TODAY 04-07-11

NL (a.o.): - ;
NL Tomorrow *(a.o.): - ;*
EUR (a.o.): Ryanair traffic; ;
EUR Tomorrow *(a.o.): Carrefour Dia Spin-off;*
EUR Ex-div (a.o.): Ebro Foods, Indra Sistemas, John Wood;
EUR Ex-div Tomorrow *(a.o.):Carrefour, Cerinox, ACS, Enagas, Iberdrola Renovables, Public Power Corp. ;*
MACRO:
11:00 Euro-zone PPI
U.S. Markets closed for Independence day

FINANCE Credit / CDS HFs

- **Debt Rollover Plan May Put Greece In Selective Default, S&P Says** -- Standard & Poor's Rating Services said the debt rollover plan for Greece may put the country in "selective default." (BN)
- **[Fri] Noyer Says French Bank Rollover Plan Has Details to Complete** -- Bank of France Governor Christian Noyer praised a plan initiated by French banks to roll over their holdings of Greek debt, though he added that some details have yet to be agreed upon. "The formula offers investors a guarantee on their principal," Noyer said in an interview with Le Figaro newspaper. "The holders of debt can therefore consider that it's in their interest to come into this program rather than to retain the bonds they currently have. It's a development that I welcome, even if some technical and accounting points still need to be sorted out." Noyer also urged Greece to make a "modest" cut in nominal wages to make its economy more competitive. (BN)
- **Allianz to Roll Over 300 Million Euros of Greek Government Bonds** -- Allianz SE, Europe's largest insurer, plans to roll over Greek government bonds as part of a private- sector contribution to a second aid package for the debt- strapped nation. Allianz will reinvest 300 million euros of Greek debt into new securities, spokesman Christian Kroos said by telephone. Chief Executive Officer Michael Diekmann had told Germany's Spiegel magazine the company would contribute that amount toward a rescue package for Greece through 2014. (BN)
- **EU Expects Fincl Transactions Tax To Raise EUR31.5B Annually -Report** -- The European Commission expects a Europe-wide tax on bond, share and derivative transactions to raise EUR31.5 billion annually, German newspaper Frankfurter Allgemeine Zeitung reports Monday, citing internal Commission calculations. That estimate is based on a 0.1% tax on all share and bond trades, and a 0.01% tax on derivative trades, the newspaper reports. The commission hopes a financial transactions tax would make speculative trades less attractive and help finance the EU's budget, the newspaper reports. European Union authorities worry that higher tax rates risk pushing financial institutions out of the trading bloc, the newspaper reports, citing EU sources. The EU is also assessing whether a tax on currency transactions would be legally feasible, FAZ reports. That would bring total revenue from the tax to EUR54 billion annually, the newspaper reports. No one at the commission was immediately available to comment on the article. (DJ)
- **Netherlands Plans Bank Levy To Protect Taxpayer Money** -- The Dutch government said Friday it will levy a tax on banks that could cost them hundreds of millions of euros a year as a way of discouraging them from taking too many risks. The move, which links the amount of tax due to the risk profile of each bank, is intended to prevent taxpayers being hit with bailout bills in future. It marks a u-turn by the Dutch government which had previously insisted that imposing a bank levy on Dutch banks would leave them at a disadvantage to European competitors in countries where no such tax exists. Finance Minister Jan Kees De Jager, who Friday outlined the plans in a letter to lawmakers, said the turnaround in policy was because countries like Germany and the U.K. have also introduced bank levies, thereby creating a more level playing field. It is unclear how much Dutch banks will have to pay. De Jager said he will give more details about it in due course, adding that EUR300 million will be used to cover a shortfall that results from a cut in taxes on home transactions intended to revive the Dutch housing market. (DJ)
- **Irish Banks to Raise Rates by Over 0.25%, Business Post Says** -- Irish banks may raise variable mortgage-interest rates by more than 0.25 percentage points this week, the Sunday Business Post said, without citing anyone. European Central Bank President Jean-Claude Trichet has signaled that policy makers will raise borrowing costs this week for the second time this year. (BN)
- **Chi-X Takeover in Doubt as U.K. Antitrust Probe Begun, FT Says** -- A plan to form the biggest share- trading platform in Europe is at risk as Chi-X Europe Ltd. shareholders are exploring the possibility of selling to new buyers, following the U.K. decision to initiate an antitrust investigation into the platform's acquisition by BATS Global Markets Inc., the Financial Times reported, citing unidentified people close to the deal. (BN)
- **London Stock Exchange Open to Nasdaq Approach, FT Reports** -- LSE open to considering a merger of equals with Nasdaq OMX, FT reports without saying where it got the information. * Nasdaq CEO Bob Greifeld is considering an approach for LSE, though advisers were not yet formally involved, FT cites people familiar with the matter as saying * Greifeld has not spoken with LSE CEO Xavier Role: FT * NOTE: Nasdaq could pay up to GBP10.50-Shr for LSE in stock deal, BofA Merril said in note last month (BN)
- **[Fri] Societe Generale Cuts European Credit Supply Forecast 25%** -- Societe Generale SA analysts cut their forecast for European corporate bond issuance this year by 25 percent, citing companies' cash holdings and treasurers' unwillingness to increase debt. Sales may slide to 90 billion euros from a previous forecast of 120 billion euros, according to London- based credit strategists Suki Mann and Juan Esteban Valencia. It's possible issuance will fall to 87 billion euros or less, the lowest since 1999, they wrote. (BN)
- **Intesa May Keep Fideuram, Dumping IPO Plan, Milano Finanza Says** -- Intesa Sanpaolo SpA, Italy's second- biggest bank, may keep Banca Fideuram SpA, abandoning a plan to list the unit, Milano Finanza reported, citing Chairman Andrea Beltratti. "By keeping Banca Fideuram in the group we can count on all of its profits," Beltratti said in an interview with the newspaper. "We believe that Fideuram has a great future." Intesa Chief Executive Officer Corrado Passera confirmed the bank's plan to sell shares in the asset-management unit in an initial public offering on May 10. The listing was delayed last year due to market conditions. (BN)
- **Western Union Said to Near $1 Billion Purchase of Travelex Unit** -- Western Union Co., the world's largest money-transfer firm, is in talks to buy a division of Apax Partners LLP's Travelex foreign-exchange business for about $1 billion, according to people with knowledge of the matter. Western Union, based in Englewood, Colorado, may announce an agreement to acquire Travelex's global business-payments unit as early as next week, said the people, who didn't wish to be named because the talks are private. Travelex is the world's largest non-bank provider of foreign-exchange services to corporations, according to its website. (BN)
- **UBS AG Won't Sell Its U.S. Unit, Villiger Tells SonntagsZeitung** -- UBS AG Chairman Kaspar Villiger said the bank isn't discussing selling its U.S. wealth management business, SonntagsZeitung reported. While the unit's operations have been "disappointing," UBS saw a turnaround in the first quarter, Villiger told the Zurich-based newspaper. Selling the business "is not an issue," he said. Villiger also said he can't exclude further job cuts. Still, the bank wants to expand in certain areas and wants to regain market share in Switzerland, he said, according to the newspaper. (BN)

