



**TODAY 01-07-11**

**NL** (a.o.): - ;

**NL Monday** (a.o.): - ;

**EUR** (a.o.): Atos Origin EGM, Tesco AGM;

**EUR Monday** (a.o.): -;;

**EUR Ex-div** (a.o.): Endesa, Lafarge, Pernod-Ricard, Red Electrica;

**EUR Ex-div Monday** (a.o.): Ebro Foods, Indra Sistemas, John

Wood ;

**FINANCE Credit / CDS HFs**

- **EU Wide Tax Idea Rebuffed By German Minister** --German Deputy Foreign Minister Werner Hoyer has rejected a financial transaction tax that would directly go to the European Union as proposed Wednesday by European Commission President Jose Manuel Barroso. "It would be a further tax burden, and I believe citizens rather expect the contrary," Hoyer told Deutschlandfunk radio in an interview conducted later Thursday and broadcast Friday morning. Responsibility for the budget of the European Union shouldn't be taken away from national parliaments, Hoyer said. (DJ)
- **EU's Semata Says Tobin Tax Could Raise EU54 Billion, Echos Says** -- A proposed tax on international financial transactions could raise 31.5 billion euros, or 54 billion euros if currency operations are included, Algirdas Semeta, the European Union's tax commissioner, told French daily Les Echos in an interview. (BN)
- **yday] ECB Trichet: In Favor Of "Great Flexibility" For EFSF, ESM--European Central Bank President Jean-Claude Trichet stressed that the ECB remains in favor of "great flexibility" for the European Financial Stability Facility and the European Stability Mechanism, the euro zone's current and future bail-out funds, including allowing the facilities to purchase bonds on the primary market. The bail-out funds are there "to complement the help from the international community," he said to the European Parliament's Committee on Economic and Monetary Affairs. He added that the current circumstances are indeed "very difficult." Nevertheless, "those who behave properly will be treated very differently to those who behave improperly." "Sound policies and appropriate structural reforms have a reward," he stressed. **Trichet said that the ECB continues to argue that a financial transaction tax**, unilaterally imposed in Europe and not in the rest of the world, "would lead to a massive loss of activity for Europe and represent very serious drawbacks at a time when we should be trying to attract as much activity as possible to Europe." (DJ)**
- **Europe Insurance Stress-Test Results May Be Published Monday** --The results of tests that assess European insurers' ability to withstand stress scenarios could be published Monday, a spokeswoman for Europe's insurance regulator said Thursday. The European Insurance and Occupational Pensions Authority will take a final decision on the publication date Friday afternoon, the spokeswoman told Dow Jones Newswires. EIOPA had envisaged publication of the results in early or mid-July. Though the insurance stress tests aren't observed as widely as those for banks, given that insurers got through the economic and financial crisis relatively unscathed, they will shed important light on the sector's resilience to challenging macro-economic stress scenarios. Unlike the stress test results for banks--due in mid-July--the results for European insurers will only be published on an aggregate basis. The stress tests examine insurers' ability to meet their obligations in three stress scenarios--a baseline scenario, an adverse scenario and an inflation shock--and their impact on insurers' market risks, credit risks and insurance risks. (DJ)
- **Spain's Three Main Parties Vote to Ease Foreclosure** -- Spain's three largest parties backed a resolution in Parliament to help mortgage-holders facing foreclosure, after nationwide protests called for protection for homeowners from banks after the collapse of the property boom. Parliament approved today the motion drafted by the ruling Socialists, the main opposition People's Party and Catalan group Convergencia i Union that called for an increase to the amount of income that is shielded from creditors' claims and an increase to the value at which banks take foreclosed homes on to their books, according to the text of the motion, which isn't binding. Spaniards protesting in nationwide demonstrations since May have called for easier rules for mortgage-holders who risk losing their homes as the end of a debt-fueled property boom pushed the unemployment rate to 21 percent. Under Spanish law, the bank can claim the difference from the borrower if a foreclosed property is sold for less than the outstanding mortgage, and has access to borrowers' present and future assets and earnings. Existing rules have kept the bad-loan ratio on mortgages for homes at less than 3 percent, according to the Bank of Spain, which defends the current system. Finance Minister Elena Salgado said on June 27 that mortgage contracts can't be changed "retroactively." (BN)
- **[yday] German Banks, Insurers Agree With Schaeuble on Greek Aid** -- Deutsche Bank AG and Allianz SE, Germany's biggest bank and insurer, were among the nation's financial firms that agreed to reinvest in Greek debt to help avoid the euro area's first default. German banks and insurers agreed to roll over at least 2 billion euros from Greek bonds maturing through 2014, Finance Minister Wolfgang Schaeuble said at a press conference in Berlin yesterday. The country's so-called bad banks will provide an additional 1.2 billion euros, he said. (BN)
- **Concern mounts over rise of collateral swaps** -- Ask a group of bank debt specialists and the chances are that only half might recognise "collateral swaps" as one of the private financing tools available to banks. Yet the Bank of England was last week sufficiently worried about the growth of this nascent market in Europe to raise the alarm over the deals, calling on the Financial Services Authority to "monitor closely" the risks associated with them. In essence, collateral swaps are simply a form of secured lending where one party lends liquid assets, such as top-rated government bonds, to another and in return receives less liquid collateral to mitigate the risks. The Bank is concerned with a growing number of such private deals being struck between banks and investors such as insurers. In these arrangements the insurer lends a bank liquid securities such as government bonds -- for which the bank pays a small fee -- and in return the bank pledges highly rated but less liquid collateral such as mortgage-backed securities -- bonds backed by pools of loans -- where the markets are still tainted by the "toxic" tag from the financial crisis. The result is that the insurer gets a higher return on its safe but dull holdings and the bank gets liquid assets that it can repledge as collateral in places where its sticky securitisation deals are not welcome. But the private nature of many such deals is making it tougher for regulators to know the genuine exposure of any particular bank or insurer. While insurers report their holdings of liquid government bonds on their books, should a bank on the other end of these swap trades collapse as Lehman Brothers did, some insurers would be left holding far less saleable assets or facing a protracted legal wrangle for their original bonds.  
(<http://www.ft.com/intl/cms/s/0/e4109c9c-a31f-11e0-a9a4-00144feabdc0.html#axzz1QpTW2Vq5>)
- **FDIC'S Bair: 'Living Wills' For Financial Firms May Be Required** -- The largest U.S. financial firms could be required by early next year to provide regulators a road map for how they can be wound down in the event of another financial crisis, the chairman of the Federal

