Time' – Report** --Royal Dutch Shell PLC aims to grow its dividend as its cash flow increases, though this will be done in a measured way, said Chief Executive Peter Voser in an interview with Swiss newspaper Finanz und Wirtschaft to be published Saturday. "We're aiming at a rising dividend. However, we are active in a volatile business, and I don't want a stop-and-go dividend policy," said Voser, according to the paper. Shell has predicted that cash flow will increase 80% from 2009 to 2012, but its quarterly dividend of \$0.42 a share has remained unchanged since 2009. "Among other factors, we determine dividend growth by factoring in expectations for profit and cash flow over the next [few] years. We have predicted a big rise in cash. At the right time, we will announce what this means for the dividend," said Voser, Finanz und Wirtschaft reported. (DJ)
- **Total May Opt for Change in Tax Status, Les Echos Reports** -- Total SA may give up the tax status that allows it to pay a lower corporate levy in France, Les Echos reported, citing the oil company's Chief Executive Officer Christophe de Margerie. The "global consolidated profit" regime allows companies to pay lower tax in France by taking into account losses from operations abroad. Total, though, now makes significant profits from its operations outside France and a slight loss on its French business, Les Echos said. "We're going to have to think about how interesting it is for us to keep this status," the newspaper cited de Margerie as saying. Gilles Carrez, a member of the National Assembly's finance committee, said last week that the government may scrap the "global consolidated profit" tax regime from 2012, according to Les Echos. (BN)
- **Total CEO: Underlying Oil Price Trend Is Upward** --The chief executive officer of French oil company Total SA said oil prices are trending upward while refining margins are weak, and also said the company is widening the field of possible buyers for its Lindsey refinery in the U.K. "The trend at the moment is for prices to rise as fundamentals point to more energy demand," Christophe de Margerie said on a panel at the Rencontres Economiques d'Aix-en-Provence conference here in the south of France. Without speculation, oil prices would still be rising, in part due to geopolitical concerns and demand, he added. (DJ)
- **Total No Longer in Exclusive Talks on Lindsey Sale, CEO Says** -- Total SA, Europe's largest oil refiner, is no longer in exclusive discussions to sell its Lindsey refinery in the U.K. and there are several bidders involved in the process, Total said today. The sale process for the facility will be slightly delayed, Chief Executive Officer Christophe de Margerie said at an event in Aix-en-Provence. De Margerie previously indicated he wanted to complete the transaction by the end of last year, and Chief Financial Officer Patrick de la Chevadiere said in April that the disposal would be "a matter of one or two months." (BN)
- **EDP-Energias de Portugal SA** -- Parpublica, a Portuguese state holding company, hasn't received a firm proposal for its stake in utility EDP, the country's securities regulator said. (BN)
- **Merkel Blackouts Become the When-Not-If Scenario as Prices Rise** -- Germany's reaction to the Japanese nuclear disaster has Europe's top power regulator predicting the widest blackouts in the region since 2006. Chancellor Angela Merkel's decision to shut more than 25 percent of the nation's atomic capacity following the reactor meltdowns in Fukushima, Japan, is turning Germany, the world's largest maker of luxury cars, into a power importer, according to Deutsche Bank AG. The change risks straining utility networks in at least seven countries, Bundesnetzagentur, the nation's electricity-grid regulator, said in May. (BN)
- **RWE's CEO Sees 'Particularly Difficult' Years Ahead, FT Reports** -- RWE AG Chief Executive Officer Juergen Grossmann told German town councils, who own about 16 percent to 20 percent of the company's shares, that he expects "particularly difficult" years ahead and that the government's decision to quit nuclear power by 2022 rather than 2036 would cause "several billion" euros of "unexpected financial burdens" over the coming years, the Financial Times reported, citing Grossman speaking at a private meeting. (BN)
- **RWE May Need a EU4-6b Capital Increase, SocGen Says** -- Says RWE may need a capital increase of EU4-6b to maintain net debt/Ebitda ratio below 3x for strategic reasons. * Cuts 2011 EPS est. 11%, 2012 10% * Rates hold; PT cut to EU40 from EU45.5 * NOTE: On July 7: RWE may discuss share sale at August board meeting, FTD Says (BN)
- **RWE Eyes Gazprom As Possible Anchor Shareholder - Report** -- The Chief Executive of German utility RWE AG Juergen Grossmann is considering an extensive alliance with Russia's OAO Gazprom and can see the Russian company as an anchor shareholder in RWE, German magazine Der Spiegel reports over the weekend, without citing sources. According to the report, Grossmann and Gazprom CEO Alexei Miller met Friday in Paris for respective negotiations. Grossmann is considering the possibility of Gazprom taking a strategic stake in RWE or in one of its subsidiaries, the magazine reports. Grossmann also plans to present the results of his negotiations with Gazprom to the RWE supervisory board at the beginning of August, the magazine says. An RWE spokeswoman declined to comment on the information, when contacted by Dow Jones Newswires Sunday. (DJ)