- **UBS Chairman: To Provide New Mid-Term Targets In Nov – Report** -- UBS AG (UBS)is reviewing its mid-term targets and will probably present new targets in November, the bank's chairman said in a published interview. Swiss bank UBS hasn't adapted its mid-term target of an annual pretax of CHF15 billion since first presenting it in late 2009. Since then, regulators in Switzerland and elsewhere have asked banks to set more capital aside and capital markets have performed poorly, so that few analysts still expect UBS to reach its target. Chairman Kaspar Villiger told the weekly Sonntagszeitung that "[Chief Executive] Oswald Gruebel has always maintained that the targets were calculated on the base of market expectations and a regulatory environment that were in place at the time." (DJ)
- **Washington Mutual Settles Shareholder Suit For $208.5M** -- Washington Mutual Inc. and other co-defendants agreed to settle a consolidated shareholder class-action lawsuit for $208.5 million, putting behind it one chunk of the failed bank's litigation issues. The suit in federal court in Seattle was the consolidated version of several other class-action lawsuits filed by shareholders, in multiple courts, that all essentially alleged that Washington Mutual failed to stop them from investing when the now-failed thrift knew, or should have known, how much trouble it was in. Some of the lawsuits were actually filed long before the thrift's collapse, though the plaintiffs regularly updated the consolidated case to include the latest reports on Washington Mutual. In a separate matter, three former Washington Mutual executives on Friday sought dismissal of a Federal Deposit Insurance Corp. suit from earlier this year, rejecting the suit's merit and raising doubts they would settle after the FDIC had said last month it was in mediation to settle. Washington Mutual collapsed in September 2008, the largest U.S. bank failure in history. Most of its assets were purchased by J.P. Morgan Chase & Co. On top of the class-action securities suit, there are several other lawsuits across the country over Washington Mutual's actions and subsequent failure. (WSJ)
- **Subprime Mortgage Index Soars As Fed Halts Maiden Lane Sales** -- A bellwether index of subprime mortgage bonds posted its sharpest weekly gain since September 2009 after the Federal Reserve Bank of New York suspended auctions from its Maiden Lane II portfolio of mortgage securities acquired in the American International Group Inc. [AIG] bailout. A slice of the ABX derivatives index that tracks highly rated subprime mortgages rose 2.38 cents on the dollar to 52.73 cents, the highest since May 27 and up 14% from a week ago, according to data provider Markit. "There's been a big spike up as people took off their shorts with the Greece situation temporarily behind us, the Maiden Lane sales being shelved and a rally in other markets," said Jeffry Mullins, co-head of securitized products trading at CRT Capital Group LLC. The indexes had famously showed cracks in the mortgage-bond market before the broad housing collapse four years ago. (DJ)
- **Financial News: Nomura Prop Trader Plans Fund Launch** -- Nomura is working with one of its most senior proprietary traders on plans to launch an internal hedge fund that it will spin off once it is up and running. Borut Miklavcic, head of its fixed-income proprietary trading desk, wants to develop the initiative with individuals from his roughly eight-strong prop team, according to two people familiar with the plans. Nomura aims to provide capital for the fund, the sources said. Miklavcic and Nomura have incorporated a new company, Nomura Cross Asset Strategies LLP, according to documents filed at the U.K.'s Companies House. He is one of two members of the limited liability partnership. The other is corporate member Nomura Europe Holdings Ltd. (DJ)
- **Korea Exchange Bank Falls as Hana May Lower Takeover Price** -- Korea Exchange Bank fell the most in more than two years in Seoul trading after Hana Financial Group Inc. said it may seek a lower price for its acquisition of the bank from Lone Star Funds. Korea Exchange Bank lost as much as 6.2 percent, the most since March 2009, and traded 5 percent lower at 9,050 won as of 10:27 a.m. local time. The benchmark Kospi Index rose 1 percent and Hana gained 4 percent to 38,850 won. (BN)
- **China Banks Can Absorb Government Loan Loss, Bernstein Says** -- China's largest publicly traded banks will be able to absorb credit losses even if 27 percent of their loans to local governments go bad, according to brokerage Sanford C. Bernstein & Co. Industrial & Commercial Bank of China Ltd., Agricultural Bank of China Ltd. and Bank of Communications Co. may need to raise a combined 100 billion yuan ($15 billion)to cover a capital shortfall if the seven largest Hong Kong-listed banks are forced to write down debt and meet Basel III requirements this year, the U.S. firm said in a note to clients. China's first audit of local government debt found liabilities of 10.7 trillion yuan at the end of last year with 79 percent being bank loans, the National Audit Office said last week. As much as 30 percent of the local government financing vehicles' loans may sour and become the biggest contributor to banks' bad debts, Standard & Poor's has said. (BN)
- **Bad Loan Risk Triggers Surge in Default-Swap Costs: China Credit** -- Credit markets are signaling growing concerns that bad loans in China will force the government to bail out banks owed more than 10 trillion yuan ($1.5 trillion)by local authorities. Policy makers' efforts to restrict lending and curb inflation in the aftermath of a $2.7 trillion two-year credit boom are threatening to slow the economy and trigger defaults. As much as 30 percent of loans to local government entities may sour and are likely to be the biggest source of non-performing assets for the industry, Standard & Poor's said in April. "In China, there is significant linkage between the sovereign and banking system credit," said Stephen Long, Hong Kong-based managing director of financial institutions in Asia at Moody's Investors Service. "We have a lot of government support factored into the ratings of the big four banks and think the chance of the state supporting them in times of stress is extremely high." (BN)
- **Bank Brawl Helps National Australia Bank Stave Off Slowdown** -- National Australia Bank Ltd. Chief Executive Officer Cameron Clyne's fight for a larger share of Australia's mortgage market, where four lenders account for about 87 percent of home loans, is bearing fruit. Clyne increased mortgage lending by 15.8 percent in May from a year earlier, more than double the overall 7.2 percent, according to a Credit Suisse Group AG analysis of data released June 30 by Australia's bank regulator. Rivals Commonwealth Bank of Australia, Westpac Banking Corp. and Australia & New Zealand Banking Group posted slowing growth in mortgages, which account for 63 percent of all lending. (BN)

<u>TECH/TELCO</u>

- **EU to More Than Halve Roaming Costs for Mobile Phones, FT Says** -- European telecommunications companies will see their roaming fees cut by more than half by European Union officials, the Financial Times reported. Price caps on mobile phone roaming within the EU will be extened to 2016, the newspaper said. (BN)
- **Evidence Increasingly Against Mobile Phone Cancer Link - Study:** -- Mounting scientific evidence is increasingly against the theory that mobile phone use causes brain tumors, according to a comprehensive analysis from an independent international expert panel. In a paper published Saturday in Environmental Health Perspectives, the researchers concluded that "although there remains some uncertainty, the trend in the accumulating evidence is increasingly against the hypothesis that mobile phone use can cause brain tumors in adults." The review follows publication of the largest epidemiological analysis to date--the 13-country, Interphone Study, which was coordinated by the International Agency for Cancer Research. (DJ)
- **Vodafone Buys Out Partner Essar In Its Indian Unit** -- Vodafone Group PLC Friday took full control of its Indian telecom joint venture by buying out local partner Essar Group in a move aimed at strengthening the U.K. mobile company's position in a challenging market.

Vodafone will pay Essar Group companies about $5.46 billion for the 33% stake in Indian mobile-phone services provider Vodafone-Essar Ltd, as previously flagged by the U.K.-based group in March. Friday's deal completes a process which started when Vodafone bought a 67% stake in Hutchison Essar Ltd. from Hong Kong-based Hutchison Whampoa Ltd. for $11.2 billion in 2007, marking its entry into India, and formally brings Vodafone's partnership with Essar to an end. Vodafone-Essar has in the past four years grown to reach almost 140 million subscribers, making it the third-largest mobile operator in India in terms of subscribers. India is the world's second-largest cell-phone market, after China, with more than 830 million subscribers. It is expected to reach 1 billion subscribers by 2014. (DJ)

- **Fortified European Telecommunications Regulator Has Potential to Wield Real Power** -- A little more than a month ago, the European Union got a newly empowered telecommunications regulatory agency with the potential to exercise real clout. Not that many seem to have noticed. On May 25 that agency, made up of telecommunications regulators from each country in the 27-nation bloc, received the power to police its members and press recalcitrant colleagues to follow European law or risk having national decisions overturned. But so far the agency, called the Body of European Regulators for Electronic Communications, or Berec, has had little opportunity to flex its new muscles. No test cases have been brought before it, and none are in sight. And that is no accident. Before May 25, the same regulators who sit on its board swamped the European Commission with decisions for review, some favoring former monopolies, to avoid Berec's scrutiny. (IHT)
- **Vodacom May Face Claims Over Network Failure, Business Day Says** -- Vodacom Group Ltd. may be forced to refund customers for losses suffered after its South African network failed on June 30, Business Day said, citing Mamodupi Mohlala, South Africa's national consumer commissioner. While the company issued an apology in full page advertisements in local newspapers, this was not good enough, the Johannesburg-based newspaper cited Mohlala as saying. (BN)
- **Zynga plans $1bn IPO; Facebook crucial for gaming co's biz** -- Better known for its 'CityVille' and 'Farmville' games on Facebook, American startup Zynga is all set to lure investors with a whopping USD 1 billion initial public offering. However, Zynga's business fortunes are heavily dependent on popular social networking site Facebook, which is the platform that provides almost all of the firm's revenues. Zynga has filed initial papers with US market regulator SEC for an initial share sale to mop up as much as USD 1 billion. The company has about 148 million monthly unique users spread across 166 countries. "... because our users typically play more than one of our games each month, they account for 232 million monthly active users. "Our players create and store more than 38,000 virtual items every second and spend 2 billion minutes a day with our service," according to Zynga's CEO Mark Pincus. The company, which started in 2007, has just over 2,000 employees in many countries including India. (PTI)
- **Zynga Warns of Risks of Wealth** -- ZYNGA has taken the highly unusual step of warning that plans for a multi-billion dollar flotation of the online gaming company could sour relations among its employees as some suddenly find themselves much richer than others. The disclosure came in the 'Risk Factors' section of the prospectus for a potential $20bn stock market listing that it filed with regulators at the end of last week. Many of the risks outlined are common to any company listing. However, it added that "we expect that this offering will create disparities in wealth among our employees, which may harm our culture and relations among employees". (TEL)
- **Japan Communications Surges on Talks With NTT DoCoMo for Network** -- Japan Communications Inc., a Japanese provider of wireless high-speed internet services, rose the most in almost four months after saying it is in talks to provide services using NTT DoCoMo Inc.'s LTE high-speed network. The shares soared 16 percent to 12,580 yen at the 11 a.m. break on the Tokyo Stock Exchange, set for the highest close since March 11. The company said in a statement today that it has asked NTT DoCoMo, Japan's largest mobile-phone operator by revenue, to use its LTE high-speed network for cloud computing services. With the network, communication speed as fast as wired communication network is available, according to the document. (BN)
- **AU Optronics Plans New Panel Plant, Economic Daily Reports** -- AU Optronics Corp. plans to build the world's biggest sixth-generation low temperature poly-silicon panel plant in Taiwan to compete for orders from HTC Corp., Nokia Corp. and Apple Inc., the Economic Daily News reported, without saying where it got the information. (BN)
- **Computer-Hacking Group Targets Apple In Latest Attack** -- A group of computer hackers on Sunday posted a document it claimed contains usernames and passwords for an Apple Inc. server, the latest in a string of brazen attacks that have compromised government and corporate websites around the world. "AntiSec," a hacking campaign that includes hackers from both the online vigilante group Anonymous and hackers from the now-defunct Lulz Security, posted a document containing a link to a supposed Apple server along with a list of 26 administrative usernames and passwords. AntiSec is Internet shorthand for "anti-security." (WSJ)
- **Apple Inc.** -- The maker of iPhones and iPads violated two patents and was found not to have infringed two others in a case brought by closely held S3 Graphics Co. over a type of chip used to play video games on mobile devices, a U.S. International Trade Commission judge said. (BN)