- Deposit Insurance Corp. said Thursday. The FDIC is scheduled next week to consider a final rule requiring the firms to submit to resolution plans, also known as "living wills," with regular updates, to regulators. The resolution plans are intended to give regulators a plan to follow if one of the nation's most-complex financial firms runs into trouble. "I'm pushing to get something done before I leave," the agency's chairman, Sheila Bair, told reporters after a Senate Banking Committee hearing. Bair steps down from the agency on July 8, at the end of her five-year term. A draft rule approved in March would give firms 180 days to submit their first plan after the rule is formally adopted by regulators. However, the timing of when those plans will need to be filed is still under discussion, Bair said. (DJ)
- **FDIC's Bair: Hails Compromise On Bank Capital Standards** -- The departing chairman of the U.S. Federal Deposit Insurance Corp. said Thursday that new bank-capital standards agreed on last weekend by international regulators represent an acceptable compromise that will provide a buffer for large financial firms in the event of a financial crisis. FDIC Chairman Sheila Bair, who leaves her post on July 8, had supported a bigger capital surcharge for large financial firms than regulators agreed on but nonetheless praised the accord. "It was important to get international agreement," she told reporters after a hearing of the Senate Banking Committee. "It got us unanimity and that is important." (DJ)
  - **Basel Seeks to Curb Banks' Risk From Rogue Traders, Fraud** -- Banks should bolster their defenses against losses caused by rogue traders, client fraud and other so-called operational risks, global regulators said. The Basel Committee on Banking Supervision endorsed updated principles on how banks should protect themselves from risks not directly linked to lending or market movements, the group said today on its website. The measures add to beefed up capital and liquidity rules to toughen regulation of banks following the worst financial crisis since the Great Depression. Rogue traders such as Jerome Kerviel at Societe Generale SA and Nick Leeson at Barings Plc can also wreak havoc on individual institutions, said Nicolas Veron, a senior fellow at economics research group Bruegel. "Barings was killed by operational risk, and Societe Generale came very close to a near-death experience in 2008," Veron said in a phone interview from Brussels. "Does operational risk generally cause systemic crises? No. But it can have a major impact on individual institutions when things go wrong," said Veron. (BN)
  - **SEC Needs Better Exams After Granting Exemptions, Watchdog Says** -- The U.S. Securities and Exchange Commission needs to improve oversight of firms exempt from certain regulations, the agency's watchdog said, citing "numerous" cases in which companies violated conditions of the waivers. SEC staff have "no formalized process" to track whether firms are complying with the conditions of their exemptions, Inspector General H. David Kotz said in a report posted today on the SEC's website. That may pose "substantial" risks "because exemptive orders and no-action letters allow industry participants to conduct activities that, without the relief, could violate the securities laws and regulations," Kotz said. The SEC can issue exemptive orders and so-called no-action letters to allow transactions that may not have been contemplated when the securities laws were written. Those transactions may otherwise violate rules, so the exemptions are often conditional on the firm's compliance with certain standards, Kotz said. A no-action letter states that the staff will not pursue an enforcement action in response to the proposed activity. (BN)
  - **Axel Weber to Be Nominated for Election to UBS Board in 2012** -- UBS AG said the board of directors will nominate former Bundesbank President Axel Weber for the election to the board at the annual general meeting. After his first year in office, he is expected to succeed Chairman Kaspar Villiger in 2013, UBS said in an e-mailed statement. (BN)
  - **Danish Banks Won't Get More State Aid, Government Spokesman Says** -- Denmark's government isn't planning further measures to support troubled lenders, even after a second regional bank failure triggered senior creditor losses and sent interbank rates higher, a government spokesman said. "We are against providing special guarantees, also when it comes to foreign loans," Jacob Jensen, a spokesman for the ruling Liberal Party, said by phone yesterday. "It should be up to the market to decide. It would be a mistake to go in and take some extra measures with the objective of, with all due respect, rescuing a few small banks." The June 24 failure of Fjordbank Mors A/S triggered Europe's toughest bank resolution rules for a second time and left senior creditors facing a 26 percent haircut on their holdings. Moody's Investors Service last month downgraded six lenders, including the country's largest, Danske Bank A/S, citing an absence of state support. "We've stuck by our bank resolution bill because then everyone knows what they're dealing with," Jensen said. "It would be wrong to send the signal that it depends on political goodwill whether or not these terms apply." Jensen said proposals including guaranteeing foreign loans and purchasing bad loans to the property and farming sectors aren't an option the government is considering. (BN)
  - **Blackstone to Manage 1.4 Billion Pounds of RBS Loans, FT Says** -- Royal Bank of Scotland Group Plc will transfer 1.4 billion pounds of high-risk U.K. commercial property loans into a structure controlled by Blackstone Group LP in a deal that will allow the state-owned bank to retain a share of future profits, the Financial Times reported, without attribution. Blackstone, which will buy a minority position in the portfolio, will take over management of the loans from RBS, the newspaper said, without saying where it got the information. RBS spokesman Andy Cameron-Smith declined to comment when contacted by telephone today. (BN)
  - **New York Fed Halts AIG Bond Auctions on Market Conditions** -- The Federal Reserve Bank of New York is halting its sales of mortgage bonds acquired in the rescue of American International Group Inc. after coming under criticism that auctions were damaging credit markets. "Given prevailing market conditions" for residential mortgage-backed securities, "we do not anticipate any sales of bonds in the near term or until such time as the New York Fed deems it will achieve value for the public," Jack Gutt, a New York Fed spokesman, said in an e-mail. The New York Fed began unloading the bonds piecemeal after rejecting a \$15.7 billion bid from New York-based AIG for the entire pool in March. As traders blamed declines in debt from high-yield bonds to subprime-mortgage securities on the sales, the bank slowed their pace. Its last auction ended June 9. (BN)
  - **Dutch State Extends Repurchase Facility Guaranteed Bonds** -- The Netherlands said a temporary facility for banks to repurchase state-guaranteed bonds will be kept open permanently after two banks repurchased more than 3 billion euros of debt since February. "The facility has been successful and I am planning to keep it open on a permanent basis," Dutch Finance Minister Jan Kees de Jager said in a letter sent today to parliament. The guarantees cover 34.2 billion of debt as of June 30, according to the letter. Banking units of Dutch firms such as NIBC Bank NV, SNS Reaal NV, ABN Amro Group NV and ING Groep NV sold more than 50 billion euros of debt backed by the government. The guarantees, aimed to restore funding to lenders during the financial crisis, were put in place in 2008. ABN Amro on April 15 offered to repurchase as much as 3 billion euros of notes due in April 2012, which were sold by Fortis Bank Nederland Holding NV in 2009. ABN Amro has 9 billion euros of outstanding government-guaranteed debt. NIBC Holding NV's banking unit, which borrowed about 6 billion euros under the program, has bought back 491 million euros of the bonds ahead of schedule. The close-out fee remains unchanged at 15 percent and can be adjusted if necessary, according to the minister's letter. (BN)

- **WestLB Overhaul Plan Is Approved by North Rhine-Westphalia** -- WestLB AG's overhaul plan introduced by the government of North Rhine-Westphalia was approved by the state's parliament, Hans Zinnkann, a spokesman for the parliament, said by telephone. The majority of the Social Democrats and the Green Party, which govern the state, together with Christian Democrats, voted in favor, he said. The plan, rejected earlier today after the Christian Democrats voted against it, was "modified slightly," before being brought again into the parliament in Dusseldorf, according to Social Democrats spokesman Markus Weske. (BN)
- **Bank of Moscow to Get \$8.9 Bln From Central Bank, Vedomosti Says** -- OAO Bank of Moscow will get 250 billion rubles of financing from Russia's central bank as the authorities agreed on a bailout yesterday, Vedomosti reported. The final size of the 10-year loan may be even more than 250 billion rubles, the newspaper said, citing unidentified people aware of the details of the plan. The annual interest rate will be 0.5 percent, it added. Bank of Moscow is in the process of being acquired by state-owned VTB Group, which will give it a loan of about about 100 billion rubles, Vedomosti said. (BN)
- **Goldman Sachs's Connections With Central Banks Reach Ever Deeper** -- The revolving door between Goldman Sachs Group Inc. and central banks is spinning again. The fifth-biggest U.S. bank by assets said yesterday it hired Bank of England economist Andrew Benito after recruiting Huw Pill from the European Central Bank in May and Naohiko Baba from the Bank of Japan in January. Moving in the other direction, Ben Broadbent, Goldman Sachs's ex-chief U.K. economist, started at the Bank of England last month. Former vice chairman Mario Draghi will take up the presidency of the ECB in November. The targeting of central banks reflects the value banks such as New York-based Goldman Sachs place on the skills economists gather working in policy-making at a time when growth in advanced economies is struggling to gain momentum. Meantime, governments seeking top officials are again turning to Goldman Sachs for top decision-makers 12 months after it settled U.S. fraud claims and almost four years since the start of the worst financial crisis since the Great Depression. "The people they're hiring from central banks tend to have valuable understandings of monetary policies, currencies, what's going on with regulation and have access to all sorts of important people," said Roy Smith, a finance professor at New York University and former Goldman Sachs partner. "Goldman Sachs has taken a bashing in the crisis. It's bound to be near the bottom or recovering now, as there's nothing of substance to follow the charges. Governments recognise that to be the case." (BN)
- **Libya Sought to Cut Losing Hedge Fund Holdings, Document Shows** -- Libya's \$64 billion sovereign wealth fund sought to cut holdings in hedge funds after losing on investments including bets with Millennium Global Investments Ltd., according to a document distributed by U.K. human-rights group Global Witness. The Libyan Investment Authority, or LIA, invested \$4.5 billion in so-called alternative assets, according to an LIA "Management Information Report" dated Sept. 30. KPMG LLP, which was advising the fund, recommended reducing the holdings by \$2.4 billion amid high fees and sluggish performance, the document shows. The world's 11th-biggest sovereign wealth fund turned to financial firms from Goldman Sachs Group Inc., the fifth-biggest U.S. bank by assets, to HSBC Holdings Plc, Europe's largest bank, to achieve its goal of 8 percent annual returns. The bets didn't always work out, raising concern among the fund's managers that capital would be eroded, the LIA document shows. "By liquidating the funds we can guarantee capital preservation and ensure reduction in expenses," the 42-page document said. (BN)

