



# Morning News:

December 2, 2010

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Corporate Events

## Corporate Events

<u>Company</u>	<u>Ticker</u>	<u>Time</u>	<u>Event Description</u>
Affymax Inc	AFFY US	9:00	Analyst Briefing
Del Monte Foods Co	DLM US	8:00	Q2 2011 Earnings Release
DIRECTV	DTV US	8:30	Investor Day
Exelixis Inc	EXEL US	10:00	R&D Day
Kroger Co/The	KR US	8:45	Q3 2011 Earnings Release
Live Nation Entertainment Inc	LYV US	13:00	Annual General Meeting
Novell Inc	NOVL US	16:00	Q4 2010 Earnings Release
Phillips-Van Heusen Corp	PVH US	Aft-mkt	Q3 2011 Earnings Release
Principal Financial Group Inc	PFG US	9:00	FY 2011 Guidance Call
Toll Brothers Inc	TOL US	5:00	Q4 2010 Earnings Release
VeriFone Systems Inc	PAY US	Aft-mkt	Q4 2010 Earnings Release
Virgin Media Inc	VMED US	4:00	Analyst and Investor day - London

Economic

## Economic Data

		est/act
08:30	Initial Jobless Claims NOV 27	424K
08:30	Continuing Claims NOV 20	4200K
10:00	Pending Home Sales MoM OCT	-0.9%
10:00	Pending Home Sales YoY OCT	n/a
16:00	RPX Composite 28dy YoY SEP	n/a
16:00	RPX Composite 28dy Index SEP 30	n/a

General

Analyst

## General Events

09:30	Treasury's Warren at Consumer Federation Conference
12:20	Fed's Plosser Speaks on Economic Outlook in Rochester, NY
12:30	Fed's Bullard Speaks to Economists in Washington
14:00	Fed's Duke Speaks on Consumer Credit in Philadelphia

Micro-News

Macro-News

Analyst Research

<u>Upgrades</u>	<u>Initiates</u>	<u>Cuts</u>
<i>Andersons Inc BB&amp;T Raised ANDE to Buy from Hold</i>	<i>BlackRock, Inc. Wells Fargo Initiates BLK with Outperform, price target: \$196-206</i>	<i>Bucyrus International Inc Goldman Sachs Cuts BUCY to Neutral from Buy</i>
<i>Collective Brands Inc. Soleil Securities Raised PSS to Buy from Hold, price target: \$24</i>	<i>Itron Inc Goldman Sachs Initiates ITRI with Sell, price target: \$45</i>	<i>Leap Wireless International Piper Jaffray Cuts LEAP to Underweight from Neutral, price target: \$9</i>
<i>Suntech Power Holdings Auriga Raised STP to Buy from Hold, price target: \$11</i>	<i>Legg Mason Inc Wells Fargo Initiates LM with Market Perform, price target: \$32-35</i>	