RESEARCH UPDATES

HSBC upped **Banco Populare** to Neutral, from Underweight; Exane initiated **Wavin** at Outperform, PT EU13; Credit Suisse cut **Belgacom** to Underperform, from Outperform; Deutsche Bank upped **European Equities** to Positive, from Neutral;

ENERGY, UTILITIES AND COMMODITIES

- **Oil Climbs After Greece Gets Loan; Goldman Revises IEA Estimate** -- Oil rose in New York, extending last week's 4.2 percent rally, after Europe authorized a loan payout for Greece, easing speculation the country's debt crisis will derail the region's economic recovery. Futures climbed as much as 0.4 percent after European finance ministers authorized an 8.7 billion-euro loan payout to Greece on July 2. Brent crude gained 0.1 percent after Goldman Sachs Group Inc. lowered its estimate for the amount its price forecasts may fall following the International Energy Agency's release of strategic stockpiles. Crude for August delivery rose as much as 40 cents to $95.34 in electronic trading on the New York Mercantile Exchange and was at $95.24 at 1:45 p.m. Sydney time. The contract fell 48 cents, or 0.5 percent, to $94.94 on July 1, the first decline in four days. Prices are 32 percent higher the past year. Nymex floor trading is closed today for the July 4 holiday. Electronic trades will be booked with tomorrow's transactions for settlement purposes. Brent oil for August settlement was at $111.84 a barrel, up 7 cents, on the London-based ICE Futures Europe exchange. The European benchmark contract traded at a premium of $16.60 to New York-traded West Texas Intermediate. The spread reached a record $22.29 a barrel on June 15. (BN)
- **Iran Won't Halt Oil Supply to India After Warning, Official Says** -- Iran's oil exports to India are continuing with no plans to halt supplies after a warning to the neighboring country over delays in paying for imported crude, an Iranian Oil Ministry official said. "A warning was sent to indebted refineries but sending this letter doesn't mean Iran's oil exports to India were cut," Mohsen Qamsari, the National Iranian Oil Co.'s head of international affairs, told the Oil Ministry's news website, Shana. "We have no intention of halting our supplies to the Indian market." A Wall Street Journal report published July 1 cited two Indian refiners as saying that Iran warned it will stop oil supplies starting

next month if pending bills aren't cleared. NIOC made the warning in a letter requesting a sustainable mechanism for making payments, the WSJ reported. (BN)

- **Goldman Lowers Impact Estimate of IEA Release's on Crude Oil** -- Goldman Sachs Group Inc. lowered its estimate of the impact of the International Energy Agency's release of strategic stockpiles on oil prices. The bank forecasts Brent prices in 2011 may decline between $6 and $8 a barrel, down from its earlier projection of a drop of $10 to $12, and $3 to $5 for 2012, less than an earlier outlook of $5 to $7, it said in an e-mailed report dated July 1. Less oil than anticipated will actually reach the market, limiting the effect of the IEA inventory sales, according to the report. The IEA, an adviser to 28 consuming nations, has said it would release 60 million barrels of light, low-sulfur oil. The actual amount sold may be about 39 million barrels as member countries such as Japan plan to only reduce the stockholding requirements for refiners rather than sell actual supplies, Goldman said. (BN)
- **Rig Count Rises as Oil Rigs Extend Record, Baker Hughes Says** -- The U.S. energy rig count increased to a 31-month high and the number of oil rigs reached a record high for the 11th consecutive week, according to data published by Baker Hughes Inc. The combined oil and gas rig gained four to 1,886 this week, the highest level since Nov. 21, 2008, Baker Hughes said. Oil rigs gained by three to 1,006, the most since Baker Hughes separated the oil and natural gas rig counts in 1987 and up 71 percent in the past year. Crude for August delivery fell 87 cents, or 0.9 percent, to $94.55 a barrel at 1:22 p.m. on the New York Mercantile Exchange, up 30 percent in a year. (BN)
- **BP to Drill First Deepwater Well in Brazil to Appraise Discovery** -- BP Plc will drill its first deepwater well in Brazil to appraise a discovery in a block acquired from Devon Energy Corp. BP will use the Deep Ocean Clarion drill ship to appraise the Itaipu prospect at Block BM-C-32, said David Nicholas, a spokesman at the London-based company. It will be BP's first deepwater well outside Angola since last year's Macondo spill. "This well is part of the appraisal plan for the discovery, which has been approved by the Brazilian regulator," Nicholas said by phone today. He declined to comment on the timetable for drilling. "It's not the first deepwater well BP has drilled since Macondo. We've drilled a number of production wells in the deep water offshore Angola." (BN)
- **[Fri] BP Withholding Data From U.S. Government 14 Months After Spill** -- BP Plc, operator of the Macondo well that erupted in the Gulf of Mexico last year, is withholding data from the U.S. government related to how much crude spewed into the sea during the worst-ever U.S. offshore oil spill. R. Michael Underhill, a U.S. Justice Department attorney, disclosed BP's failure to turn over the data while questioning former Chief Executive Officer Tony Hayward, according to a transcript of the June 6 deposition obtained by Bloomberg News. Hundreds of lawsuits filed against BP and other companies involved in the catastrophe have been combined in federal court in New Orleans. Magistrate Judge Sally Shushan is overseeing scheduling of depositions. (BN)
- **EPA Releases Draft Air Permits For Shell's Alaska Drilling Projects** -- The U.S. Environmental Protection Agency has revised a set of clean-air permits that Shell Oil Co. has long sought for drilling projects off the coast of Alaska, saying it has addressed concerns that sparked objections to the permits last year. EPA said Friday that the revised permits, which are still in draft form, reduce emissions of most key air pollutants by more than 50% from levels allowed in the permits issued last year. The move marks a significant step in Shell's well-publicized efforts to drill in the Beaufort and Chukchi seas. (DJ)
- **RWE AG** -- Germany's second-largest utility is considering a sale of its Npower unit in the U.K., according to a person familiar with the matter. Separately, RWE is seeking "fair compensation" for damages caused by Germany's plan to phase out nuclear energy, Chief Executive Officer Juergen Grossmann told Frankfurter Allgemeine Sonntagszeitung. (BN)
- **E.ON Talks With Gazprom on Gas Prices Fail, Handelsblatt Says** -- E.ON AG and its natural gas supplier OAO Gazprom failed to find agreement on gas prices and will bring the conflict before an arbitrator as early as July 8, Handelsblatt said, citing unidentified people familiar with the case. (BN)
- EDF Unit, Denmark's DONG To Team In Wind-Farm Project - Report: The sustainable-energy division of French utility Electricite de France SA, EDF Energies Nouvelles, is poised to disclose Monday that it is teaming up with Danish state-owned energy company DONG Energy AS to submit tenders for five wind farms to be located off France's northwest Atlantic coast, Les Echos reported in its Monday edition. The EUR10 billion call for tenders is expected to be published by the French government on July 11, and involve the construction of 600 wind turbines with a total installed capacity of three gigawatts, to be commissioned in 2015. (DJ)
- **EDF Aligns With Dong in Readiness for Offshore Wind, FT Reports** -- Electricite de France SA has formed an alliance with Dong Energy A/S, the Danish energy group, to prepare for a French government call for bids on offshore windfarm energy production, valued at a total of 10 billion euros, the Financial Times reported. (BN)
- **Merkel Wants CO2 Pledges, Binding Deal to Limit Global Warming** -- Global warming will exceed the crucial 2 degree Celsius limit (3.6 Fahrenheit)
- if world economies fail to boost their greenhouse-gas reduction pledges, Chancellor Angela Merkel said at informal climate talks. World nations need to step up their efforts to keep temperature gains below 2 degrees Celsius and strike a global climate deal with legally binding emissions reduction targets, Merkel told representatives from 35 countries meeting in Berlin to advance deadlocked United Nations negotiations. "Time is running out," Merkel said yesterday. "Climate change knows no borders. It affects every country." (BN)
- **Cesium Is Found in Tokyo Water for First Time Since April** -- Radioactive cesium-137 was found in Tokyo's tap water for the first time since April as Japan grapples with the worst nuclear disaster in 25 years. The level was below the safety limit set by the government. Cesium-137 concentration registered at 0.14 becquerel per kilogram in the city's Shinjuku ward on July 2 and none was discovered yesterday, which compares with 0.21 becquerel on April 22, according to the Tokyo Metropolitan Institute of Public Health. No cesium-134 or iodine-131 was detected, the agency said on its website. (BN)
- **Stainless Steel Mergers 'Step Nearer' on Spinoffs, MEPS Says** -- Consolidation in the European stainless steel industry is a "step nearer" after the four largest producers on the continent announced restructuring plans to cope with excess capacity, said metals consultants MEPS International Ltd. "Europe's four major stainless steel producers have all been involved in significant restructuring since the beginning of 2011," MEPS said in a note today. "It seems unlikely that this is mere coincidence. There is inevitable speculation that at least some of this activity has been in preparation for consolidation." European stainless-steel producers have struggled to cope with higher raw-material costs as prices of the finished metal declined 7.6 percent in the past year, according to Metal Bulletin data. Nickel, an ingredient in the alloy, has risen 23 percent on the London Metal Exchange in the period. German steelmaker ThyssenKrupp AG said in May it plans to sell or spin off its stainless-steel division. The decision followed a similar move by ArcelorMittal, the world's biggest steelmaker, which separated its Aperam unit in January after years of discussions with European peers failed to bring about a merger of

their stainless operations. Spain's Acerinox SA and Finland's Outokumpu Oyj have both announced plans to reorganize their stainless businesses this year. (BN)