- **Foreign Banks To Provide \$1.46 Bln Loan For Power Plant Project In Vietnam** -- A consortium of 12 foreign banks will provide a syndicated loan of \$1.46 billion for a project to build a coal-fired power plant in northern Vietnam, the project operator said Monday. The disbursement of the loan will begin next month for the construction of the 1,240-megawatt Mong Duong 2 plant in Quang Ninh province, AES -VCM Mong Duong Power Co. said in a statement. (DJ)
- **Gillard Carbon Tax to Cut Australia Coal Yoke, Lift Fares** -- Australia plans to bring in its first tax on greenhouse gas emissions to cut reliance on fossil fuels and boost renewable energy. Company executives said it threatens mining jobs and will push up airfares and food prices. The developed world's biggest per capita polluter will raise A\$27.8 billion in three years by making companies pay for carbon emissions, and offer A\$47 billion to assist industry and households and spur renewable energy investment through 2020, Prime Minister Julia Gillard said in Canberra yesterday. Qantas Airways Ltd. said it will have to raise fares and the Australian Coal Association said overseas coal buyers may switch to other nations, forcing mine closures. (BN)
- **Rio Says Carbon Tax Will Hold Back Investment, Jobs Growth** -- Rio Tinto Group said it's "disappointed" with the Australian government's carbon tax proposal and said it will hinder investment and jobs growth in Australia without reducing global carbon emissions. "Rio Tinto believes the government's carbon tax will undermine Australia's international competitiveness and hurt the nation's export-competing industries," the company said in a regulatory statement. (BN)
- **Macarthur, BlueScope, Virgin Blue Drop on Carbon Tax Plan** -- Macarthur Coal Ltd., BlueScope Steel Ltd., and Virgin Blue Holdings Ltd. tumbled in Sydney trading on concern they'll be among the hardest hit by Australia's first levy on greenhouse-gas emissions. Coal mining companies and steelmakers led declines after Prime Minister Julia Gillard said yesterday polluters in Australia, which is reliant on coal to generate 80 percent of its electricity, will pay A\$23 per metric ton of carbon emissions. Virgin Blue slumped as the plan will more than double aviation fuel excise. The developed world's biggest per capita polluter will require about 500 businesses to pay the charge, raising A\$27.8 billion, and offer A\$47 billion to assist industry and households and spur renewable energy investment through 2020. (BN)
- **Copper Climbs on Possible Chile Mine Disruptions, China Imports** -- Copper gained in London after data showed China's imports rebounded for the first time in three months and as heavy rains in northern Chile spurred concern that supplies from the world's largest producer may be reduced. Aluminum and zinc also increased. Three-month copper added 0.2 percent to \$9,683.5 a metric ton on the London Metal Exchange at 12:30 p.m. Shanghai time. The metal declined as much as 0.4 percent earlier. Copper for September delivery on the Shanghai Futures Exchange closed the morning session 0.2 percent higher at 72,000 yuan (\$11,136). (BN)
- **Asia Doubles Solar Silicon Factories, Pursuing Gain in Slump** -- Asia's largest makers of silicon for solar panels are almost doubling their factory size this year just as surplus production sends prices tumbling for the main raw material for the \$35 billion industry. Korea's OCI Co. and GCL-Poly Energy Holdings Ltd. of China said they'll increase capacity to a combined 88,000 metric tons a year from 48,000 tons. Global demand for the material, known as polysilicon, is growing at less than a third of that rate, and spot prices fell 32 percent in the second quarter, Bloomberg New Energy Finance estimated. Asians are deploying equipment to refine silicon crystals more quickly than Western competitors. They anticipate gaining share from the world's largest suppliers, Hemlock Semiconductor Corp. of the U.S. and Germany's Wacker Chemie AG, as customers increasingly demand lower prices for the key material used in panels to convert sunlight into electricity. The situation mirrors the Asian investment boom and price slashing of the last few years among their customers, which make solar cells and panels. That resulted in Chinese companies, led by JA Solar Holdings Co., capturing more than half the global photovoltaic panel market for the first time in 2010. (BN)
- **Safco Second-Quarter Profit Declines 13%, Misses Estimates** -- Saudi Arabian Fertilizer Co., a unit of Saudi Basic Industries Corp., posted a 13 percent drop in second-quarter profit, missing analysts' estimates. Net income fell to 790 million riyals (\$211 million) from 907 million riyals a year ago, the Jubail-based company known as Safco said in a statement to the Saudi bourse today. The mean estimate of four analysts was for a profit of 987 million riyals, according to data compiled by Bloomberg. Profit declined because of a one-time gain from land sale in the second quarter of last year, the company said in the statement. Safco said in April last year that it expected to gain 263.4 million riyals from the sale of land in the eastern city of Dammam. (BN)

NETHERLANDS / AEX NEWS

- **Ahold CEO Boer Is Waiting for the Right Acquisition, NRC Reports** -- Royal Ahold NV Chief Executive Officer Dick Boer said the company has the financial means for growth and is waiting for the right opportunity and the right time for an acquisition, NRC Handelsblad reported. The company has three criteria for acquisitions, De Boer said in an interview with the Dutch daily. Takeover targets must be easy to integrate into the company, they must fit with Ahold's goal of becoming first or second in all its markets, and they must be affordable, he said. (BN)
- **HEINEKEN** -- United Breweries: To Start Selling Heineken In India In Next Few Months (DJ)