#### **TECH/TELCO**

- **KPN, Vodafone May Be Violating Privacy Laws, Dutch Agency Says** -- Royal KPN NV, the biggest Dutch phone company, and rivals Vodafone Plc, Deutsche Telekom AG's T-Mobile and Tele2 AB may be violating privacy laws by tracking smartphone applications their clients use, the country's telecommunications regulator said. The companies are using "deep packet inspection" to track the use of Whatsapp or Twitter, applications that allow people to send messages via their mobile phones, Dutch regulator Opta concluded. "With their analysis they use information that goes beyond data-traffic" information, Opta said on its website today. The companies aren't looking into e-mail messages, photos or status updates on social networks. The regulator will hand the information to the Dutch privacy-protection authority. (BN)
- **Vodafone Could Face Doubling of \$2.5 Bln India Tax Bill, FT Says** -- Vodafone Group Plc Chief Financial Officer Andy Halford said the \$2.5 billion tax bill it is contesting in India's Supreme Court could be doubled, the Financial Times reported, citing an interview. The FT cited Halford as saying that Indian authorities have threatened to impose penalties for non-payment that could raise its outstanding tax liability to \$5 billion. (BN)
- **FTC Said to Have Begun Antitrust Inquiry Into Twitter Policies** -- The U.S. Federal Trade Commission has begun contacting software makers as part of a preliminary inquiry into whether Twitter Inc.'s business practices harm competition, two people familiar with the matter said. The agency is responding to complaints that Twitter is making it harder for some software developers to design applications that run in concert with the company's service, which allows people to communicate in 140-character messages, one of the people said. The agency has been taking a more active role in examining the behavior of large Internet companies in recent months. Last week, Google Inc., the world's biggest Internet-search provider, said it had received a subpoena from the FTC regarding a broad antitrust probe into its dominance. (BN)
- **Solorz-Zak Buys Polkomtel for \$5.5 Billion in Record Polish Deal** -- Billionaire Zygmunt Solorz-Zak agreed to buy Polkomtel SA, Poland's second-largest mobile-phone company, for 15.1 billion zloty (\$5.5 billion) in a record acquisition by a Polish investor. Shareholders including Vodafone Group Plc signed a preliminary accord to sell the Warsaw-based company to Solorz-Zak, according to statements late yesterday. The price excludes about 3 billion zloty of debt and dividend due to current owners. Solorz, who earlier this year raised more than 3 billion zloty by selling stakes in his companies, will finance the deal with his own cash and debt, he said in a statement. (BN)
- **Ericsson Consortium Wins Nortel Patent Portfolio With \$4.5B Bid** -- Swedish telecommunications gear vendor Telefon AB L.M. Ericsson said Friday that as part of a consortium it has won the bid for Canada's Nortel Networks Corp.'s remaining patents and patent applications. The total cash purchase price amounts to \$4.5 billion, of which Ericsson's contribution is \$340 million, with the rest made up from the other members of the consortium that includes Apple Inc., EMC Corp., Microsoft Corp., Research In Motion Ltd. and Sony Corp. The purchased patent portfolio includes around 6,000 patents and patent applications in telecommunications, internet search and social networking, and covers mobile, long term evolution and data networking as well as optical, internet, service provider, semiconductors and other patent portfolios, the company said in a statement. Google Inc. had originally made a "stalking horse" bid on the patents of \$900 million in April and the auction itself was delayed by a week after Nortel said it had seen a "significant level of interest" in the portfolio. (DJ)
- **ProSiebenSat.1 Aims to Expand to Asia, Handelsblatt Reports** -- ProSiebenSat.1 Media AG, Europe's second-largest broadcaster, plans to expand to Asia and the Middle East to boost sales, Handelsblatt reported today, citing Chief Executive Officer Thomas Ebeling. The

company is seeking partnerships, minority holdings or acquisitions, the newspaper said. ProSieben will report a "record year" for 2011, the CEO said, according to Handelsblatt. The broadcaster has no plans to sell any assets, the newspaper said. (BN)

- **Apple Victory Over Elan Will Stand, U.S. Trade Agency Says** -- Apple Inc.'s victory over patent-infringement claims brought by Elan Microelectronics Corp. for touch-controlled screens will stand, a U.S. trade agency said. The U.S. International Trade Commission in Washington upheld a judge's findings that Apple wasn't infringing an Elan patent, according to a notice posted on the agency's website. The six-member commission has the power to block imports of products found to violate U.S. patent rights. (BN)
- **Samsung Electronics Chip Head to Take Over Panel Business** -- Samsung Electronics Co., the world's largest maker of computer-memory chips, expanded the role of its chip-division president to include oversight of the unprofitable liquid-crystal display business. Kwon Oh Hyun will oversee Samsung's chip and panel divisions in a move aimed at "enhancing cooperation and generate synergy" between the two businesses, the company's parent Samsung Group said in an e-mailed statement today. (BN)
- **LinkedIn Chief Weiner Chases 'Next Play' After IPO Stock Surge** -- The morning of May 19, Jeff Weiner became the face of technology's new era of bubbly optimism. After ringing the bell on the floor of the New York Stock Exchange, the chief executive officer of LinkedIn Corp. watched as shares of his company soared above \$120, almost triple the price set by bankers the night before. That valued LinkedIn at more than \$9 billion, and Weiner quickly became a target for critics doubting the company was worth its sky-high valuation, Bloomberg Businessweek reports in its July 4 issue. (BN)
- **Google Halted Social Network Invites After 'Insane Demand'** -- Google Inc., the world's biggest search engine, shut down the invite mechanism for its new Google+ social network after "insane demand," said Vic Gundotra, head of social efforts, on the company's website. Google unveiled the service June 28 in a fresh attempt to compete with Facebook Inc.'s site. Google+ looks similar to Facebook, with streaming updates of photos, messages, comments and other content from selected groups of friends. (BN)

#### **RESEARCH UPDATES**

Goldman Sachs upped **Fugro** to Buy, from Neutral, cut **Saipem, CGG-Veritas** to Neutral, from Buy; UniCredit initiated **Aperam** at Buy; Citi upped **Lonza** to Hold, from Sell; Exane upped **Corio** to Outperform, from Underperform; Credit Suisse upped **ProSiebenSat.1** to Outperform, from Neutral; Santander cut **BMW** to Underweight, from Buy;