- **India Warns ArcelorMittal, GVK Coal It May Take Back Mines: PTI** -- India may take back coal mines allocated to ArcelorMittal, GVK Power & Infrastructure Ltd. and other companies if they do not start work on them immediately, Press Trust of India reported today, citing a government letter. ArcelorMittal and GVK Power were jointly allocated a coal block in Seregarha in the eastern state of Jharkhand for exclusive use, Press Trust said. Bhushan Power & Steel Ltd. and DCM Shriam Consolidated Ltd. were also asked to develop coal and lignite properties allocated to them, the news agency said. (BN)
- **ThyssenKrupp in Talks to Sell Civilian Shipyard: Handelsblatt** -- ThyssenKrupp is in negotiations with foreign investors to sell Blohm & Voss, its civilian shipbuilding business, Handelsblatt reported, citing unidentified people at the company * Sale of military shipbuilding ops may be more difficult, Handelsblatt said * ThyssenKrupp Marine Systems may win a large order for military ships from an Arab country, the newspaper said * That order would keep TKMA busy beyond 2016, Handelsblatt said, the people said (BN)
- **Rusal May Lower Dividend Payout to 30% of Profit, Vedomosti Says** -- United Co. Rusal is discussing lowering its dividend payouts to 30 percent of profit from 50 percent, Vedomosti reported, citing two unidentified people with knowledge of the talks. The reduction is being discussed as a temporary measure until the end of 2012, the newspaper said. The aluminum producer should keep its policy of paying out half its earnings in dividends, Sual Partners, a Rusal shareholder representing billionaires Viktor Vekselberg and Len Blavatnik, said in a statement on June 30. (BN)
- **BHP May Add to $23 Billion in Share Buybacks as Profit Surges** -- BHP Billiton Ltd. may add to almost $23 billion spent since 2004 buying back stock as the world's largest mining company seeks to deploy cash generated by record profit, analysts and investors said. BHP said yesterday it completed a $10 billion share buyback, six months ahead of schedule. Spending that amount again would still leave scope for a $65 billion acquisition in the second half without "excessive" stress on the Melbourne- based company's balance sheet, said Richard Knights, an analyst at Liberum Capital Ltd. in London. Chief Executive Officer Marius Kloppers has had three deals totaling more than $100 billion aborted or rejected in the past four years including a bid for rival Rio Tinto Group and last year's hostile offer for Potash Corp. of Saskatchewan Inc. BHP expanded its latest share buyback in February after failing to buy Potash. Investors may be in no rush to see more deal making. (BN)
- **Gold, Silver Climb on Speculation Euro to Extend Gains on Rates** -- Gold advanced, rebounding from a six- week low, on speculation the euro will strengthen further against the dollar amid expectations that the European Central Bank will raise interest rates this week. Immediate-delivery gold increased as much as 0.4 percent to $1,493.75 an ounce at 11:37 a.m. in Singapore. The euro climbed to a three-week high against the dollar before the July 7 central bank meeting. Gold dropped to $1,478.83 an ounce in on Friday, the lowest level since May 17. Spot silver climbed 0.9 percent to $34.195 an ounce. (BN)
- **Marex Spectron to Buy Eden Financial's Global Markets Unit: FT** -- The purchase may be announced as early as today, the Financial Times reported, citing an unidentified person familiar with the matter. * Purchase price won't be disclosed. * Acquisition will add 40 staff. Marex is the commodities broker backed by former Lehman Brothers bankers. (BN)

NETHERLANDS / AEX NEWS

- **DSM and KuibyshevAzot commence strategic cooperation in Russia** -- Royal DSM N.V., the global Life Sciences and Materials Sciences company, and KuibyshevAzot OJSC today announce they have commenced their strategic cooperation, as announced in January 2011. As a result of this strategic cooperation, DSM Engineering Plastics has two joint ventures with KA. In both joint ventures DSM Engineering Plastics holds a majority share. In addition, KA has received a license under DSM Fibre Intermediates' technology for the production of cyclohexanone. (DSM)
- **PostNL NV** -- The Dutch mail company that spun off its express division, TNT Express, has a share of 6 percent of the German mail market and in 2010 had German sales of 400 million euros, ANP said, citing German unit director Mario Frusch. (BN)
- **New Dutch Bank Tax May Amount to 1 Billion Euros, Dagblad Says** -- A new special tax on Dutch banks may raise 1 billion euros a year, Het Financieele Dagblad reported, citing unidentified people in The Hague. Banks expect the tax to amount to 750 million euros a year, the Dutch newspaper reported, citing unidentified bankers. Finance Minister Jan Kees de Jager said yesterday that the tax, which is based on banks' risk profiles, will amount to at least 300 million euros. (BN)
- **Dutch Banks, Insurers to Contribute to New Greek Aid, AD Says** -- Dutch banks and insurers promised to contribute to possible new refinancing aid to Greece, AD reported, citing Finance Minister Jan Kees de Jager. The firms' contribution will be "substantial," the Dutch newspaper cited the minister as saying yesterday. De Jager declined to give details before he sees what other countries bring to the table, AD cited him as saying. Dutch banks have said they want to help if needed, Niels Redeker, a Finance Ministry spokesman, confirmed by telephone today. De Jager said last month the country's banks had risks related to Greece of about 3.7 billion euros at the end of last year. Dutch pension funds and insurance companies have additional risks of "several billion euros," he said. (BN)
- **Air France-KLM Plans New Management Structure, Les Echos Says --** Air France-KLM Group is planning to create a new management structure aimed at deepening the integration between Air France and KLM, daily Les Echos reported, citing Chief Executive Officer Pierre-Henri Gourgeon. The plan is still at the general planning stage, Gourgeon was cited as saying. He added that he hopes the new structure will be active at the end of this year or the start of 2012. (BN)
- **Antonov Seeks Lenders to Take Over Saab Auto EIB Loan, DN Says** -- Russian banker Vladimir Antonov is talking to a "few European commercial banks" about taking over Saab Automobile's loan from the European Investment Bank, Dagens Nyheter reported, citing Antonov's Swedish spokesman Lars Carlstrom. (BN)

M&A and OTHER CORPORATE NEWS

- **Asian Stocks, Euro Climb as Greek Concerns Ease; Baht Jumps** -- Asian stocks rose for a fifth day and the euro climbed to three-week highs versus the dollar and yen after European officials approved an aid payment to Greece to prevent its default. The baht jumped the most since 2008 and Thailand's default risk sank as concern of unrest eased. The MSCI Asia Pacific Index rallied 1.5 percent at 12:45 p.m. in Tokyo, bound for the longest winning streak in six months. The euro climbed 0.3 percent to $1.4562 and rose 0.2 percent to 117.62 yen. The baht jumped 0.7 percent and credit- default swaps insuring Thai government bonds dropped the most in more than a year after the party linked to an exiled former leader won a parliamentary majority. Oil extended last week's advance in New York while copper reached a two-month high. Equities and the euro are extending rallies that helped pare losses in the second quarter after finance ministers authorized an 8.7 billion-euro ($12.7 billion)payout to Greece. With efforts to end the nation's debt crisis providing some relief, investors are adding to bets for interest-rate increases by the European Central Bank which meets this week. More than five shares advanced for every one that declined on MSCI's Asian index. The measure, which jumped 2.5 percent last week, was poised for its highest close since May 11. Japan's Nikkei 225 Stock Average gained 1.4 percent, South Korea's Kospi Index increased 1.2 percent, while Hong Kong's Hang Seng Index rallied 1.8 percent. (BN)