M&A and OTHER CORPORATE NEWS

- **Asian Stocks Fall, Euro Drops as Australia's Bond Risk Jumps** -- Asian stocks declined the most this month, the euro weakened to a two-week low against the dollar and yen, while Australia's bond risk surged amid concern Europe's debt crisis will spread to Italy as growth in the U.S. and China slows. The MSCI Asia Pacific Index sank 1 percent at 12:52 p.m. in Tokyo. Futures on the Standard & Poor's 500 Index dropped 0.5 percent. The euro lost 0.5 percent to \$1.4195 and fell 0.4 percent to 114.64 yen. The won retreated from a three-year high. The Markit iTraxx Australia index jumped six basis points, set for its biggest daily gain in seven months. Oil slid 0.5 percent in New York. Copper advanced as much as 0.5 percent in London. A meeting of European Union and European Commission chiefs today was enlarged amid speculation Italy may be engulfed by the crisis and divisions on how to structure aid for Greece. China's consumer prices rose the most in three years in June and exports increased the least since December, adding to signs that Asia's largest economy cooled last quarter. Alcoa Inc. will start the second-quarter earnings season today in the U.S., where data on July 8 showed the unemployment rate rose as hiring slowed. About three shares declined for every one that advanced on MSCI's Asia Pacific Index, which was headed for its biggest drop since June 27. Japan's Nikkei 225 Stock Average lost 0.7 percent and Hong Kong's Hang Seng Index slumped 0.9 percent. (BN)
- **EUROPE** -- European stock markets are likely to start mixed Monday, as Friday's dismal U.S. jobs report continues to reverberate through the markets. For Monday's opening, IG Markets is calling the FTSE to open up five points at 5996, the DAX to fall nine at 7394 and the CAC to dip five at 3909. European leaders may discuss a new bailout plan for Greece which could allow that country to default on some of its bonds, The Financial Times reported on its website Sunday. According to the report, euro-zone finance ministers could discuss the plan at a

meeting in Brussels on Monday. The plan could also contain provisions by European lenders to lower interest rates on Greece's bailout loans and a broad-based bond buyback. (DJ)

- **Nestle to Buy 60% Stake in Hsu Fu Chi for \$1.7 Billion** -- Nestle SA, the world's largest food company, agreed to buy 60 percent of Hsu Fu Chi International Ltd., a Chinese snack and candy maker, for S\$2.07 billion (\$1.7 billion
- to tap rising demand for sweets in the world's most populous nation. Nestle offered S\$4.35 in cash per share of Singapore-listed Hsu Fu Chi, an 8.8 percent premium over the stock's closing price on Friday. The controlling Hsu family will own 40 percent of the confectioner after the acquisition, according to a joint statement by the companies. The purchase would be the Vevey, Switzerland-based company's largest acquisition in China, where Hsu Fu Chi's sales last fiscal year grew more than three times faster than Nestle's worldwide sales. In addition to Hsu Fu Chi's cakes and traditional sweets, Chief Executive Officer Paul Bulcke aims to use its distribution system for Nestle brands. (BN)
- **Lonza to Buy Arch Chemicals for \$47.20 Per Share in Cash** -- Lonza Group AG, the world's biggest maker of drug ingredients, agreed to buy Arch Chemicals Inc., for \$1.4 billion in cash and assumed debt to create the world's biggest microbial control business. Lonza will pay \$47.20 a share in cash for Arch Chemicals shares, 12 percent higher than the closing price on July 8, the Basel, Switzerland-based company said in an e-mailed statement today. The Norwalk, Connecticut-based drug company makes products to kill microorganisms. Lonza said it expects the acquisition to boost earnings per share by at least 40 centimes in the first year after it's completed. (BN)
- **VALEANT PHARMACEUTICALS TO BUY SANOFI'S DERMIK FOR \$425M** --Valeant Pharmaceuticals Says It Agrees to Buy Sanofi's Dermik - Valeant Pharmaceuticals International, Inc. announced today that Valeant and its subsidiary, Valeant International (Barbados)SRL (VIB), have signed an agreement to acquire Dermik, a dermatology unit of Sanofi in the U.S. and Canada, as well as the worldwide rights to Sculptra Aesthetic (injectable poly-L-lactic acid). (BN)
- **Sanofi: Positive Results Of Lemtrada's Phase 3 Trials In Multiple Sclerosis** -- French pharmaceutical giant Sanofi SA and its subsidiary Genzyme Monday said they had reported top-line results from CARE-MS I, the first of two randomized, Phase 3 clinical trials comparing the drug Alemtuzumab, registered under the commercial name of Lemtrada, to the approved multiple sclerosis therapy Rebif (high dose subcutaneous interferon beta-1a
- in patients with relapsing-remitting multiple sclerosis. Genzyme is developing alemtuzumab in MS in collaboration with Bayer HealthCare. (DJ)
- **Pfizer Gains Extra Six Months on Lipitor Patent in EU, FT Says** -- Pfizer Inc. has been granted an extension in most European Union countries to May 2012 on the patent on its cholesterol-lowering drug, Lipitor, which is due to run out in November, after seeking a "supplementary protection certificate" from the European Union, the Financial Times reported. The move, which came after Pfizer carried out additional tests to provide slightly modified versions for children, could mean Pfizer will earn about \$800 million in sales, according to the newspaper. (BN)
- **Pfizer's Nutrition Ops May Interest Danone, Nestle, Citi Says** -- Says strategically, both Nestle and Danone would have a good fit with the Pfizer Nutrition business. * Acquisition of Pfizer Nutrition business would be ~4% earnings enhancing for Danone by yr 3, ~2% for Nestle * At \$8.5b, RoIC would struggle to beat WACC unless savings were significantly above 10% of sales * NOTE: July 7, Pfizer puts Animal Health and Nutrition businesses up for sale (BN)
- **Bayer Falls 3.3% in L&S Pre-Market Trading After Patent Revoked** -- Bayer AG fell 3.3 percent to 55.50 euros at Lang & Schwarz Wertpapierhandelsbank AG by 7:42 a.m. Frankfurt time after the European Patent Office decided to revoke the drugmaker's formulation patent for Yasmin, Yasminelle and Yaz. (BN)
- **Qiagen Raises Takeover Offer For Cellectis To A\$3.80 Vs A\$3.55** -- Netherlands-based medical diagnostics company Qiagen N.V. said Monday it has lifted its bid to take over Australia's Cellectis Ltd. to A\$3.80 per share, from its previous offer of A\$3.55. The higher bid raises the value of the takeover offer to US\$374 million, Qiagen said in a statement. (DJ)
- NorthumbrianWaterGrp (NWG)-Statement re Possible Offer – Following the announcement on 1 July 2011 that Northumbrian Water had received a non-binding indicative proposal from CKI, Northumbrian Water now announces that CKI has made a revised non-binding proposal at 465 pence in cash per ordinary share for the Company. (RNS)
- **Renault First-Half Sales Rise to Record 1.4 Million Units** -- Renault SA's vehicle sales rose to a record 1.4 million units in the first half of 2011, up 1.9 percent from year-earlier levels, the company said in an e- mailed statement today. International sales increased 20 percent from year-earlier levels, boosted by Brazil and Russia. French sales declined 9.9 percent, according to the statement. Renault expects the world car market to grow between 3 percent and 4 percent this year from 2010 levels, with a decline of between 0 and 2 percent in the European market. (BN)
- **Siemens Changes Osram's Legal Status to AG for IPO, FAZ Says** -- Siemens AG has converted its Osram GmbH unit into Osram AG in preparation for an initial public offering, Frankfurter Allgemeine Zeitung reported, without saying where it got the information. The supervisory board's decision should be entered in the Commercial Register at the end of July or the beginning of August, FAZ said. (BN)
- **BSkyB Deal Risk Grows on Younger Murdoch's News Corp. Links** -- James Murdoch's ties throughout the News Corp. empire may threaten the company's 7.8 billion-pound bid for British Sky Broadcasting Group Plc as a phone-hacking scandal around a News Corp. tabloid escalates. The 38-year-old son and heir-apparent to News Corp. Chief Executive Officer Rupert Murdoch has since 2007 been overseeing News International, the U.K. publishing unit including News of the World, the Sunday tabloid that was shut down on July 9 amid allegations that employees hacked into voicemails of murder and terror victims and bribed police. In the same year, Murdoch became non-executive chairman at BSkyB after running the satellite television company for four years as CEO. (BN)
- **Miliband Calls for Murdoch's News Corp. to Drop Bid for BSkyB** -- U.K. Labour Party leader Ed Miliband said Rupert Murdoch should drop a bid to buy British Sky Broadcasting Group Plc amid allegations of phone hacking that prompted the closure of one of his News Corp. newspapers. "The first thing he should do is to drop the bid for BSkyB," Miliband told BBC Television's "Andrew Marr Show" today. Prime Minister David Cameron "needs to make clear that the BSkyB bid can't go ahead until the criminal investigation is complete," he said. (BN)
- **Alwaleed Has No Plans to Sell News Corp Stake, Reuters Says** -- Kingdom Holding Co. has no plans to change its stake in News Corp., Reuters reported, citing owner Prince Alwaleed bin Talal Al Saud. The investment is "strategic" and the phone-hacking scandal that resulted in the company closing its News of the World tabloid newspaper "makes our partnership stronger," he said, according to the news agency. (BN)