#### **ENERGY, UTILITIES AND COMMODITIES**

- **Crude Oil Declines on China, U.S. Slowdown as IEA Sales Begin** -- Oil declined, trimming the biggest weekly gain in almost three months, as signs of slowing manufacturing growth in China and the U.S., the world's biggest energy users, stoked speculation fuel demand may falter. Futures slipped as much as 0.8 percent, dropping for the first day in four, after China's Purchasing Managers' Index fell to the lowest since February 2009. A report today may show a slowdown in U.S. factory activity. Prices also slid as the U.S. offered 30 million barrels of oil from strategic reserves under an International Energy Agency plan to stabilize prices and OPEC boosted supplies. Futures for August delivery declined as much as 79 cents to \$94.63 a barrel in electronic trading on the New York Mercantile Exchange and was at \$94.78 at 2:29 p.m. Sydney time. The contract yesterday rose 65 cents, or 0.7 percent, to \$95.42. Prices are up 30 percent the past year and 4 percent this week. Brent oil for August settlement slid 64 cents, or 0.6 percent, to \$111.84 on the London-based ICE Futures Europe exchange. The European benchmark contract traded at a premium of \$16.90 to New York-traded West Texas Intermediate. The spread reached a record \$22.29 a barrel on June 15. (BN)
- **Gasoline Pump Prices May Keep Sliding Through July 4 Holiday** -- U.S. retail gasoline prices, down 11 percent from a 34-month high on May 4, may keep falling through the Fourth of July weekend as fewer Americans take to the road because of high costs and a slowing economy. The number of people using their cars during the five-day holiday will fall 3 percent to 32.8 million, Heathrow, Florida-based AAA, the nation's largest motoring organization, said in a June 22 forecast. On June 29, pump prices averaged \$3.541 a gallon, 29 percent higher than a year earlier, according to AAA. Consumer confidence dropped to a seven-month low in June as Americans grew concerned about the outlook for jobs and wages, the New York-based Conference Board said June 28. (BN)
- **IEA Oil Release Won't Result in Forced European Sell Tenders** -- The International Energy Agency-coordinated oil stockpile release will lead to five countries issuing sell tenders while eight nations will let companies holding the inventories decide. In Belgium, France, Italy, Poland, Spain, Turkey, Britain and Japan, oil companies can sell their reduced reserves, the Paris-based agency said yesterday in an e-mailed statement. Germany, South Korea, Belgium, Netherlands and the U.S. will issue tenders to sell government reserves, it said. The IEA last week announced the release of 60 million barrels, or 2 million barrels a day, of emergency oil, the first time since 2005 as an armed rebellion in Libya chokes global supplies. (BN)
- **Shell Executive: No Emergency To Warrant Release From Oil Reserve** -- There was no emergency in oil markets to warrant the globally coordinated oil release announced last week, a top executive from oil giant Royal Dutch Shell PLC said Thursday. "That oil is there for emergency purposes. Do I consider now an emergency? I have to say I don't," said Marvin Odum, president of Shell Oil Co., the U.S. unit of the Anglo-Dutch giant. "It doesn't change the middle- to longer-term picture. The conversation we need to be having is about the long-term supply issue." The executive said the best way to combat high oil prices was letting oil companies to increase crude production by tapping U.S. hydrocarbons resources. The International Energy Agency said last week it would offer 60 million barrels of oil in an effort to offset oil supply disruptions in the Middle East. Half of these 60 million barrels will come from the U.S., which was accepting bids this week. (DJ)
- **CNPC Starts 1 Million Ton-a-Year Oil Field and Refinery in Chad** -- China National Petroleum Corp.'s oil project in Chad started full operation, the Chinese oil company said in a statement on its website today. The project includes a 1-million-ton-a-year oilfield, a refinery with the same capacity and a 311-kilometer pipeline, it said. The oil refinery is the second-largest that CNPC has completed overseas, it said. (BN)
- **China Oil Refining Falls to Lowest Since 2010, Oilchem Says** -- China's biggest oil refineries cut processing rates to the lowest since 2010 in the last two weeks because of plant maintenance in the north, Oilchem.net reported. Twenty-three major refineries owned by China Petroleum & Chemical Corp. and PetroChina Co. operated at an average 78 percent of capacity, down 4.33 percentage points from two weeks earlier, Shandong-based Oilchem reported on its website today, citing a survey. Oil processing reached a record 88.6 percent of capacity in the second half of May, the industry portal said. (BN)
- **GDF Suez Plans Sale Of Assets** -- After completing two major transactions in less than four years, French utility giant GDF Suez SA aims to divest itself of some 10 billion euros, or about \$14 billion, in assets by 2013 as it focuses on organic growth and steers clear of more big mergers for the foreseeable future, Chief Executive Gerard Mestrallet said Thursday. "For now, we focus on organic growth," Mr. Mestrallet said in an interview. "We might consider small and medium acquisitions in the future, but they will be specifically targeted." GDF Suez's

planned divestitures over the next three years are needed to "neutralize" the impact on its balance sheet of its latest deal with International Power PLC, Mr. Mestrallet said. Under the \$2.25 billion transaction finalized in February, GDF Suez merged its international assets with those of the U.K. company. So far this year, the group, the world's biggest power utility in terms of revenue, sold a quarter of GRTgaz, its natural-gas-distribution unit in France, for 1.1 billion euros, as well as part of its local distribution network in Belgium and its distribution network in Italy for 772 million euros. Mr. Mestrallet offered few details on what additional asset sales are in the works. But he wouldn't rule out divesting some of the group's exploration and production activities. (WSJ)

- **Shell to Seek Kazakhstan Oil Project Extension, Telegraph Says** -- Royal Dutch Shell Plc and its partners will seek an extension from the Kazakhstan government to the 2013 deadline for the first oil from their Kashagan field, which has been delayed by technical difficulties, the Daily Telegraph reported. The country's oil minister has threatened the group of oil companies, including Total SA, Exxon Mobil Corp., Eni SpA and Kazakh state oil company KMG National Co., with heavy financial penalties if the deadline is missed, the newspaper said. (BN)
- **Gazprom CEO: New Taxes Demand Tougher Policy On Suppliers** -- Higher gas extraction taxes will force Russian gas giant OAO Gazprom to optimize costs and toughen policy toward suppliers, the company's chief executive, Alexei Miller, said Thursday. "This will force our company to optimize costs," Miller said. "But there will be no changes to our investment program, not in medium or long term." The company expects earnings before interest, taxes and amortization for 2011 to reach \$60 billion, Miller said. Gazprom has often been criticized for high costs in construction of infrastructure projects, including pipelines. The government has proposed significant increases in gas extraction taxes for Gazprom. (DJ)
- **Alaska Plans Largest 2011 Oil Lease Sale, Seeks Federal Action** -- Alaska's plan to lease land for oil and gas production in October may exceed any other sale in the U.S. this year, said Dan Sullivan, the state's natural resources commissioner. Governor Sean Parnell, a Republican, called for federal action to increase domestic crude output. "It's time to unlock and unleash American resource potential," he said in a webcast from Alaska made available today in Washington. The state of Alaska plans to sell oil and gas leases for 14.7 million acres in the Beaufort Sea, on the North Slope and in the North Slope foothills. The state wants to push more petroleum through the Trans Alaska Pipeline System, the state's oil and gas division said on June 9. (BN)
- **French Senators Approve Bill to Make Shale Drilling Illegal** -- French Senators approved a ban on hydraulic fracturing, a technique needed to produce oil and natural gas from shale rock. The vote in the Senate was the final step needed for the bill to become law, making France the first country to make the procedure illegal. Under the law, energy companies have two months to tell the government whether they planned to use hydraulic fracturing to explore for oil and gas on existing permits. If use of the technique was planned, the permits will be revoked. (BN)
- **New York state to lift fracking moratorium – NYT** -- The state of New York will lift its moratorium on the controversial natural gas extraction technique known as hydraulic fracturing, the New York Times reported on Thursday. However a spokesman for Governor Andrew Cuomo called the New York Times report "premature and baseless speculation." (R)
- **Sony, Toyota Cut Electricity Usage as Mandatory Savings Start** -- Sony Corp. and Toyota Motor Corp. are among Japanese companies changing working hours and shifting production to weekends to save energy as the country's first mandatory power-saving drive since the 1970s starts today. Heavy users like Sony, Toyota, Panasonic Corp. and Komatsu Ltd. are required to cut electricity consumption by 15 percent to help avoid blackouts after the March 11 earthquake and tsunami knocked out power plants operated by Tokyo Electric Power Co. and Tohoku Electric Power Co. Temperatures rose this week to 35.1 degrees Celsius, the highest this year, increasing air conditioners use in homes and offices. (BN)
- **Berlusconi Says Italy Won't Cut Incentives for Renewable Energy** -- Prime Minister Silvio Berlusconi said the Italian Cabinet today decided not to cut incentives for renewable energy. The Cabinet decided to "leave things as they are at present," Berlusconi told a news conference in Rome. He said the decision was taken "also in light" of a recent referendum that ruled out an Italian return to nuclear energy. (BN)
- **Vestas, EDF Energies Agree Onshore Wind Installations Deal** -- Vestas Wind Systems A/S has entered an agreement with EDF Energies Nouvelles whereby EDF Energies Nouvelles will buy a minimum of 50 percent of all Vestas's future onshore wind installations in Europe and a minimum of 30 percent of all of its future onshore wind installations in the US. The agreement is for deliveries in 2012 to 2014, Vestas said in a statement. The capacity within the agreement for projects in Europe is 180 MW and the "share of wallet agreement" is expected to have a potential of up to 2,000 MW or more for Vestas, the company said. (BN)
- **National Aluminium Said to Face Lower Output on Coal Shortage** -- National Aluminium Co., India's third-largest producer, may have to cut output by as much as 10 percent this fiscal year because of a coal shortage, said two executives with direct knowledge of the development. Production may drop to about 400,000 metric tons in the 12 months ending March 31 from 443,600 tons a year earlier, one of the officials said. Coal India Ltd., which provides about 80 percent of the fuel National Aluminium needs for its power plant, may fail to meet a supply contract, the executives said, declining to be identified as they aren't designated spokesmen. (BN)
- **Copper Declines for the First Day in Four, Paring Weekly Advance** -- Copper in London dropped for the first time in four days as manufacturing in China, the world's largest user, shrank to the lowest level since February 2009. Three-month copper on the London Metal Exchange lost as much as 0.9 percent to \$9,345 a metric ton, and traded at \$9,354 by 11:52 a.m. Singapore time. Commodities including oil and corn declined as supplies grew and the dollar rebounded, sending all six LME metals lower. (BN)
- **Corn Extends Worst Monthly Loss Since 2008 on U.S. Plantings** -- Corn extended its biggest monthly loss since October 2008 and wheat tumbled to the lowest level in almost a year after the U.S. reported acreage and inventories that topped estimates by analysts. Corn for December delivery slumped as much as 6.3 percent to \$5.815 a bushel, the lowest for the most-active contract on the Chicago Board of Trade since Dec. 16, and traded at \$5.8875 at 10:14 a.m. Singapore time. The grain lost 17 percent in June, narrowing the gain in the past year to 53 percent. Declining prices may reduce expenses for meat producers including Tyson Foods Inc. and makers of grain-based ethanol such as Poet LLC. Bigger grain supplies might ease global food-inflation concerns after prices measured by the United Nations climbed to a record in February. "The USDA reports should be viewed as both significantly bearish and somewhat confusing for the grains and cotton markets," Rabobank International analysts led by Luke Chandler wrote in an e-mailed report. "The market is now faced with an additional 300 million bushels of corn to factor into prices." U.S. farmers planted 92.282 million acres of corn this year, 1.8 percent more than projected by analysts in a Bloomberg News survey, and the second-highest since 1944, the Department of Agriculture said yesterday. Stockpiles as of June 1 were 3.67 billion bushels, 12 percent higher than forecast. (BN)