- **China Stocks Rise, Extending Two-Week Rally, on Policy Outlook** -- China's stocks rose, extending a two- week rally, on speculation slumping growth in manufacturing and services may spur the government to refrain from boosting interest rates and increase assistance to smaller businesses. SAIC Motor Corp. and FAW Car Co. advanced more than 4 percent, leading gains for automakers, after the official Xinhua News Agency said auto sales growth may recover in the second half. Jiangxi Copper Co., China's biggest producer of the metal, climbed to a two-month high as commodity prices jumped. A gauge of smaller companies rose for a third day after Vice Premier Wang Qishan was cited by Xinhua as urging lenders to increase financing to small companies to ease problems raising funds. The Shanghai Composite Index, which tracks the bigger of China's stock exchanges, gained 48.56 points, or 1.8 percent, to 2,807.93 at the 11:30 a.m. local-time break, set for the highest close since May 20. The CSI 300 Index rose 2.3 percent to 3,118.44. The CSI Smallcap 500 Index advanced 1.8 percent. (BN)
- **[Fri] U.S. Stocks Rise to Highest Level Since May on Manufacturing** -- U.S. stocks advanced, sending benchmark indexes to their highest levels since May and the biggest weekly gains in almost two years, amid an unexpected pickup in American manufacturing growth. Home Depot Inc., 3M Co. and Intel Corp. rallied at least 1.4 percent, pacing gains among companies most-dependent on economic growth. Apollo Group Inc. jumped 6.4 percent as the operator of for-profit schools reported earnings that beat analysts' estimates. KB Home climbed 4 percent as the homebuilder said it doesn't plan to issue equity. Eastman Kodak Co. tumbled 14 percent after a ruling on patent claims against Apple Inc. and Research In Motion Ltd. was postponed. The Standard & Poor's 500 Index rose 1.4 percent to 1,339.67 at 4 p.m. in New York. The index rallied 5.6 percent this week, the most since July 2009. The Dow Jones Industrial Average gained 168.43 points, or 1.4 percent, to 12,582.77. About 6.3 billion shares changed hands on U.S. exchanges at 4:27 p.m., 12 percent less than the three-month average through yesterday ahead of the Independence Day holiday. (BN)
- **VIX Posts 25% Weekly Drop, Most in Three Months; VStoxx Falls** -- The benchmark index for U.S. stock options decreased the most in three months as stocks rallied amid optimism Greece will contain its debt crisis and a rebound in U.S. manufacturing. Europe's VStoxx slumped. The VIX, as the Chicago Board Options Exchange Volatility Index is known, fell 25 percent this week to 15.87 as of 4:15 p.m. in New York. Earlier, it dropped to 15.12, the lowest intraday level since May 2. The index measures the cost of using options as insurance against declines in the Standard & Poor's 500 Index, which climbed 1.4 percent today for its fifth straight advance. August VIX futures fell 4 percent to 18. (BN)
- **EUROPE** -- European stocks are seen nudging higher in lighter-than-usual volume, given the absence of U.S. traders due to the Independence Day holiday. Government debt is seen consolidating, with the euro higher, sterling mixed, and oil and gold higher. European bourses are likely to open slightly higher Monday, amid some caution and lighter trading volumes with U.S. markets closed for a holiday. For Monday's opening, IG Markets is calling the FTSE up 9 at 5999, the DAX up 17 at 7436 and the CAC up 9 at 4016. (DJ)
- **Carrefour Sees Brazil Merger Savings of EU600M-EU800M a Year** -- Carrefour SA said its board approved a plan to merge its Brazilian assets with Cia. Brasileira de Distribuicao Grupo Pao de Acucar and estimated annual savings from the operation at between 600 million euros and 800 million euros a year. (BN)
- **Brazil Appears To Step Back From Carrefour Deal** --Brazil's government appeared to step back from a controversial plan to merge Brazil's biggest supermarket chain Pao de Acucar and French retailer Carrefour SA , a deal fiercely opposed by the Brazilian company's existing partner and Carrefour rival, Casino. In a statement, Brazil's BNDES state development bank said that its agreement to spend around $3 billion of public funds to finance the deal is "based on the premise of a friendly understanding between all of the private actors." Casino officials have used words like "hostile" and "illegal" to describe the plan since it was unveiled this week. France's Casino Guichard-Perrachon SA (CO.FR)
- President Jean Charles Naouri is set to meet the president of the development bank, Luciano Coutinho, on Monday in Rio de Janeiro, a person familiar with the matter said. Officials from the companies involved weren't immediately reachable late Friday. The government statement marked a sharp break from the heavy praise showered on the deal by bank and other government officials in recent days. Brazilian officials have presented the proposal as the latest step in a strategy to use government financing to build select Brazilian companies into powerful international players. (WSJ)
- **Casino Guichard-Perrachon SA** -- Brazil's development bank may pull up to $2.9 billion of funds for Cia. Brasileira de Distribuicao Grupo Pao de Acucar's merger with Carrefour SA's local assets after Casino Guichard-Perrachon SA called the plan illegal. BNDES, as the state bank is known, said its participation in the proposed merger depends on a "friendly understanding" among all involved. (BN)
- **Carrefour SA** -- The world's second-largest retailer purchased 100 percent of the shares in its Dia unit for 2.4 billion euros, or 3.50 euros a share, from its fully owned subsidiary Norfin Holder S.L. The purchase price will be adjusted in accordance with the opening price of Dia shares on their first day of trading on the Madrid Stock Exchange July 5. (BN)
- **Hsu Fu Chi in Talks With Nestle, 'Many' Potential Buyers** -- Hsu Fu Chi International Ltd., a Chinese snack and candy maker with a market value of about $2.6 billion, said Nestle SA is among the parties in talks to buy the company. Nestle, the world's largest food maker, is assessing a potential bid for Hsu Fu Chi and the two companies have been in talks on a long-term partnership for a few years, spokeswoman Christine Sun said in a telephone interview today. Trading of the company's stock was suspended in Singapore today pending an announcement. Nestle is looking to China and other emerging markets for faster growth and acquired Russia's Ruzskaya Confectionery Factory in 2007 and a 51 percent stake in Turkish chocolate and biscuits maker Dogan & Balaban Gida in December. Hsu Fu, which generates all its revenue in China where it sells candies, chocolates and pastries, needs a partner like Nestle to expand overseas, said Ben Cavender, an analyst with China Market Research in Shanghai. (BN)
- **Diageo Plc** -- The maker of Guinness stout and the world's largest liquor company dropped plans to bid for Primo Schincariol Industria de Cervejas & Refrigerantes SA of Brazil, two people familiar with the matter said. (BN)
- **Foster's Focused on Growth Not SABMiller's Offer, Pollaers Says** -- Foster's Group Ltd. Chief Executive John Pollaers said the company is focusing on its business rather than talking to SABMiller Plc after rejecting a A$9.5 billion takeover bid from the maker of Peroni and Grolsch. The Melbourne-based company is concentrating on improving growth amid a tough retail environment in Australia, Pollaers

said in a television interview aired on Australian Broadcasting Corp. yesterday. "Our focus is let SABMiller do what they need to do, our focus is on this business," Pollaers said. "The best way to maximize value is to have a well-run company that is unlocking the growth potential and that is relevant to consumers." (BN)