Micro-Economic News

- PepsiCo Agrees to Buy 66% of Wimm-Bill-Dann for \$3.8 Billion - Bloomberg** PepsiCo Inc., the world's largest snack-food maker, agreed to acquire a controlling stake in Wimm-Bill-Dann Dairy & Juice Co. for \$3.8 billion to become the biggest food-and-beverage company in Russia. PepsiCo, based in Purchase, New York, will buy 66 percent of Wimm-Bill-Dann, subject to government approvals, the companies said in a statement today. The U.S. company will then make an offer for the remaining Wimm-Bill-Dann shares. Wimm-Bill-Dann rose 920.2 rubles, or 40 percent, to 3,220.71 rubles at 2:22 p.m. in Moscow trading, the day's highest price. "PepsiCo has acquired one of Russia's best national food and beverage distribution networks," said Andy Smith, an analyst at MF Global in London.
- Morgan Stanley Said to Sell CICC Stake to KKR, GIC - Bloomberg** Morgan Stanley is selling its 34.3 percent stake in China International Capital Corp. to Kohlberg Kravis Roberts & Co., TPG Capital, Singapore's Great Eastern Holdings Ltd. and the island nation's sovereign-wealth fund, four people with direct knowledge of the deal said. Morgan Stanley plans to sell stakes of about 10 percent each to TPG and KKR, and about a 5 percent stake to Great Eastern, the insurer controlled by Oversea-Chinese Banking Corp., said the people, who declined to be identified because the matter isn't public. Government of Singapore Investment Corp. will buy the remainder, the people said. The 34.3 percent stake is valued at about \$1 billion, two of the people said. The sale will end Morgan Stanley's 15-year involvement in CICC, the first Sino-foreign investment bank and the top-ranked underwriter of share sales in the country. The U.S. firm, which ceded management control of CICC a decade ago, plans to form a partnership with Shenzhen-based China Fortune Securities Co.
- Toll Brothers Reports Quarterly Profit on Tax Break - Bloomberg** Toll Brothers Inc., the largest U.S. luxury-home builder, reported a fourth-quarter profit on a tax credit and lower writedowns for land that fell in value. Analysts predicted a loss. Net income in the three months through October was \$50.5 million, or 30 cents a share, compared with a loss of \$111.4 million, or 68 cents, a year earlier, the Horsham, Pennsylvania-based company said in a statement today. Analysts projected a loss of 7 cents a share, the average of 17 estimates in a Bloomberg survey. U.S. homebuilders have struggled to become profitable as mounting foreclosures and an unemployment rate near 10 percent stifle demand. Toll Brothers' advantages include a presence in New York and Washington, which are among the strongest markets, according to Jack Micenko, an analyst at Susquehanna International Group LLP in New York. The homebuilder was hurt less than other homebuilders by a plunge in purchases by first-time buyers, he said.
- Acer Aims to Capture 15% of Tablet PC Market in 2011 - Bloomberg** Acer Inc. said it's aiming to capture 15 percent of global tablet-computer sales next year, challenging Research In Motion Ltd. and Samsung Electronics Co. for second place in a market dominated by Apple Inc.'s iPad. Shipments will begin next quarter as the Taipei-based personal-computer maker jumps into a market where global shipments may reach 50 million units in 2011, Chief Executive Officer Gianfranco Lanci said

yesterday in an interview in Chongqing, China. Lanci's projections indicate Acer, the top maker of low-end laptops known as netbooks, may sell more than twice the number of tablets JPMorgan Chase & Co. estimated last month. The push highlights the intensifying competition to become No. 2 in the fastest-growing segment of the computer industry as companies from RIM to Samsung battle to offer the most popular alternative to the iPad.