- **Amazon Deforestation Rates Double as Farmers Expect Pardons** -- Deforestation rates in the Brazilian Amazon, the world's biggest rain forest, more than doubled last month as farmers become more confident they'll be granted amnesty for illegal logging. Almost 268 square kilometers of protected rain forest were cut down in May, up from 110 square kilometers a year ago, the National Institute for Space Research said today in an e-mailed statement. Brazil lawmakers are considering a bill that alters its forestry code and would forgive farmers who illegally cleared trees. The possibility that the government may ease these restrictions is encouraging more logging, said Marcio Astrini, coordinator of forest campaigns for Greenpeace International's Brazil unit. That would hamper international efforts to fight global warming by protecting trees that absorb greenhouse gases. (BN)

#### **NETHERLANDS / AEX NEWS**

- **Netherlands to Cut Transaction Tax on House Purchase, ANP Says** -- The Dutch government plans to temporarily lower a transaction tax to two percent from six percent on the purchase of a house in order to stimulate the housing market, local news agency ANP said, without saying where it obtained the information. The government plans to implement an additional tax for banks to compensate for the measure which will cost the Dutch state about 1.2 billion euros, ANP said, without saying where it obtained the information. The measure will be in place for a year and is effectively immediately, ANP said. (BN)
- **[yday] ASR Sets Up \$1.6 Billion Property Fund to Sell Dutch Assets** -- ASR Nederland NV, the insurer acquired in 2008 by the Dutch state to help bail out Fortis Bank NV, plans to sell most of its 1.1 billion euros of stores and shopping centers by setting up a fund. The Utrecht-based insurer, the third-largest in the Netherlands, transferred 210 properties to its new ASR Dutch Prime Retail Fund and hired CB Richard Ellis Group Inc. to find investors in the fund, according to a statement yesterday. ASR plans to keep 20 percent of the fund. ASR has owned real estate assets directly for more than 100 years and the sales mark the start of a plan to invest outside the Netherlands and to place its money in property indirectly. ASR plans to follow with more specialist funds to reduce other Dutch real estate holdings, Dick Gort, chief executive officer of ASR REIM, the company's property asset-management unit, said in a telephone interview. The company shift in strategy coincides with changes in capital requirements for European insurers as the Dutch government prepares ASR for sale. The Solvency II proposals require insurers to set aside more money in case of a collapse in the value of properties they own directly. This makes investing in funds, publicly traded real estate companies and real estate loans more attractive. (BN)
- **TOM is granted a derivative trading licence by AFM** -- TOM [The Order Machine] announces that the Netherlands Authority for the Financial Markets [AFM] has granted TOM MTF an extension of its license for trading derivatives. This means that now TOM MTF may allow its members to trade derivatives on the TOM MTF platform. In the initial phase of the derivatives platform TOM MTF members are only allowed to trade in a limited number of option series. For all derivative transactions entered into on TOM MTF, Holland Clearing House N.V. [HCH] will act as central counterparty. As such HCH will assume the counterparty risk of such transactions. HCH is supervised by AFM and by the Central Bank of the Netherlands, DNB. (TOM)
- **AkzoNobel acquires pioneering plant-based separation technology** -- AkzoNobel has boosted its technology portfolio in sustainable chemistry after agreeing to acquire from Integrated Botanical Technologies [IBT] its patented Zeta Fraction technology, which is transforming how plant-based chemistry is used. Financial details were not disclosed. The unique process developed by IBT - a privately held New York-based company - makes it possible to harvest and separate constituent parts of a living cell from any plant or marine source without requiring any solvents. IBT has worked together with the Personal Care business (part of AkzoNobel Surface Chemistry) for the last five years, during which time new products have been developed that are currently being used in various personal care formulations. (Akzo)
- **Royal Ahold NV** -- The Dutch owner of Stop & Shop supermarkets in the U.S. named James McCann as its chief commercial and development officer starting Sept. 1. McCann left Carrefour in May after little more than a year in charge of the French retailer's domestic unit. (BN)
- **Boskalis sells terminal activities to Lamnalco for USD 450 million** -- Royal Boskalis Westminster N.V. has reached an agreement with The Rezayat Group of Saudi Arabia to sell SMIT's terminal and AHTS transport activities to Lamnalco Ltd. Boskalis and Rezayat each own a 50% stake in Lamnalco. Lamnalco will pay approximately USD 450 million for these activities and Boskalis will receive a net cash sum equaling around 75% of this consideration. Lamnalco will acquire all of SMIT's terminal activities, with the exception of the terminal activities of Rebras (Brazil) and of the joint ventures in Egypt, and Singapore (Keppel-SMIT). In addition Lamnalco will take over eight L-class AHTS vessels from SMIT that are currently part of the SMIT Transport activities. On balance the activities sold represented in 2010 an EBITDA of around USD 55 million. (BOKA)
- **Dutch Central Bank President Criticizes Bank Overhaul In Book** -- Departing Dutch Central Bank President Nout Wellink is criticizing the Dutch government's announced plans for overhauling the central bank's governance structure, according to a book to be published on Friday. Wellink said he disagrees with the proposal to create a central bank head of supervision separate from the central bank president, noting "it's never a good idea to have two captains on the same ship." The book, entitled "Wellink aan het woord"-- translated as Wellink speaking--is authored by Roel Janssen, a journalist for Dutch daily NRC Handelsblad. The Dutch government wants to create a new position at the central bank that will solely focus on banking supervision. As a result, the new president of the central bank, who will replace Wellink after next summer, will have a reduced job scope, although will remain responsible for monetary policy. In the Netherlands, where nearly all major banks required substantial government bailouts, the central bank has been accused of failing to identify the weaknesses in the financial sector. As a result, the government proposed a number of changes that sought to overhaul the central bank's governance structure. (DJ)