- **Treasury Wine Surges in Sydney as Bright Food Considers Bid** -- Treasury Wine Estates Ltd. rose by a record in Sydney trading as two people familiar with the matter said Bright Food Group Co. is considering making an offer for the world's second-largest winemaker. The vintner surged as much as 11 percent, the largest intraday gain since Treasury shares began trading May 11. Closely held Bright Food, Shanghai's biggest food and dairy producer, has had internal talks about a bid for the Melbourne- based maker of Penfolds Grange, said the people, who asked not to be identified because the discussions are private. (BN)
- **Asahi to Buy Charlie's, P&N Water, Juice Units for $309 Million** -- Asahi Group Holdings Ltd., Japan's biggest beermaker by sales volume, agreed to buy the water and juice businesses of P&N Beverages Australia Pty Ltd. and New Zealand drink maker Charlie's Group Ltd. for $309 million. Asahi plans to complete the A$188 million purchase of the P&N divisions in September, it said in a statement today. The Tokyo-based company also agreed to pay NZ$129 million for Charlie's, a fruit juice producer, Asahi said in a separate statement. (BN)
- **Spain Picks US, Swiss Banks To Coordinate Loterias IPO-Sources** -- Spain's Finance Ministry has picked four investment banks to coordinate the blockbuster privatization of Spain's lottery company, Sociedad Estatal de Loterias y Apuestas del Estado SA, people familiar with the situation said Sunday. U.S. powerhouses JP Morgan Chase and Goldman Sachs, along with Swiss banks UBS AG and Credit Suisse Group will be in charge of selling EUR6.5 billion to EUR7.5 billion worth of shares in Loterias later this year, in an initial public offering that is set to become the biggest on record in Spain and one of the largest privatizations in Europe in the last decade, these people said. An official announcement on the mandates could come as early as Monday, said the people familiar with the matter. Loterias is also expected to name two or three Spanish banks that will take part in the deal. A Loterias spokesman couldn't be reached for comment. (DJ)
- **Alstom SA** -- The world's third-largest power- equipment maker said it expects sales to rise in the second half of the fiscal year ending March 2012, after orders began to increase this year, the French weekly Investir reported, citing Chief Executive Officer Patrick Kron. (BN)
- **[Fri] U.S. Auto Sales Slow on Deferred Purchases, Toyota Inventory** -- U.S. auto sales in June ran at the slowest pace in 12 months, as small-car supply dwindled, Toyota Motor Corp.'s inventory thinned and consumers deferred purchases amid a slowing economic recovery. General Motors Co. and Ford Motor Co. said U.S. sales rose 10 percent in June, missing the average estimate of seven analysts surveyed by Bloomberg. Toyota and Honda Motor Co. deliveries each fell 21 percent, more than analysts estimated. Nissan Motor Co. recorded an 11 percent gain, less than projected, while Chrysler Group LLC sales topped forecasts. Industrywide light-vehicle sales slowed to an 11.5 million seasonally adjusted annual rate, trailing the 12 million average estimate of 12 analysts. Small-car purchases are being lost due to supply constraints hurting all automakers. (BN)
- **[Fri] Volkswagen Said to Acquire More Than 50% of MAN in Takeover Bid** -- Volkswagen AG will probably raise its holding in MAN SE to at least 50 percent after more investors than expected accepted the takeover bid that expired this week, two people familiar with the matter said. Shareholders took the offer after MAN's share price declined below VW's price in the final days of the tender, which ended on June 29, the people said on condition they not be identified because the matter is private. The Wolfsburg, Germany-based carmaker plans to announce final results of the tender on July 4. "Creating the long-wanted trucks alliance is turning out more expensive than planned for VW," said Juergen Pieper, analyst at Frankfurt-based Bankhaus Metzler. "An over-50 percent stake won't give VW more rights than a targeted 35 to 40 percent holding. Yet, it may require them to consolidate MAN in their books," with the risk of a possible downgrading by credit-rating companies. (BN)
- **Tiger Air Shares Slump as Australia Grounding May Be Extended** -- Tiger Airways Holdings Ltd. fell by a record in Singapore trading as Australia's air safety regulator said it may keep the carrier grounded beyond this week because of safety concerns. Tiger dropped as much as 16 percent, the most since the shares were listed in January 2010, and traded down 8.8 percent at S$1.085 as of 9:14 a.m. in the city. Australia's Civil Aviation Safety Authority, which grounded the Singapore-based airline on July 1, will decide on applying to the Federal Court to extend the decision beyond July 9 after meeting with Tiger management, Peter Gibson, a spokesman for the safety agency, said in a telephone interview yesterday. (BN)
- **BYD Gains Most Since 2009 in Hong Kong on Munger Comment** -- BYD Co. surged the most in almost two years in Hong Kong trading after Berkshire Hathaway Inc. Vice Chairman Charles Munger said the Chinese automaker has the ability to recover from missteps. BYD jumped as much as 11 percent, the biggest intraday gain since Aug. 11, 2009, while its Shenzhen-traded shares surged by the 10 percent limit for a second day. Warren Buffett's Berkshire bought a 9.9 percent stake in the automaker in September 2008. Munger said on July 2 that executives at BYD "just put their head down and try harder" when they fail. The carmaker has lost about two-thirds of its market value since reaching a record in October 2009. Vehicle sales declined for 10 straight months through May and the company reported an 84 percent plunge in first-quarter profit. (BN)
- **Global Logistic Submits Bid for LaSalle's Japan Holdings** -- Global Logistic Properties Ltd., an operator of warehouses near seaport hubs, said it submitted a bid to buy LaSalle Investment Management's Japan holdings that include more than 20 industrial and warehouse buildings. The company plans to make the acquisition through a "fund structure" with one or more institutional investors, it said in a statement to the Singapore exchange today, responding to media reports it's paying S$2.1 billion ($1.7 billion)
- for the assets. Global Logistic said on May 30 that it's on the lookout for acquisitions in Japan as it expects the economy to rebound after the nation's worst earthquake on March 11 and anticipates its 46 trillion yen [$570 billion] industry will benefit as more companies cut costs and farm out more logistics services. (BN)
- **Mitsubishi, Blackstone Said to Join $1.7 Billion Property Bid** -- Mitsubishi Corp., Kenedix Inc. and Blackstone Group LP have joined Global Logistic Properties Ltd. in submitting bids for 140 billion yen ($1.7 billion)of properties in Japan, four people familiar with the deal said. The properties held by LaSalle Investment Management Inc., include 24 warehouses in cities such as Tokyo and Osaka, according to the people, who asked not to be identified because the information is not public. The results from the second round of bidding will be released by the end of the week, two of the people said. (BN)
- **Raiffeisen Has Commitment in Insolvent Saudi Builder: Presse** -- Raiffeisen Bank International AG has a "low triple-digit-million-euro" commitment in insolvent Saudi builder Algosaibi connected to the collapse of Dubai World, Die Presse newspaper reported, citing Michael Palzer, a spokesman for the bank. The commitment may be for 300 million euros, the Vienna-based paper said. Palzer didn't comment on the exact amount of the commitment or of the potential loan writeoff, the paper said. The entire deal was accounted for in last year's balance sheet, according to the report. (BN)

MACRO / GEOPOLITICS

- **Greek Debt Plan May Place It in Selective Default, S&P Says** -- Standard & Poor's said the debt rollover plan for Greece may place the country in "selective default." Europe is inching toward a goal of getting banks to roll over 30 billion euros of Greek bonds, instead of opening a hole for the official lenders to fill. French banks, with the biggest exposure to Greece, worked out a rollover formula that is serving as an example elsewhere. "It is our view that each of the two financing options described in the Federation Bancaire Francaise proposal would likely amount to a default under our criteria," S&P said in the statement today. European finance ministers authorized an 8.7 billion-euro loan payout to Greece by mid-July, basing a second three-year bailout package on talks to corral banks into maintaining their Greek debt holdings. (BN)
- **Euro Area Says Next Greek Aid Payment to Be Made by July 15** -- Euro-area finance ministers approved the next aid payment to Greece under last year's bailout program, saying it would be released by July 15. They issued a statement today after a telephone conference. (BN)
- **Schaeuble Prepares for 'Unlikely' Greek Default, Spiegel Says** -- German Finance Minister Wolfgang Schaeuble said the government is making contingency plans for the "unlikely" event of a Greek default, Spiegel magazine reported, citing an interview. "As a responsible government, of course we are preparing for the unlikely event that there will be, against all expectations, a Greek default," Schaeuble told Spiegel. "Then we'll make sure there won't be any uncontollable developments." In finding a solution to the Greece's sovereign-debt crisis, Schaeuble said he has to be "considerate" of concerns of the European Central Bank about the consequences of a default, the magazine quoted him as saying. Greece's consolidation program will be sustainable if all reforms are implemented, he added. (BN)
- **Juncker Says Greek Sovereignty 'Massively Impaired,' Focus Says** -- Luxembourg's Jean-Claude Juncker, who leads the group of euro-area finance ministers, said Greece's sovereignty will be "massively impaired" as a result of European aid payments, Germany's Focus magazine reported, citing an interview. Greece agreed to accept an "intake of expertise" from euro-region governments, Juncker was quoted as saying. "The current package of measures, which Athens agreed to, will bring the solution in the Greek case," he added. Juncker also said the European Union should temporarily suspend its co-financing rule to provide Greece with structural aid to boost economic growth without a co-payment of the Greek government, Focus reported. (BN)
- **EU Sees Greek Economy Shrinking 3.75% This Year, FT Reports** -- Greece's economy is likely to stay in recession this year, shrinking by 3.75 percent, contrary to earlier expectations that it would return to growth in the second half, according to a quarterly report by the European Commission and the European Central Bank, the Financial Times reported. Growth in 2012 may be only 0.6 percent, according to the report, the newspaper said. (BN)
- **Greece Buys Time as Euro Ministers Press to Wrap Up Bailout** -- Europe pulled Greece back from the brink of default, gaining time to hammer out a formula for ending the debt crisis. European finance ministers authorized an 8.7 billion-euro loan payout to Greece by mid-July, basing a second three-year bailout package on talks to corral banks into maintaining their Greek debt holdings. Europe's agreement on July 2 to make the payout climaxed a pivotal week for Greece and the euro, providing a respite from the political tensions, clashes with central bankers and jousting with investors that have dogged the crisis-fighting effort. The finance chiefs gather next week to tackle Greece's long-term lifeline. Financial markets offered breathing space as well, with Greece's escape from imminent default triggering gains last week in the euro, European stocks and the bonds of fiscally stretched countries such as Spain and Italy. (BN)
- **Italy's Regulator To Meet With Moody's, S&P Over Statements** --Italy's market regulator Consob will meet with debt ratings agencies Standard & Poor's and Moody's Investors Services Inc. next week following their latest statements about the country and its banking sector. Consob has scheduled a meeting with Standard & Poor's sovereign debt analysts for Monday, a spokesman for the regulator said Saturday, confirming newspaper reports. It will then meet Moody's analysts who cover Italian banks later in the week, he said. The request for a meeting doesn't mean Consob is questioning the agencies' latest opinions about the country and the banking sector, he added. "It has nothing to do with the merit of their ratings." In the case of Standard & Poor's, Consob wants to know the reason for publishing a statement on the government's latest austerity measures during market hours Friday, the spokesman said. It also wants to know why the agency commented on the measures before their details were published in official form. "Their opinion could only have been based on news reports," the spokesman said. (BN)
- **Credit Swaps On Spain, Italy Are Leading Contagion Indicators-Markit** -- Default swaps on Spain and Italy have become a key barometer of the European debt crisis and potential contagion stemming from the region, according to a summary of swaps-market activity released in London on Monday by data provider Markit. Italy occupied the top spot in a ranking of liquidity--or depth of trading--in the sovereign credit default swaps market over the most recent quarter, with a net $23.7 billion of CDS outstanding. France came in second, with a net $20.2 billion in CDS outstanding, and Spain third, with $19.4 billion. Unsurprisingly, Greece was the worst performer in terms of the cost of protecting its debt using derivatives. Regional leaders have so far staved off a Greek default, but the nation's fiscal crisis has not gone away and it remains to be seen if its austerity measures can be implemented effectively amid continuing protests. CDS costs on Greece doubled during the quarter; Portugal's CDS soared 37%; and Italy's rose 28%--recalling this time last year, when sovereign risk led investor sentiment. (DJ)
- **Data From Italy Point To Trouble Ahead** -- As Italy launches an ambitious plan to balance the budget by 2014, fundamental economic indicators signal trouble ahead. Unemployment rose in May and a key manufacturing survey showed contraction in June. Meanwhile, the 47 billion euros in fiscal savings the government revealed last week cast a shadow over growth prospects. "It's like a dog chasing its tail," said Mario Baldassarri, a former vice minister of the Treasury. The government's fiscal plan may "put a brake on growth, which in turn will mean other fiscal shortfalls and more deficits," he warned. With Italy's public spending amounting to about half of all economic activity, budget cuts represent reduced gross domestic product and not just potential efficiency gains. And Italian GDP, which expanded only 0.1% in the first quarter, is already far from the government's forecast pace. (DJ)
- **Greece Must Sell Off Assets East German-style** -- Greece must privatise assets on a scale similar to the sell-off of East German companies at the fall of the Berlin Wall to rebuild its finances, the chairman of the Eurogroup of finance ministers said on Sunday. "The sovereignty of Greece will be massively limited," Jean-Claude Juncker, who is also prime minister of Luxembourg, told Germany's Focus magazine. On Saturday finance ministers signed off the release of the latest €12bn tranche of aid, rewarding the Greek government's victory in a parliamentary vote on austerity measures. These included setting up a privatisation agency at the insistence of the European Union and the IMF. "For the forthcoming wave of privatisations they will need, for example, a solution based on a model of Germany's "Treuhand agency", said Mr Juncker, referring to the body that sold off 14,000 East German firms in 1990-94. In comments that are likely to