- **[Bank of America Becomes Bank of Asia as Deals Resume - Bloomberg](#)** A black leather couch in Jayanti Bajpai's 17th-floor Hong Kong office bears witness to Bank of America Corp.'s turn of fortune in Asia. Twenty months ago, Bajpai sat on the sofa with discouraged Merrill Lynch & Co. colleagues, asking them one at a time to focus on the benefits of the firm's merger with Bank of America, the largest U.S. lender by assets, he said. By the end of last year, conversations held on the same couch, which overlooks Hong Kong Park, had turned to deals. Bank of America is headed for its best year advising on mergers and acquisitions in Asia-Pacific since 2005, and arranging initial public offerings since 2007, data compiled by Bloomberg show. The combined companies have generated 30 percent more revenue from traditional investment-banking businesses in the region than they did as separate entities, according to a person with knowledge of the matter who asked not to be identified because the figures aren't public.
- **[How Pricing Could Take a Bite Out of Kroger - WSJ](#)** The prospect that grocers like Kroger Co. could soon see the return of pricing power has some investors salivating. But their appetites easily could be spoiled. Early this year, investors cheered signs of food inflation in the hope it would allow grocers to boost profits by increasing prices more than their costs were rising. That didn't quite pan out. Grocery shares came crashing down in late April when Safeway Inc. said it was struggling to pass along cost increases in some categories like milk and meat. A similar story played out at Kroger, which saw its second-quarter gross margins, excluding gasoline sales, fall slightly from a year earlier. Shares of Safeway and Kroger have since recovered most of their losses. And when Kroger reports third-quarter results Thursday, investors hope to hear that the company finally has gained the upper hand over consumers, or, at the least, that it was able to hold profit margins steady.
- **[Bridgestone Aims to Halve Rubber Use by 2020 on Record Prices - Bloomberg](#)** Bridgestone Corp., the world's largest tiremaker, expects to cut rubber consumption by 50 percent in the next decade after prices more than quadrupled to a record from their 2008 low. Technology being developed will halve use of natural and synthetic rubber in each Bridgestone tire without affecting product quality, Masayuki Ishii, general manager at the corporate communications division, said in an interview. Bridgestone, Michelin & Cie. and Goodyear Tire & Rubber Co. are seeking to control costs after the price of rubber used in tires soared because of floods in Thailand, the top producer, and growing demand in China, the biggest user. Tokyo-based Bridgestone raised U.S. prices last month for the third time this year. The group may struggle to pass on costs in deflation- hit Japan, said Satoru Takada from research company TIW Inc.

## Macro-Economic News

- **[Foreign Firms Received Funds - WSJ](#)** The Federal Reserve, forced by Congress to release details on trillions of dollars' worth of loans made during the financial crisis, disclosed the breadth of its lending to U.S. businesses desperate to raise cash and the surprising degree to which it supported struggling foreign banks in the worst days of 2008 and 2009. The lending, most of which has been paid back, represents the Fed's most aggressive intervention in the economy ever, and included loans to stalwart industrial companies such as General Electric Co. and Verizon Communications Inc. Though the Fed has been credited with helping prevent many banks and firms from collapsing as credit markets stopped functioning, critics also say the Fed overreached and the latest disclosures could open new fault lines. The scale of the Fed's lending was widely known. In all it funneled \$3.3 trillion worth of credit to different parts of the economy and financial system through an array of different programs during the crisis. But the specifics of who got the money hadn't been known.
- **[Bank Stress Reaches Highest Level Since June: Credit Markets- Bloomberg](#)** Derivatives traders are the most concerned since June that European leaders will fail to address the crisis engulfing the region's single currency, causing losses for financial companies. Contracts used to bet on the future

premium banks will charge each other for dollar loans in London over the federal funds rate almost doubled in November. The so-called FRA/OIS spread soared to 42.75 basis points, before easing back to 39.25 yesterday, UBS AG data show. The measure shows banks are still wary of lending to each other, even as investors hedge their bets after European Central Bank President Jean-Claude Trichet signaled policymakers may step up their response to the region's debt crisis when they meet today. The ECB said earlier this year that European banks' ability to sell bonds may be hampered as governments seek to finance fiscal deficits amassed in part to finance a bailout of the banking industry.