#### **M&A and OTHER CORPORATE NEWS**

- **Asian Stocks Rise for Fourth Day on Greece Vote, U.S. Economy** -- Asian stocks rose, sending the regional benchmark index to its longest winning-streak since February, on optimism Greece will avoid default and after U.S. manufacturing unexpectedly expanded at a faster pace in June, lessening risk for bank earnings and exports. Mitsubishi UFJ Financial Group Inc., Japan's largest publicly traded bank, rose 1.5 percent in Tokyo. Toyota Motor Corp., the world's No. 1 carmaker by market value, gained 0.9 percent. Samsung Electronics Co., an electronics maker that gets about 42 percent of sales from the U.S. and Europe, increased 2.5 percent in Seoul. The MSCI Asia Pacific Index gained 0.3 percent to 135.44, as of 12:05 p.m. in Tokyo, set for its highest close since June 1. About seven stocks rose for every four that dropped on the measure. Through yesterday, the gauge tumbled 4.2 percent from this year's high on May 2, amid concern a slowing U.S. economy, Europe's sovereign debt crisis and China's steps to curb inflation will crimp earnings. Japan's Nikkei 225 Stock Average



gained 0.5 percent after the country's largest manufacturers said they plan to boost capital spending this fiscal year at almost twice the pace forecast by economists. South Korea's Kospi Index climbed 1 percent. Australia's S&P/ASX 200 Index lost 0.6 percent. (BN)

- **U.S. Stocks Rally on Optimism Greece Will Avoid Debt Default** -- U.S. stocks rallied, giving the Standard & Poor's 500 Index its biggest four-day gain since September, amid increased optimism Greece will avoid default and after American business activity improved. Industrial, energy and technology companies led gains in the S&P 500, rising at least 1.4 percent, as investors bought stocks tied to economic growth. Caterpillar Inc., United Technologies Corp. and 3M Co. climbed at least 1.8 percent to help the Dow Jones Industrial Average erase its quarterly loss. Hewlett-Packard Co. added 2.4 percent after a report that private-equity firms want the computer maker to split up. The S&P 500 advanced 1 percent to 1,320.64 at 4 p.m. in New York, rising 4.1 percent in four days. The Dow average gained 152.92 points, or 1.3 percent, to 12,414.34 today. (BN)
- **EUROPE** -- European stock markets are likely to start a bit lower, with core government debt mixed. The euro and spot gold are little changed, while oil futures are lower. Investors may take profit on some of the week's gains going into the weekend, leaving European bourses to start a bit lower Friday. For Friday's opening, IG Markets is calling the FTSE down 11 at 5935, the DAX off 8 at 7368, and the CAC off 4 at 3978. (DJ)
- **Glaxo, Roche Breast-Cancer Drugs Fail to Win U.K. Cost Backing** -- GlaxoSmithKline Plc's Tyverb and Roche Holding AG's Herceptin haven't been proven effective when combined with a hormone to treat HER-2-positive breast cancer in older women, the U.K.'s health-cost agency said. (BN)
- **LVMH Bids for Rest of Bulgari at EU12.25 Apiece** -- LVMH Moët Hennessy - Louis Vuitton S.A. bid for the rest of Bulgari SpA at 12.25 euros apiece, according to a statement through the Italian exchange today. (BN)
- **Apollo Group Inc.** -- gained 2.2 percent after hours to \$44.65. The operator of for-profit schools forecast fiscal year 2012 revenue of as much as \$4.25 billion. The average analyst estimate is for sales of \$4.13 billion. The company also reaffirmed its projection for fiscal year 2011 revenue. (BN)
- **Eastman Kodak Co** -- dropped 15 percent after hours to \$3.05. The U.S. International Trade Commission pushed back until Aug. 30 a final ruling in the photography company's patent-infringement case against Apple Inc. and Research In Motion Ltd. so a judge can consider the validity of the patent. (BN)
- **U.K.'s Cable, Hammond Call for Procurement Rules Review, FT Says** -- U.K. Business Secretary Vince Cable and Transport Secretary Philip Hammond have written a letter to Prime Minister David Cameron asking him to look at the way that the U.K. operates European Union procurement rules, the Financial Times reported, citing the letter. The initiative comes after Siemens AG won preferred bidder status to build 1,200 new trains for Thameslink Rail Ltd., creating uncertainty over the future of Britain's last train factory, owned by Canadian company Bombardier Inc. the FT said. (BN)
- **Insider Trading Crackdown Vowed by Australian Market Regulator** -- The new head of Australia's financial markets watchdog intends to "crack down" on unfair disclosures that cause sudden changes in stock prices, and require company directors, auditors and bankers to ensure fair and open markets. (BN)

#### **MACRO / GEOPOLITICS**

- **Debt Deal Must Come by Mid-July to Avert Default, Officials Say** -- Negotiators will need to reach agreement on raising the U.S. debt limit no later than July 22 so that legislation can get passed in time to stave off a default on U.S. debt, two Democratic officials familiar with the talks said. The Senate yesterday canceled its July 4 recess to remain in session next week during debt-limit talks after President Barack Obama a day earlier called on Congress to stop taking vacations while the debt-ceiling talks are unresolved. An agreement will have to be reached by some point between July 15 and July 22 in order to write a bill and comply with congressional rules requiring advance publication before consideration, said the officials, who spoke on condition of anonymity to discuss the negotiations. The officials said the timeline was necessary in order to raise the legal debt ceiling by Aug. 2, the date the Treasury Department projects it will no longer be able to meet U.S. obligations. Democrats and Republicans are at an impasse over how to cut the deficit, which Republicans insist must be done prior to agreeing to raise the nation's \$14.3 trillion debt limit before the Aug. 2 deadline. Republicans are demanding large spending cuts and no tax increases, while Democrats say higher tax revenue must be part of a "balanced" plan. Obama's spokesman rejected an invitation from Senate Minority Leader Mitch McConnell of Kentucky to meet with Republicans yesterday at the Capitol. Republicans simply want to "restate their maximalist position," White House press secretary Jay Carney said at a briefing. (BN)
- **Geithner Says He'll Stay for 'Foreseeable Future'** -- Treasury Secretary Timothy Geithner said Thursday he'll stay in his job for the "foreseeable future," addressing speculation he might leave the Obama administration following the current round of budget negotiations. "I live for this work. It's the only thing I've ever done. I believe in it," Geithner said when questioned about his plans by former President Bill Clinton onstage at a meeting of the Clinton Global Initiative. "We have a lot of challenges in the country and I'm going to be doing it for the foreseeable future," he said. Geithner, 49, acknowledged the interest in his plans, noting that he'd been commuting back and forth from New York and had a son who was going to be finishing high school there. Earlier a person familiar with his thinking told The Associated Press that Geithner saw an opening to potentially leave once a deal was reached on raising the nation's borrowing limit, but the source emphasized no decisions had been made. The person spoke on condition of anonymity to discuss private deliberations. Geithner reiterated his warnings Thursday of financial chaos if the federal government's debt limit is not raised by Aug. 2. Along with other administration officials, Geithner is deep in negotiations to make it happen alongside spending cuts demanded by congressional Republicans. (AP)
- **Obama Pushes For A Deficit-Reduction Deal By July 22** -- The Obama administration believes congressional leaders must agree to a deficit-reduction deal by July 22 in order to raise the government's borrowing limit in time to avoid a default in early August, according to Democratic officials with knowledge of the negotiations. The government needs a week or two to write and pass the necessary legislation and take the steps necessary to avoid missing a payment. "We're down to the wire," one official said. President Barack Obama and Senate leaders have agreed on the outline of an agreement to cut federal spending by about \$1 trillion over at least 10 years, but are deadlocked over whether to include some tax increases, as Democrats insist, or take them off the table, as Republicans want. The Senate agreed Thursday to cancel its planned recess next week to stay in town in pursuit of an agreement. Still, many disagree about what would happen if they don't reach a deal, and it is hard to know for certain because the federal government hasn't defaulted in modern times. (DJ)
- **Senate Democrats Face Math Problem in Finding Votes for Tax Hike** -- Senate Majority Leader Harry Reid of Nevada will have trouble lining up votes among his fellow Democrats for tax increases as he pressures Republicans to accept a debt-ceiling boost. Senate Democrats facing re-election battles next year in Republican-leaning states, including Ben Nelson of Nebraska, are torn over whether to

support a debt limit bill that includes revenue increases. Others, like Mary Landrieu of Louisiana, have concerns about tax proposals that would affect home-state industries. She said yesterday that she will have problems if tax breaks for oil and gas companies are curtailed. Republicans are opposed to raising revenue as part of legislation that would also cut spending and increase the \$14.3 trillion debt ceiling. The competing interests among Democrats will make it that much tougher for Reid to round up 60 votes that likely will be needed to advance a deficit reduction package in the Senate. "The math is very tough," said Brian Gardner, senior vice president of Washington research for Keefe, Bruyette & Woods Inc. "Any moderate Democrat who is up in 2012, especially in a red-leaning state, it's a tough political vote for them." (BN)