- **Hinton May Be Blamed for News Corp.'s Hacking Scandal, FT Says** -- Les Hinton, chief executive officer of News Corp.'s Dow Jones division, may be blamed for failing to handle the News of the World phone hacking scandal when he was responsible for the company's U.K. newspaper unit, the Financial Times reported, citing people familiar with the situation. Hinton "has questions to answer" regarding the reassurance he gave a parliamentary committee that News Corp. had conducted a rigorous internal inquiry, the FT said, citing the people. (BN)
- **Murdoch Faces \$62 Million BSkyB Breakup Fee, Independent Says** -- Rupert Murdoch's News Corp. will have to pay a 38.5 million-pound (\$62 million) breakup fee to British Sky Broadcasting Group Plc, if the media group fails to go ahead with plans to bid for the broadcaster, the Independent on Sunday reported, citing unnamed bankers and investors. The fee was part of the terms agreed when Murdoch launched a bid last year for the BSkyB shares his company doesn't already own, the U.K. newspaper reported. The fee, which amounts to 0.5 percent of the value of the bid at that time, covers regulatory and other costs, the Independent on Sunday said. (BN)
- **Berlusconi business ordered to pay rival 560 million euros** -- An appeals court in Milan on Saturday ordered Silvio Berlusconi's media holding company, Fininvest, to pay damages worth 560 million euros to one of the Italian prime minister's business rivals. The verdict represented the latest instalment in a long judicial process originating in 1991, when Fininvest was accused of bribing a judge in order to win a takeover battle against Carlo De Benedetti's company CIR for publisher Mondadori. In separate criminal proceedings, Berlusconi was acquitted of corruption charges on statute of limitations grounds. The appeals court reduced the amount that Fininvest needs to pay, which was originally set by judges at 750 million euros, according to Italian media reports. CIR can now demand the money immediately. If Fininvest is unable to pay, it will have to resort to help from the banks. (BN)
- **Virgin Trains Seeks to Operate U.S. Railroad Route, FT Reports** -- Virgin Trains, a joint venture between Virgin Group Ltd. and Stagecoach Group Plc, is advising the U.S. Congress transportation and infrastructure committee about the possible sell-off of the government controlled northeast corridor, the Financial Times reported, citing Virgin Trains Chief Executive Officer Tony Collins. Collins said Virgin is interested operating the Washington to Boston route, the newspaper said. (BN)
- **Michael Page 2Q Trading Gross Profit Increases 32%** -- Says full-year profit to be broadly in-line with forecasts. * Sees modest growth in UK business, Asia and LatAm remains strong, Europe improving (BN)
- **JPMorgan Reverses Underweight on Europe vs U.S.** -- After relative decline year-to-date, European equities may outperform, JPMorgan says. * Says stronger economic momentum calls means improving relative EPS revisions * Highlights relative valuations are cheap * Confirms preference for core Europe, particularly DAX * Lists pair trade ideas: BP vs Chevron, Eni vs Marathon Oil, Sandvik vs Kennametal, ABB vs Rockwell Automation, Pernod- Ricard vs Brown-Forman (BN)