alarm Greeks sensitive to the prospect of foreign interference, he said teams of economic experts from around the eurozone would be heading to Greece. "One cannot be allowed to insult the Greeks. But one has to help them. They have said they are ready to accept expertise from the eurozone," said Mr Juncker. (TEL)

- **Schaeuble Says Greece Privatizations Must Start Promptly** -- German Finance Minister Wolfgang Schaeuble said decisions taken in Greece's parliament to reduce the country's budget deficit must be implemented quickly and privatizations must start promptly. Work on a new aid program for Greece will continue at a fast pace, including the involvement of the private sector, which will make a voluntary and substantial contribution, Schaeuble said in an e-mailed statement after euro area finance ministers today agreed to disburse the region's share of a 12 billion-euro aid payment for Greece. The new program can be approved before the disbursement of the next tranche of aid to Greece in autumn, provided Greece implements its adjustment program as agreed, Schaeuble said. (BN)
- **Polish Fin Min Questions Euro-Zone Bailout Plans** -- Poland's finance minister, who will preside over European Union finance minister meetings for the next six months, was incredulous of the euro zone in comments on Saturday. He questioned the effectiveness of euro-zone's bailout mechanisms, on the same day that the Eurogroup agreed to give Greece its next emergency loan disbursement and confirmed that a second recuse package is on track. Finance Minister Jacek Rostowski also expressed caution about Poland adopting the euro currency. Poland takes over the helm of the European Union's rotating presidency this month, which puts Rostowski at the proverbial head-of-the-table during regular meetings of the 27 EU finance ministers. Meetings for the 17-member euro area are generally held separately. (DJ)
- **[Fr] EU To Delay On New Greece Bailout** -- Euro-zone finance ministers are considering giving themselves more time, possibly until September, to agree on a second bailout package for Greece and define how to involve private creditors, people familiar with the matter said Friday. The ministers are set to approve the disbursement of a tranche of aid for Greece when they hold a conference call on Saturday, but an agreement on a new package aimed at securing financing for the Mediterranean country through 2014 may be held off until later this summer, these people said. The call will replace a meeting in Brussels, initially scheduled for Sunday, during which euro-zone finance ministers were expected to agree on how private creditors may contribute to the second bailout plan. (WSJ)
- **Irish Get Time Greeks Lack for Debt Repayment Plan: Euro Credit** -- Irish Finance Minister Michael Noonan joked last month that he's considering having T-shirts printed saying "Ireland is not Greece." On the back, he may want his country's debt payment schedule emblazoned in large letters. The difference in yield between Irish and German 10-year bonds has widened 59 basis points, or 0.59 percentage point, since June 1 as Greece prepared to push austerity measures through parliament to win more international aid and avoid a default. Ireland's maturing debt is less than 7 billion euros a year through 2013, compared with annual amounts of more than 30 billion euros for Greece. That may give Ireland room to avoid a Greek-style crisis as bonds come up for repayment. Ireland's current bailout funds may "stretch" to cover the funding needs of the state until the end of 2013, Noonan said on July 26, giving him two years to fix the budget deficit and Europe's worst banking crisis. (BN)
- **Germany Raises Borrowing Targets More Than 10% on Bailout Costs** -- German Chancellor Angela Merkel's government raised borrowing targets by more than 10 percent for the three years through 2015 after pledging contributions to a future European bailout fund, its multi-year budget plan shows. Borrowing will amount to 24.9 billion euros ($36.2 billion)
- in 2013, more than the 22.3 billion euros the Cabinet endorsed on March 16, according to the 2013-2015 budget plan drafted by the Finance Ministry. The government aims to borrow 18.7 billion euros in 2014 and 14.7 billion euros in 2015, up from 15.3 billion euros and 13.3 billion euros, respectively. The outline still leaves Germany on track to adhere to the so-called debt brake from 2016 that's enshrined in the country's constitution, a Finance Ministry official said on July 1 in Berlin, speaking on condition of anonymity. Germany's borrowing will drop from less than 30 billion euros this year to 27.2 billion euros in 2012, another Finance Ministry official said, also speaking on condition of anonymity. The 2012 total is less than the 31.5 billion euros in borrowing the Cabinet approved in March. (BN)
- **Former PBOC Adviser: European Countries Could Issue Yuan Debt –Report** -- China should explore the possibility of European Union countries issuing yuan-denominated debt as part of a strategy to reduce over-reliance on U.S. dollar assets, a former adviser to China's central bank was quoted as saying in the China Business News on Monday. Yu Yongding, currently a scholar at the Chinese Academy of Social Sciences and previously an academic adviser to the People's Bank of China, said the Chinese government holds assets denominated primarily in U.S. dollars and has debt in yuan, meaning the yuan's appreciation hurts the national balance sheet. If some European countries could be persuaded to issue yuan-denominated sovereign debt, this could help alleviate the imbalance, he said in an interview with the newspaper. Yu has emerged in recent years as a prominent critic of U.S. Treasury bonds and China's investment in them. He has repeatedly pointed out that China's yuan internationalization program is having the unintended consequence of increasing the country's foreign exchange reserves. (DJ)
- **PBOC Official: China Should Tighten Fiscal, Monetary Policy** --China should control fiscal spending as well as monetary policy to curb inflation, an official with the People's Bank of China wrote in a commentary Monday. The country should try hard to narrow the fiscal deficit and stop the construction of projects with high costs and low investment returns, Zhang Yuanjun, a deputy governor of the central bank's Harbin branch, wrote in the central bank-backed Financial News. He said China should improve its assessment mechanism of local governments, which is currently based on local gross domestic product growth. He also suggested authorities strengthen the central bank's independence to enable it to better maintain the yuan's stability. (DJ)
- **China Government Discusses Targeted Policy Loosening, News Says** -- Chinese regulators discussed the possiblity of targeted loosening of policies, including for small and medium-sized businesses, local government finance vehicles and the automobile industry, during meetings with economists, the China Business News reported today, without saying where it got the information. Relatively tight policy for lending will be maintained, the Shanghai-based newspaper reported. The report didn't give a time for when the meeting was held or identify who had taken part in the discussions. (BN)
- **China's Services Slowdown Adds to Concern Growth Is Slumping** -- China's non-manufacturing industries expanded at the slowest pace in four months in June, adding to concerns that efforts to tame inflation are curbing growth in the world's second-biggest economy. A purchasing managers' index dropped to 57 from 61.9 in May, the China Federation of Logistics and Purchasing said on its website yesterday. A reading above 50 indicates an expansion. China's economic growth target for this year will be "very challenging" to achieve, Vice Premier Wang Qishan said yesterday. "The slowdown is a result of the Chinese government's tightening measures to curb inflation," said Shen Minggao, Hong Kong-based head of China research at Citigroup Inc. "The government is expected to continue the current measures at least in July as inflation is still high." (BN)