- **Minn. Government Shuts Down as Budget Talks Fail** -- Minnesota state government has shut down for the second time in six years after political leaders couldn't agree on how to solve a \$5 billion budget deficit. Talks between Democratic Gov. Mark Dayton and top Republicans fell apart well before a midnight deadline. Dayton demanded tax increases on top earners, but the GOP refused. The effects of the shutdown were being felt even before the final failure, as the state padlocked parks and rest areas. The full impact will hit Friday, with thousands of state employees laid off and a wide array of services suspended. Critical functions like state troopers, prison guards, the courts and disaster responses will continue. (AP)
- **California Schools Say Budget's Teacher Shield Spells Trouble** -- California's new budget may put school districts already facing financial pressures into deeper peril, under a provision that Republicans say was a concession to unions by Democrats who run the Legislature. The \$86 billion budget Governor Jerry Brown signed yesterday bars administrators from dismissing teachers in the fiscal year that begins today, even if their aid is cut because state revenue fails to meet forecasts. The measure may force districts to pay for those salaries out of emergency reserves. "This just doesn't make any sense, so there has to be some special interest involved," said Senator Jean Fuller, a Bakersfield Republican and former school superintendent. "Certainly it's either poorly written or it has priorities that are not in the best interest of parents and students." (BN)
- **Fed's Bullard: Fed Risks Credibility With Rate Stance** --The Federal Reserve runs the risk of damaging its credibility if it continues to pledge keeping its short-term federal-funds rate near zero for an extended period, St. Louis Federal Reserve Bank President James Bullard said Thursday. Use of the phrase "extended period" has been the hallmark of Fed policy statements as it aims to help the economy recover from the worst slowdown since the Great Depression. The current stance reduces the Fed's options to grapple with any negative economic headwinds in the future, said Bullard. "I don't think it's a viable option to say we're going to go into a super-extended period," Bullard added. Bullard's comments came while meeting with reporters during a St. Louis Fed-sponsored conference, marking the end of the central bank's second quantitative easing program, or QE2. The Fed on Thursday completed the purchase of \$600 billion in U.S. Treasuries, aiming to keep down medium- and longer-term interest rates to stimulate economic activity. QE2 succeeded in boosting inflation and inflation expectations, and Bullard warned the Fed runs the risk of more rampant inflation if its balance sheet remains expansive. However, Bullard seemed content for the Fed to be in a holding pattern for now, with its balance sheet topping \$2.6 trillion. (DJ)
- **Greenspan: I'd Be Surprised If There Is A QE3 -CNBC** -- Former Federal Reserve chairman Alan Greenspan said Thursday that he would be surprised if the U.S. central bank began a third round of quantitative easing. While the second round of the Fed's bond-buying program, known as QE2, had an "obvious" effect on the exchange rate, Greenspan told CNBC, there was "no evidence" such a large inflow of money into the financial system had much impact on the U.S. economy. "Not only QE2, but QE1, has not been spent, the trillion and a half dollars, which is excess reserves, have, to my estimation, not been spent," Greenspan said. A third round of easing, referred to as QE3, would continue the erosion of the U.S. dollar, he said. As for his expectations for the U.S. economy in the second half of this year, Greenspan said a lot depends on Greece. "As Greek default goes up in probability, we run into all sorts of problems," said Greenspan, who left the Fed in early 2006. "It's going to hit us two ways: One, the basic commitment we have to Europe in the usual financial flows, but in addition, it's going to affect the whole structure of profitability in the United States because we can't afford a significant drop in foreign affiliate earnings in Europe." The chances of fiscal consolidation in the euro zone "very small," Greenspan said. "And if there is no fiscal consolidation, I cannot see any credible scenario the Greek drachma does not come back." Regarding the U.S. debt ceiling, the retired central banker predicted the issue won't be resolved by the Aug. 2 deadline. (DJ)
- **Hoenig Calls For Rebalancing, Hits Congress On Deficit Talks** --The U.S. economy is constrained by excessive spending and too little savings, Federal Reserve Bank of Kansas City President Thomas Hoenig said Thursday, arguing that a rebalancing was needed to shift the world's largest industrialized nation toward "more sustainable sources of demand" and economic activity. In a speech to the Des Moines Rotary Club, Hoenig implicitly criticized the low interest rates that have come to define U.S. monetary policy. Saying loose monetary policy could create "new sources of fragility," the central banker warned that asset prices could eventually over-inflate because of the Fed's stimulative policy. The Kansas City Fed President's remarks Thursday were delivered on an auspicious occasion: the final day of the Fed's controversial \$600 billion bond-buying program. Hoenig--who stated he strongly opposed the stimulus from the beginning--declared himself "happy" the program was coming to an end. (DJ)
- **US Sen. Portman: Government May Face Higher Interest Rates On Debt** -- U.S. Sen. Rob Portman (R., Ohio) said Thursday the federal government could soon be forced to pay higher interest rates on its debt, a costly development as policy makers look to reduce unsustainable budget deficits. "The fiscal imbalance is getting to the point where it is affecting the economy in very direct ways and affecting the ability for America to find investors at relatively low interest rates," said Portman, a White House budget director during President George W. Bush's second term, in an interview. (DJ)
- **Trichet Signals July Rate Rise As Greece Tries to Avoid Default** -- European Central Bank President Jean-Claude Trichet signaled officials remain determined to raise borrowing costs next week even as Greece struggles to stave off a default amid violent street protests. "The monetary policy stance is still accommodative and risks to price stability are on the upside," Trichet told lawmakers in Brussels today. "We are in a state of strong vigilance and we stand ready to act in a firm and timely manner to avoid that recent price developments give rise to broad-based inflationary pressures over the medium term." ECB officials are concerned that oil-driven inflation and faster economic growth will fuel wage demands. His comments come against the backdrop of Greek Prime Minister George Papandreou facing a second ballot in two days trying to pull his country back from the threat of a default and persuade investors he can implement a \$112 billion-euro austerity plan. The euro extended its advance against the dollar after Trichet's comments, climbing as much as 0.6 percent to \$1.4521. It traded at \$1.4491 at 10:52 a.m. in Frankfurt. German two-year notes erased an advance, leaving the yield little changed at 1.56 percent. The ECB's governing council next convenes in Frankfurt on July 7. The central bank raised its benchmark interest rate by 25 basis points to 1.25 percent in April. (BN)