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- **Europe May Accept Greek Bond Defaults in Bailout Plan, FT says** -- European leaders are prepared to accept that Greece should default on some of its bonds as part of a new bailout plan for the country that would put its total debt levels on a sustainable footing, the Financial Times reported, citing unnamed senior officials. The new plan, to be discussed at a meeting of euro area finance ministers tomorrow, could also include new concessions by European lenders to reduce Greece's debt, including further lowering interest rates on bailout loans and a broad-based bond buyback program, the FT said. (BN)
- **EU's Rehn Concerned About Debt Contagion to Italy, FT Reports** -- Olli Rehn, the European Union's economic and monetary affairs commissioner, is "extremely concerned" about the region's debt crisis reaching Italy, Financial Times Deutschland said, citing an interview with an unidentified EU official. The official said concern about Italy is bigger than fears over Portugal, the FT reported, adding that a common solution to the problem must be found for all countries. (BN)
- **ECB Trichet Calls For Stronger EU Governance Amid Global Economic Fragility** --The global economy is still fragile and more work needs to be done in terms of strengthening economic governance in the European Union and coordinating policies among its 17 members to avoid future crises, European Central Bank President Jean-Claude Trichet said Sunday. "The major revelation of the last four years was the fragility of the global economy," Trichet told the Rencontres Economiques d'Aix-en-Provence conference. "Strengthening resilience is absolutely essential given the fragility exhibited by the global economy." Trichet's remarks come as the European economic bloc faces increasing challenges with some observers warning that it ultimately runs the risk of disintegrating unless it finds a way to coordinate and reduce discrepancies between the economic cycles of its members. Trichet also reiterated calls for stronger coordination of public spending in the 17-nation currency union and the E.U. as a whole. The approval of the European Union's key economic-governance proposal, which is central to strengthening oversight, is stalling due to disagreement between the Parliament and the European Council. "We evidently need a strengthening of governance for the constellation of sovereign states that we have seen working together so effectively in terms of creating wealth," he said, adding that this could even go as far as a single euro zone finance minister in the future. (DJ)
- **[Fri] Bini Smaghi: Suggests Creation Of Single Euro-Zone Debt Agency** -- Euro-zone members should consider creating a "supra-national" debt agency as part of efforts to boost fiscal oversight and avoid future debt crises, European Central Bank Executive Board Member Lorenzo Bini Smaghi said Friday. "The crisis has shown that the euro is an incomplete construct and needs to be completed," Bini Smaghi said in a speech delivered in Poros, Greece. Bini Smaghi further warned that private sector participation as part of a solution to Greece's debt woes could result in an even costlier outcome for taxpayers, particularly in the midst of a financial crisis. "Policy makers should explain under which circumstances forced involvement by the bondholders would entail higher costs for taxpayers," Bini Smaghi said. (R)
- **Sweden's Borg: Skeptical About EU Finance Minister** --Swedish Finance Minister Anders Borg on Sunday dismissed the idea of a European Union finance minister, or an official that would embody a homogeneous economic policy within the union, because that would imply increasing transfers among member countries. Borg said he would rather see the implementation of stricter governance mechanisms to prevent the national public accounts of some member states to deteriorate. "I'm skeptical about a transfer union," Borg said on the sidelines of a panel at a conference in Aix-en-Provence. "We don't need a E.U. government, but rather a E.U. governance system that prevents public spending from spiralling out of control in the future." (DJ)
- **EU Officials to Discuss Greece Rescue** -- High European officials have been summoned by EU Council President Herman Van Rompuy to discuss plans for a second bailout package for Greece on Monday. The meeting will include ECB President Jean-Claude Trichet, Luxembourg Prime Minister Jean-Claude Juncker, European Commission President Jose Manuel Barroso and EU economy commissioner Olli Rehn. "There are various concerns and worries about the progress of the second bailout package [for Greece], mostly because of little progress in the private-sector involvement," a senior EU official has told The Wall Street Journal. "It's not moving at the expected pace," the



anonymous official has added. A new plan scheduled to be discussed at a sitting of Euro Area Finance Ministers Monday could include new concessions by European lenders to reduce Greece's debt, including further lowering interest rates on bailout loans and a broad-based bond buyback program. Novinite.com (SNA)