- **U.S. Treasury Watchdog Reviewing Financial Research Office** -- The Treasury Department's inspector general is looking into how the Office of Financial Research, a data-collection division created to help regulators prevent a financial crisis, is being set up. The audit, which began in June, is being conducted as part of the watchdog's fiscal-year plan, Richard Delmar, counsel to the inspector general, said in an e-mail today. The review is aimed at determining "the effectiveness of Treasury's process" to establish the office, Delmar said. The office, created by last year's Dodd-Frank law overhauling financial regulation, collects and analyzes data for the Financial Stability Oversight Council. The council, led by Treasury Secretary Timothy F. Geithner, must decide which companies are systemically important and warrant supervision by the Federal Reserve. Richard Berner, former chief U.S. economist for Morgan Stanley, was hired by the Treasury in April as a counselor to Geithner to help build up the office, known as OFR. A permanent director hasn't been named. (BN)
- **Obama Names FDIC's Curry to Head OCC, Miller to Treasury Post** -- President Barack Obama has decided to nominate Thomas Curry as comptroller of the currency and Mary Miller to serve as undersecretary of domestic finance at the Treasury Department, according to a White House statement. (BN)
- **Republicans Might Accept 'Mini' Debt-Ceiling Deal, Cornyn Says** -- Republicans might accept a "mini" deal with the Obama administration on raising the debt limit, Senator John Cornyn of Texas, a Republican leader, said yesterday on "Fox News Sunday." The idea may delay politically difficult decisions if it's structured to postpone action on a larger package of spending cuts or revenue increases until after the 2012 election cycle, an analyst said. "What we've been calling for is to have a down payment that's as big as possible," Marc Goldwein, former associate director of President Barack Obama's debt commission, said yesterday in an interview. The Senate shortened its July 4 recess and will remain in Washington to discuss a deal this week to raise the nation's $14.3 trillion debt limit. The Obama administration is negotiating with Congress on reducing the long-term budget deficit as part of a plan to raise the limit before borrowing authority expires. (BN)
- **Republicans Caution White House On Last-Minute Budget Deal --** Top Senate Republicans Sunday said they are concerned that Congress will be presented with a last-minute budget deal and cautioned the White House to give lawmakers enough time to review any final legislative package. "I'm really worried about it--and we're not going to rubber-stamp something sent down from the White House," Sen. Jeff Sessions (R., Ala.)said on Fox News Sunday. The White House and Congressional leaders are working to strike a deal that slashes budget deficits and raises the $14.29 trillion federal debt ceiling before August 2, the date on which the Treasury Department said the U.S. will default on its debts if Congress doesn't raise the legal limit. (WSJ)
- **Richmond Fed's Lacker: Fed Must Focus On Keeping Inflation Low** -- The Federal Reserve should focus on keeping prices under control, leaving the government to try to boost the U.S. economy and jobs, Richmond Federal Reserve Bank President Jeffrey Lacker said in an interview Friday. Though frustrated by a recovery that continues to be slow and choppy two years after the recession ended, Lacker said further monetary stimulus by the Fed would likely show up "almost entirely" in inflation, which is already too high. "Right now, the best contribution the Fed can make to the recovery is to keep inflation stable around 1.5% to 2.0%," Lacker said in an exclusive interview with Dow Jones Newswires. A traditional inflation hawk, Lacker is among those at the central bank who worry that prices could take off. (DJ)
- **Britain's Funding of Care for Elderly Must Change, Lansley Says** -- Health Secretary Andrew Lansley said Britain needs to overhaul the way it funds care for its old people, as he awaited the publication of a report that may recommend capping the amount the elderly have to pay. "We will not be able to give people the quality of care and support and the sense of security that they need in the future unless we have change," Lansley told BBC television's "Andrew Marr Show" yesterday. "If we carry on as we are, we're going to have increasingly large numbers of people" who will create "more cost to the state later on." Andrew Dilnot, a former director of the Institute for Fiscal Studies who's drawn up the report on funding to be published in London today, said last week that putting a cap on elderly people's contributions to the cost would allay concerns that they might have to sell their home or eat into their savings to pay for care. (BN)
- **U.K. Job Growth Accelerates on Insurers, Engineers, Survey Shows** -- U.K. employment creation accelerated in June as insurance and engineering companies increased hiring, according to employment website Reed.co.uk. The Reed Job Index rose to 125 from 121 in May, the London- based recruitment company said in a report published today. A gauge of salaries was unchanged, said Reed, which runs Britain's largest recruitment website. A separate report by Lloyds Bank Corporate Markets showed a job-security index was unchanged at minus 21. Thirteen percent of employed respondents in a survey of 2,000 consumers between June 17 and June 26 said they felt there had been an improvement in job security, while 34 percent said there had been a deterioration, said the unit of Lloyds Banking Group Plc. (BN)
- **Australian Retail Sales, Building Decline as Recovery Stumbles** -- Australian retail sales unexpectedly fell and building approvals dropped in May by the most in four months, sending the nation's currency lower on expectations the central bank will extend a pause in raising interest rates. Sales dropped 0.6 percent from a month earlier and permits to build or renovate houses slumped 7.9 percent, the Bureau of Statistics said in Sydney today in separate reports. That compares with the median forecasts in Bloomberg surveys of economists for a 0.3 percent gain in retail sales and a 0.5 percent drop in approvals. The Australian dollar fell as traders bet central bank Governor Glenn Stevens won't raise borrowing costs this year, while shares of retailers including Myer Holdings Ltd. and David Jones Ltd. pared or erased gains. The Reserve Bank of Australia's 175 basis points of increases from October 2009 to November 2010 helped spur the local currency's 28 percent advance over the past year. (BN)
- **Israel Signs Cooperation Deal With China, Seeking to Boost Trade** -- Israel signed a cooperation agreement with China's top economic planning agency as companies such as Bank Hapoalim Ltd. and Nice Systems Ltd. seek to expand business in the world's fastest-growing major economy. The agreement will "raise Israel's profile among the decision-makers and those who are in key positions in the competitive and difficult trade with China," Eliran Elimelech, Israel's commercial attaché in Beijing, said in an e-mailed statement. Minister of Industry, Trade and Labor Shalom Simhon signed the agreement yesterday in Jerusalem with vice chairman of the National Development and Reform Commission Zhang Xiaoqiang, a statement from the ministry said. The sides will now meet to plan out joint projects in fields including biotechnology, agriculture and water technology, the statement said. (BN)

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Last Trading Day Stats

Index	*Close*	*1D %Chg*	*YTD%Chg*
EuroStoxx 50	2,875.67	0.95%	2.97%
CAC	4,007.35	0.63%	5.32%
DAX	7,419.44	0.59%	7.31%
AEX	342.82	0.93%	-3.31%
FTSE 100	5,989.76	0.74%	1.52%
SMI	6,237.81	0.82%	-3.08%
OMX	1,118.05	0.25%	-3.25%
S&P 500	1,339.67	1.44%	6.52%
Nikkei 225	9,965.09	0.98%	-2.58%

Index	Close	1D Chg	5D Chg
Dow Jones	12,582.77	168.43	648.19
VIX Index	15.870	-0.650	-5.230
VDAX Index	16.850	-1.110	-5.530
2-10 EUR	139.369		
2-10 US	271.915		
Eur / Dollar	1.4533		

Bunds	*Yield (%)*	***Chg 1d bp***	*Chg 5d bp*
2YR	1.629	**-2.40**	24.10
5YR	2.273	**-2.30**	22.90
10YR	3.018	**-1.90**	12.40

	Close	1D Chg	5D Chg
1st CL future	94.94	0.26	4.59
CRB index	#N/A	-1.34	6.82

AEX close	342.82
ADR Impact	**0.41**
ADR Impact %	0.12%
AEX Parity	**343.23**
AEX Ex-div Impact	

ADRs	**Volume**	**Rel.vol**	**NL Close**	**ADR (Eur)**	**Chg EUR**	**%Chg**
AEGON NV-NY REG	906776	84%	4.80	**4.81**	0.01	0.18%
ARCELORMITTAL-NY	3367992	93%	24.20	**24.24**	0.05	0.19%
ASML HOLDING-NY	1475899	56%	25.98	**26.11**	0.13	0.49%
REED ELSEVIE-ADR	63208	64%	9.31	**9.33**	0.01	0.15%
ING GROEP-ADR	2451038	114%	8.67	**8.70**	0.03	0.36%
PHILIPS ELEC-NY	1451722	100%	17.66	**17.71**	0.05	0.29%
ROYAL DUTCH-ADR	1734163	81%	24.59	**24.61**	0.02	0.07%
UNILEVER NV-NYS	1805021	82%	22.79	**22.80**	0.01	0.06%

Dow Jones Sectors US	*Close*	***%Chg***	*Chg 1d*	*Chg 2d*	*Chg 5d*
BAS MAT	320.17	**1.00%**	3.16	6.63	16.86
CON CYC	373.37	**1.74%**	6.40	9.89	20.32
CON NCY	349.00	**1.05%**	3.63	6.77	13.44
ENERGY	648.36	**0.97%**	6.23	15.64	44.51
FINANCL	286.45	**1.79%**	5.05	5.72	16.02
HLTHCAR	375.32	**1.29%**	4.77	5.97	13.83
INDUST	345.24	**1.79%**	6.07	11.35	20.65
TECH	682.18	**1.60%**	10.75	20.87	39.98
TELECOM	141.90	**1.44%**	2.02	2.98	6.20
UTILITY	166.28	**1.30%**	2.13	2.73	5.57

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