- **Trichet 'Held Hostage' as Market Pressure Mounts - Bloomberg** The last time Jean-Claude Trichet refused to bow to market pressure, he was forced into a U-turn. This time the stakes may be even higher. With the euro zone's sovereign debt crisis now threatening to engulf Spain, its fourth-largest economy, investors are again looking for the President of the European Central Bank to do something to stop it, such as delaying the withdrawal of unlimited liquidity support for banks and significantly ramping up its bond purchases. The risk is that the ECB becomes a bail-out tool for politicians -- damaging its independence -- the very scenario Trichet wanted to avoid when he was pressed into the unprecedented step of buying government debt in May. "To some extent the ECB is being held hostage by financial markets," said Juergen Michels, chief euro-region economist at Citigroup Inc. in London. "As the existing measures are unlikely to be sufficient to solve the problems in the periphery, the ECB probably will be forced to increase its programs substantially."
- **OPEC Won't Alter Quota, \$100 Is Fair, Venezuela Says- Bloomberg** The Organization of Petroleum Exporting Countries is unlikely to change its output quotas when it meets in nine days time and \$100 represents a "fair" price for a barrel of oil, Venezuela's energy minister said. Gas-exporting nations also need an OPEC-like body to "regulate" prices, Rafael Ramirez told reporters today. The Venezuelan is one of several ministers attending a meeting in Doha of the Gas Exporting Countries Forum, a gas producers group that does not set supply quotas. Libya's top oil official, Shokri Ghanem, said yesterday in Doha that OPEC is unlikely to change its oil production quotas at the oil group's Dec. 11 meeting in Quito, Ecuador.
- **At London Metal Exchange, Mystery Buyer Holds Bulk of Copper - WSJ** A mystery buyer is apparently holding more than half of the copper stocks at the London Metal Exchange's warehouses, the latest revelation of how a single trader can roil an entire commodities market. That trader, whom the exchange hasn't identified, owns between 50% and 80% of the 355,750 metric tons held in LME-listed warehouses. This amounts to more than 177,875 metric tons of copper, valued at about \$1.5 billion. The exchange first disclosed the large position on Nov. 23 in its daily inventory holder report. "It's an awful lot of copper; it's an awful lot to finance," said Charles Swindon, managing director of RJH Trading Ltd., a London metals trading house. The trader's holding accounts for about 1% of all the copper the world will consume this year.
- **China's Gold Imports Soar Almost Fivefold on Inflation Concern - Bloomberg** China's gold imports jumped almost fivefold in the first 10 months from the entire amount shipped in last year as concern about rising inflation increased its appeal as a store of value, said the Shanghai Gold Exchange. Imports gained to 209 metric tons compared with 45 tons for all of 2009, Shen Xiangrong, chairman of the bourse, told a conference in Shanghai today. China, the world's largest producer and second-biggest user, doesn't regularly publish gold-trade figures and rarely comments on its reserves. Bullion soared 27 percent this year as the dollar dropped on concern that the trillions of dollars governments are pumping into the global economy may debase the value of currencies. China has pledged to use price controls and may raise interest rates a second time this year to slow inflation that has gained to the highest level since 2008.
- **Hedge Funds Tapped Rescue Program- WSJ** Hedge funds and investors whose bearish trades on housing helped them profit amid the credit crisis were among those that benefited from a U.S. government emergency rescue program to kick-start lending, according to Federal Reserve data released Wednesday. That program, known as the Term Asset-Backed Securities Loan Facility, or TALF, and established during the financial crisis, provided low-cost loans from the Federal Reserve to investors buying bonds backed by student, auto and commercial-property loans and other assets. The program, which lasted from March 2009 until June 2010, was aimed at helping banks move loans off their books by repackaging them into bonds and selling them. Funds managed or backed by Magnetar Capital, Tricadia Capital and FrontPoint Partners, which made large profits from the

downturn in the U.S. housing market, were among those who obtained loans from the Fed to buy securities during the ensuing credit crisis, according to the Fed data.

- [Argonaut Sees Portugal Risk as Europe Tops Hedge Funds' Worries - Bloomberg](#) David Gerstenhaber, founder of \$1.6 billion hedge fund Argonaut Capital Management, said Portugal may be the next casualty of Europe's debt crisis. "Portugal is structurally weak," he said in a telephone interview from New York. "There's a 90 percent chance that they will get some form of help" to keep concern over the country's creditworthiness from spreading to Spain and Italy, he said. Gerstenhaber, 50, is among macro hedge-fund managers who say Europe's debt woes pose one of the biggest risks to a global economic outlook that has only gradually improved this year. Global stock indexes and the euro have retreated in the past month as Europe's debt crisis worsened, forcing Ireland last week to follow Greece and ask for a bailout.

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