- **EU stance shifts on Greece default** -- European leaders are prepared to accept Athens should default on some of its bonds as part of a new bail-out plan <http://link.ft.com/r/ZE9K33/62274X/WTTMX/WL3CGQ/R3FMPW/9A/h?a1=2011&a2=7&a3=11> (FT)
- **Europe Needs to Cut Greece's Debt Service Costs, Borg Says** -- The European Union needs to look for ways of reducing Greece's debt servicing costs, Swedish Finance Minister Anders Borg said, suggesting a shift in focus as the bloc begins considering additional aid for the country. More than a year after the EU and the International Monetary Fund extended Greece 110 billion euros in aid, they're considering options for additional support as the country's borrowing costs and indebtedness continue to grow. The yield on two-year Greek notes rose to a euro-era record of more than 30 percent last week. The nation's debt burden will rise to 158 percent of GDP this year from 143 percent in 2010, according to EU forecasts. (BN)
- **Moody's: Continued Denial Of Market Access To Spur Further Calls On EFSF, ESM** -- It is increasingly clear that private debt markets will deny distressed euro-zone sovereigns access "for months, or even years," necessitating long-term support from the European Union and International Monetary Fund, a senior analyst at Moody's Investors Service said Monday. Writing in the credit rating agency's weekly credit outlook report, Chief Credit Officer for Europe Alastair Wilson said increasing signs that support for distressed euro-zone sovereigns won't be open-ended could further delay the return of Greece, Ireland and Portugal to the private debt markets. He added that their continued lack of market access would spur further calls on the European Financial Stability Facility and the European Stability Mechanism--the bloc's current and future bail-out funds--with the private sector potentially sharing the burden. "It is increasingly clear that private markets will deny distressed sovereigns access for months or even years, and that European Union and International Monetary Fund support will be required over the long term," Wilson said. (DJ)
- **ECB Seeks Larger Euro-Zone Rescue Fund -- Report** -- The European Central Bank wants a bigger rescue fund for the euro zone to keep the debt crisis from spreading to Italy, according to the Monday edition of the German newspaper Die Welt, which cited senior ECB officials. The ECB officials said the fund might have to be doubled to as much as EUR1.5 trillion, and the European Union's crisis policies reformed, the newspaper reported. The fund's current size was never meant to provide a credible defensive wall around Italy, the newspaper cited one of the officials as saying. (BN)
- **[Fri] Greek Loan Payment Backed by IMF, Buying Time for Second Rescue** -- Greece won approval from the International Monetary Fund for a 3.2 billion-euro payment under a joint loan with the European Union, buying policy makers time to craft a second rescue package and avert the first sovereign default in the euro region. (BN)
- **ECB Seeks Private-Bank Advice on Euro Default, Handelsblatt Says** -- The European Central Bank is seeking advice from a private-sector bank on what to do in the event of a sovereign default in the euro area, Handelsblatt reported, without saying where it got the information. The newspaper said the ECB has written to "more than five" financial institutions in recent days, requesting that they apply to act as advisers. (BN)
- **Spain May Call Snap Election November 27 -- Report** -- Spain's government may call for snap elections on November 27, four months ahead of schedule, El Pais reports, citing leading, unnamed members of the ruling Socialist Party. Many in the party believe Prime Minister Jose Luis Rodriguez Zapatero may call a snap election after last week's resignation of Deputy Prime Minister Alfredo Perez Rubalcaba, El Pais adds. Rubalcaba is the Socialists' next candidate for the post of prime minister. Zapatero, who has been prime minister since 2004, said earlier this year he won't stand for reelection. His popularity has plummeted due to Spain's deep economic crisis. Some analysts have suggested the Socialists' may be looking for a snap election before Zapatero's term ends in March 2012 so that Rubalcaba can benefit from an expected improvement in unemployment figures over the summer. (DJ)
- **Borg Says Sweden to Have Growth of 3% in Coming Years** -- Swedish Finance Minister Anders Borg said his country's growth rate will be about 3 percent annually in coming years. Sweden's budget will be in "significant" surplus next year and the nation's debtload will drop rapidly in the next few years, he said. He spoke in Aix-en-Provence, France (BN)
- **IMF's Zhu Says Europe Needs to Boost Growth, Strengthen Banks** -- Zhu Min, an advisor to the International Monetary Fund, said that Europe needs to boost its economic growth rate and should turn to private investors to help strengthen its banks. "It's an absolutely fundamental issue to promote growth in the region," Zhu said at a conference in Aix-en-Provence, France. "Growth is absolutely most important issue for the region." Zhu also urged European governments to make it easier for banks to raise capital in the markets as part of an effort to strengthen the balance sheets of the region's biggest lenders. (BN)
- **White House Budget Meeting Ends, Talks To Resume On Monday** -- President Barack Obama and congressional leaders met for about 75 minutes Sunday evening without reaching a deal to cut the deficit and lift the nation's borrowing limit, raising the prospects that talks will continue to drag towards the Aug. 2 deadline of a potential U.S. credit default. The two sides will meet again Monday, and Republicans are expected to lay out their framework for a deficit-reduction deal, according to a Democratic aide familiar with the discussion. The meeting in the White House Cabinet Room began with Mr. Obama emphasizing that he believes the group should still strive for a big deal on deficit reduction. "We came into this weekend with the prospect that we could achieve a grand bargain," House Minority Leader Nancy Pelosi, (D., Calif.), said after the meeting. "We are still hopeful for a large bipartisan agreement, which means more stability for our economy, more growth and jobs, and more deficit reduction over a longer period of time." (DJ)
- **Geithner Says He Wants 'Largest' Deal Possible on Deficit** -- Treasury Secretary Timothy F. Geithner said the Obama administration wants the most comprehensive deficit-cutting deal possible and reiterated that failing to raise the debt limit could have "catastrophic" consequences. "We have to find a way to pass an agreement, but the president is going to keep working toward the largest deal we can do, because that's the right thing for the country," Geithner said today on NBC's "Meet the Press" program. Obama and congressional leaders are seeking a deficit-slashing deal to pave the way for a vote in Congress to increase the government's \$14.3 trillion debt limit, a move the Treasury Department says is needed by Aug. 2 to avert a default on the nation's financial obligations. Geithner said Congress has no alternative to raising the debt limit and there are no "constitutional" delays available. A default resulting from failure to raise the ceiling could do "catastrophic" damage to the U.S. economy, he said. Some Democrats in Congress have discussed the idea of claiming presidential authority to continue borrowing without congressional approval based on an interpretation of the Constitution's 14th Amendment. (BN)
- **U.S. debt default to have "nasty consequences" for global economy** -- New chief of the International Monetary Fund [IMF] Christine Lagarde said Sunday that there would be "real nasty consequences" for global economy if the United States defaulted on its financial

obligations. Lagarde, who took the post of the IMF managing director on July 5, said in an interview with the U.S. media that the default would cause interest rate hikes and stock market falls across the world. Her comments came at a moment when the White House and Republicans are intensively involved in deficit reduction and debt limit talks. The U.S. borrowing limit, currently at 14.29 trillion U.S. dollars by Aug. 2, was reached on May 16. The U.S. Treasury Department said the United States would begin to default if there was not an agreement to lift the limit before the Aug. 2 deadline. (Comtex)

- **Economic Outlook: insight sought on Fed** -- Clues to the US central bank's thinking on standardising monetary policy will be looked for by markets this week as Bernanke speaks to Congress
<http://link.ft.com/r/ZE9K33/62274X/WTTMX/WL3CGQ/8Z237L/9A/h?a1=2011&a2=7&a3=11> (FT)
- **Fed Data Cruncher Finding No New Normal Unemployment** -- Mary Daly holds up two charts containing 33 bars that all point down. They show eight industries getting hit equally hard after the 18-month recession ended in June 2009, suggesting that much of the past two years' high unemployment is broad-based and should dissipate as the economy improves. Daly is among researchers throughout the Federal Reserve system -- from San Francisco to Philadelphia and the board in Washington -- who are scouring data, examining models and gleaning anecdotes to determine why the jobless rate has remained stuck around 9 percent or more since April 2009. Most are reaching the conclusion that any long-term, structural shifts in the labor market aren't significant enough to keep the U.S. from returning to a pre-crisis unemployment level of 5 percent to 6 percent by about 2016. "If we were mis-measuring the natural rate of unemployment, I would expect to see rapid wage growth in some sectors offset by wage declines in others," said Daly, 48, who heads the Federal Reserve Bank of San Francisco's applied microeconomic research department. "I don't see that. I see pretty uniform patterns across all sectors." This means Chairman Ben S. Bernanke and his colleagues should be able to bring down unemployment by continuing to keep interest rates near zero, eventually stimulating demand and encouraging businesses to start hiring again, said Sung Won Sohn, former chief economist at Wells Fargo & Co. and now an economics professor at California State University-Channel Islands. The risk is they will leave record stimulus in place too long, sparking a rising price spiral. (BN)
- **Fed on Hold Longest Since 1940s as Curve Shows Slow Growth** -- The Federal Reserve may keep interest rates at record lows for the longest period since World War II as the economic slowdown that sparked a four-month bond rally worsens, according to Treasury market signals. The 3 percentage point gap between yields for three-month and 10-year Treasuries indicates the economy may grow 1.1 percent in the 12 months ending June 2012, a study by the Fed Bank of Cleveland says. That's less than half the central bank's current forecast, and may delay any rate increase from the zero- to-25 basis point range held since December 2008. Slower expansion means the Fed is unlikely to tighten credit until June 2012, the longest static period since the government forced the central bank to buy Treasuries during the 1940s. Any spending cuts agreed by President Barack Obama and Congress before the Aug. 2 deadline to raise the \$14.3 trillion debt limit may restrain the economy. (BN)
- **Best Currency Forecasters Say Dollar Slump Over as Index Tumbles** -- The best currency forecasters say that the dollar's 13 percent slide over the past year is coming to an end as Europe's deepening debt crisis discourages bets against the world's reserve currency. Led by Schneider Foreign Exchange Ltd., the five most- accurate firms during the six quarters through June 30 as measured by Bloomberg see the dollar trading at \$1.42 per euro on average by year-end, compared with \$1.43 on July 8. Against the yen, they predict the greenback will rise to 83 from 80.64. While Moody's Investors Service added to Europe's woes last week by lowering Portugal's credit ranking to junk, the dollar is regaining its status as a haven after the worst performance over the past year among 10 developed-market currencies based on Bloomberg Correlation-Weighted Indexes. The dollar is up 4.7 percent from a 17-month low on May 4 against the euro. (BN)
- **China's June Consumer Prices Rise 6.4% From Year Earlier** -- China's consumer prices gained 6.4 percent in June compared with a year earlier, the statistics bureau said in on its website today. Producer prices increased 7.1 percent in the month from a year ago, the statistics bureau said. (BN)
- **China 1st-Quarter Current Account Surplus Down 21% On Year** -- China's first-quarter current account surplus, the broadest measure of its trade balance with the outside world, fell 21% from a year earlier to \$28.8 billion, the State Administration of Foreign Exchange said in a statement Monday. The first-quarter current account surplus was down sharply from \$102.1 billion in the fourth quarter of 2010. China ran a rare quarterly trade deficit in the first quarter, but has since returned to surplus, meaning the second-quarter current account surplus will likely be larger. In the first quarter, China ran a trade deficit of \$1.02 billion, but in the second quarter, it ran a surplus of around \$46 billion, according to data from the customs bureau. The narrowing of the current account surplus may alleviate concerns somewhat over China's external imbalances. However, the rapid accumulation of foreign exchange in the period indicates that pressures from foreign fund inflows continued. China acquired \$138 billion of foreign-exchange reserves in the first quarter, excluding the effects of changes in exchange rates and asset prices, SAFE said. (DJ)
- **China Growth May Slow as Wen Faces Limited Scope to Respond** -- China's economy probably grew the least in almost two years last quarter, contributing to a global weakening that Premier Wen Jiabao confronts with more limited scope for policy response than during the 2008 world recession. The government is forecast to report July 13 gross domestic product rose 9.3 percent from a year before, according to the median estimate in a Bloomberg survey, down from 9.7 percent the previous quarter. With data two days ago showing consumer prices climbed the most in three years in June, any easing in the central bank's monetary stance risks escalating price pressures. (BN)
- **Accounting change to show extra public debt** -- Hundreds of billions of pounds of additional debt will appear on the government's books on Wednesday when the Treasury publishes accounts drawn up on the same basis as those of companies
<http://link.ft.com/r/2SR11/C4440D/2OODQ/C5AIOO/AMZ36E/HK/h?a1=2011&a2=7&a3=10> (FT)
- **U.K. Recovery Is Fragile Amid Global Growth Risks, Chamber Says** -- The U.K.'s recovery remains fragile after the economy struggled in the second quarter amid risks of slowing global growth, the British Chambers of Commerce said. Gross domestic product probably grew 0.3 percent in the three months through June, the group's quarterly survey of U.K. companies showed today. The survey, which covered about 6,600 companies, may have been "negatively affected" by public holidays in April and May, according to the report. "The economy is still weak," BCC Chief Economist David Kern said today in an e-mailed statement. "Recent economic data suggests that the rebalancing of the economy towards net exports is still not strong enough. With the international situation becoming more uncertain, there are worrying signs that global growth is set to slow, and this will add to the challenges facing U.K. exporters." (BN)



Last Trading Day Stats

Index	Close	1D %Chg	YTD%Chg
EuroStoxx 50	2,790.09	-1.91%	-0.10%
CAC	3,913.55	-1.67%	2.86%
DAX	7,402.73	-0.92%	7.07%
AEX	342.48	-0.78%	-3.41%
FTSE 100	5,990.58	-1.06%	1.54%
SMI	6,152.69	-0.94%	-4.40%
OMX	1,120.58	-1.28%	-3.03%
S&P 500	1,343.80	-0.70%	6.85%
Nikkei 225	10,069.53	-0.67%	-1.56%

Index	Close	1D Chg	5D Chg
Dow Jones	12,657.20	-62.29	242.86
VIX Index	15.950	0.000	-0.570
VDAX Index	18.260	1.270	1.110
2-10 EUR	137.550		
2-10 US	264.476		
Eur / Dollar	1.4197		

Bunds	Yield (%)	Chg 1d bp	Chg 5d bp
2YR	1.45	-0.80	-22.10
5YR	2.025	-0.80	-27.30
10YR	2.836	0.50	-18.60
Close			
1st CL future	Close	1D Chg	5D Chg
CRB index	#N/A	-2.75	5.50

AEX close	342.48
ADR Impact	1.92
ADR Impact %	0.56%
AEX Parity	344.40
AEX Ex-div Impact	

ADRs	Volume	Rel.vol	NL Close	ADR (Eur)	Chg EUR	%Chg
AEGON NV-NY REG	651268	61%	4.59	4.62	0.03	0.69%
ARCELORMITTAL-NY	6162814	161%	24.01	24.23	0.22	0.92%
ASML HOLDING-NY	1608606	60%	26.22	26.37	0.15	0.58%
REED ELSEVIE-ADR	108595	108%	9.34	9.34	0.01	0.08%
ING GROEP-ADR	1706036	79%	8.39	8.46	0.07	0.78%
PHILIPS ELEC-NY	2630318	172%	17.79	17.90	0.11	0.64%
ROYAL DUTCH-ADR	2421637	112%	25.42	25.72	0.31	1.20%
UNILEVER NV-NYS	2049412	94%	23.38	23.58	0.20	0.84%

Dow Jones Sectors US	Close	%Chg	Chg 1d	Chg 2d	Chg 5d
BAS MAT	324.03	-0.73%	-2.37	3.09	7.02
CON CYC	377.08	-0.56%	-2.14	3.16	10.11
CON NCY	352.00	-0.36%	-1.27	0.99	6.63
ENERGY	654.24	-0.66%	-4.33	4.14	12.11
FINANCL	284.63	-1.14%	-3.29	0.93	3.23
HLTHCAR	374.42	-0.32%	-1.21	-1.35	3.87
INDUST	345.10	-1.12%	-3.91	-0.27	5.93
TECH	693.26	-0.46%	-3.23	6.14	21.83
TELECOM	140.29	-0.43%	-0.61	-0.48	0.41
UTILITY	165.82	-0.34%	-0.57	-0.01	1.67

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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.