- Greek Parliament Approves Implementation of Austerity Plan** -- Greek lawmakers voted Thursday to speed the enactment of the country's new austerity measures, clearing the way for foreign lenders to make available the next installment of aid needed to meet the government's expenses through the summer. The vote followed a more significant milestone on Wednesday, when Parliament narrowly approved a package of spending cuts and tax increases, along with the sale of government assets, as protesters battled the police in the streets surrounding Parliament. The complex bill to carry out the austerity measures passed Thursday, with all 154 of the governing Socialists plus one conservative deputy voting in favor. There were 136 votes against it, along with 5 blank ballots and 4 abstentions. The center-right New Democracy Party opposed the bill in principle, as it had the measures themselves, saying they called for too much austerity and would make it more difficult for the Greek economy to grow. With Thursday's vote, the spotlight will now shift to Greece's foreign lenders — the European Union, European Central Bank and International Monetary Fund — which are expected to unlock \$17 billion in aid that the country needs to meet its debt obligations through August. (NYT)
- Too Soon To Mourn For The CDS Trade** -- As a deal on Greece's rescue takes shape, talk of the death of the sovereign credit-default swap market may prove exaggerated, analysts say. Current plans focus on getting banks and insurers to voluntarily reinvest some of their maturing Greek debt into new bonds. The voluntary aspect is crucial. Payouts on CDS, which function like default insurance, don't have to be triggered by a missed payment. A debt restructuring can also be a "credit event," triggering payments, but it has to be binding on all bondholders for that to happen. If lenders roll their debt over voluntarily, CDS buyers aren't likely to collect. Once a Greek deal is done, market participants may well request a ruling on whether CDS have been triggered. A committee that meets under the auspices of the International Swaps and Derivative Association would vote on whether a credit event has occurred. The committee decided on March 15 that Irish sovereign CDS wouldn't pay out after Ireland drew down its bailout funds from the International Monetary Fund, saying it wasn't clear that Irish sovereign bonds were now subordinate to IMF loans. Policy makers have repeatedly said they want a rescue that isn't a credit event; a result that triggers a payout would embarrass them. The implications for the CDS market could be far-reaching as well. If people who correctly bet on Greece not being able to pay its bills are denied their payday, this could destroy demand for CDS on other countries. That would suit politicians who say CDS trading has introduced unhelpful volatility into markets in the euro zone. "I don't think there's ever been a decision of this importance," Gary Jenkins, head of fixed-income research at Evolution Securities in London, said of a potential ISDA ruling. "This is political." One trader said this week, "If a sovereign country cannot default in the euro zone, then the sovereign CDS market is worthless." (WSJ)
- [yda] IMF Says It Hopes for 'Positive Resolution Soon' on Greece** -- The International Monetary Fund said today it hopes for a "positive resolution soon" on the Greek bailout package. "The recent passage of the relevant legislation in Greece's parliament will bolster Greece's efforts to implement its economic reform program. This is a welcome and important step and will contribute to restoring fiscal sustainability, safeguarding financial sector stability, and boosting competitiveness to create the conditions for sustained growth and employment. Discussions for the full financing of the program are continuing and we hope for a positive resolution soon. This will pave the way for the completion of the fourth review by the IMF's Executive Board and the release of the next tranche," the IMF said in a statement released in Washington. (BN)
- [yday] Germany Is Loser From Further Greek Bailout, Scott Writes in FT** -- Maintaining Europe's economic and monetary union means wrecking Germany's economy and public finances, said Derek Scott, the vice chairman of Open Europe, a U.K. policy review group. Writing in the Financial Times, Scott said the system has become "a disaster for Europe and Germany." Acceptance of the Emu in Germany was based on collusion between manufacturers, bankers and politicians at households' and taxpayers' expense, in that, while the probable appreciation of the deutschmark would have made German manufactured goods less competitive, other parts of the economy would have been stimulated, raising growth and living standards, Scott said. (BN)
- France Will Struggle To Keep Core Status** -- In a two-speed Europe, France is counted among the winners. Should it be? The question will be on Francois Baroin's mind as he takes over the French finance ministry from Christine Lagarde, who next week is stepping into the top job at the International Monetary Fund. Although France is the European Union's second-largest economy and is second to none in terms of political clout in the single currency, its prospects are looking distinctly lackluster compared with those of other core euro-zone countries, not least Germany. France may have had a less severe recession following the financial crisis, but it has also had a less dramatic rebound since. Where Germany's economy contracted 4.7% in 2009, France's shrank by just 2.5%. But despite the magnitude of that slump, by the end of this year the German economy will have registered a bigger overall expansion since 2008 than France. [...] It could be that French banks, with more than a little help from the French government, would be able to withstand major mark-downs in the value of their Greek, Portuguese and Irish assets. But they wouldn't if the crisis spread to the periphery's biggest economies, Italy and Spain, to which French banks have another \$550 billion of exposure. The French economy should muddle along for now, pulled by a buoyant Germany. But when Germany starts to slow, which Mr. Dumas expects at the start of 2012, its prospects will become distinctly gloomy. Worse still, there's a strong chance the European sovereign debt crisis will be blowing up again at the same time. If it does, France will look ever less core and ever more vulnerable. (WSJ)
- Italy Unveils Budget Plan Aimed at Calming Solvency Fears** -Italy's government on Thursday released a plan designed to balance its budget by 2014, carving out at least 40 billion euros in fiscal savings in an effort to fend off solvency fears amid Europe's continuing sovereign-debt crisis. Italy, whose public debt is 120% of gross domestic product, has come under the spotlight after recent warnings from Standard & Poor's and Moody's that the euro zone's third-largest economy risks a downgrade on its sovereign credit. Though the measures are ostensibly aimed at complying with new European Union public finances rules, policy makers hope they will calm bond markets in the wake of the rating agency warnings. (WSJ)
- Portugal Plans Extra Spending Cuts of About 800 Million Euros** -- The Portuguese government plans an extra "effort" to cut spending by about 800 million euros this year, equal to the amount it plans to raise with a one-time surcharge on income, Finance Minister Vitor Gaspar said in parliament today. Gaspar said this was necessary to meet this year's deficit target. (BN)
- Portugal Plans One-Time Tax Surcharge on Christmas Payments** -- Portugal is preparing a one-time income-tax surcharge to help it reach this year's budget-deficit target, Prime Minister Pedro Passos Coelho said. The tax will apply to all income subject to personal income taxes and the revenue raised will be equivalent to 50 percent of the Christmas supplements all workers receive, excluding the amount below the national minimum wage, Passos Coelho said in his first speech to parliament since his election this month. The Christmas payment is equal to a month's salary. (BN)

- **BofA May Lead To Principal Writedowns: Ex-President Clinton - Bloomberg News** -- Bank of America Corp.'s agreement with mortgage-bond investors could give more "underwater" borrowers a chance to cut the amount owed on their home loans, Former President Bill Clinton told Bloomberg Television. Bank of America reached an agreement this week to pay \$8.5 billion to settle claims by investors who lost money on mortgage-backed securities purchased before the U.S. housing collapse. The deal calls for specialized servicers to manage some of the highest-risk loans, an arrangement that Clinton said could lead to debt reductions and avert foreclosures, Bloomberg News reported on its website Friday. There is "enormous potential" to reduce the drag of U.S. housing on the economy if aspects of the deal are extended to the entire industry, Clinton said, Bloomberg reported. The government could give an incentive to have that happen, he said. (DJ)
- **Manhattan Apartment Sales Decline as Buyers See No Need to Rush** -- Manhattan apartment sales and prices fell in the second quarter from a year earlier, as the absence of a federal tax credit created less urgency to complete deals. Purchases of condominiums and co-ops declined 3.8 percent from a year earlier to 2,650, New York appraiser Miller Samuel Inc. and broker Prudential Douglas Elliman Real Estate said in a report today. The median price of co-ops and condos that changed hands in the borough dropped 5.5 percent to \$850,000. (BN)
- **Battle is joined over UK public sector pensions** -- Hundreds of thousands of teachers and civil servants are staging a one-day strike over pension reforms <http://link.ft.com/r/5F39HH/WTLXCU/KQQBO/5CGGC2/C57CNG/LE/h?a1=2011&a2=7&a3=1> (FT)
- **Japan's Tankan Large Manufacture Sentiment Index Falls to -9** -- Japan's Tankan index of sentiment among large manufacturers fell to minus 9 in June from 6 in March, the Bank of Japan said in Tokyo today. The median estimate of 27 economists surveyed by Bloomberg News was for a reading of minus 7. A negative number means pessimists outnumber optimists. (BN)
- **China's Manufacturing Growth Cools After Monetary Tightening** -- A Chinese manufacturing index fell to the lowest level since February 2009, signaling that the world's second-biggest economy is cooling as export demand weakens and the government reins in credit to control inflation. The Purchasing Managers' Index was at 50.9 in June compared with 52 in May, the China Federation of Logistics and Purchasing said in an e-mailed statement today. A separate survey showed manufacturing output declined for the first time since July 2010, HSBC Holdings Plc said today. (BN)
- **China's June Home Prices Slow in Biggest Cities, SouFun Says** -- China's June home prices eased in eight of the country's 10 biggest cities as the government expanded efforts to curb the risk of asset bubbles in its housing market, according to SouFun Holdings Ltd. Home prices in cities including Beijing and Shanghai either posted slower gains or declines from May, SouFun said in an e-mailed statement today. Hangzhou and Tianjin are the only two among the 10 biggest cities that reported gains following a drop in May, the nation's largest real-estate website owner said. The increase in nationwide home prices slowed to 0.4 percent last month from 0.5 percent in May, the 10th straight month of gains, SouFun said, as 75 of 100 cities surveyed reported higher prices. Concerns of tighter credit and further curbs prompted Standard & Poor's to lower the outlook for Chinese developers to "negative" from "stable" last month. (BN)
- **Ex-IMF Chief Strauss-Kahn's Accuser Said to Lack Credibility** -- Questions about the credibility of the woman who accused former International Monetary Fund chief Dominique Strauss-Kahn of a sexual attack have placed the case in jeopardy, a person familiar with the matter said. Prosecutors in Manhattan plan to tell a New York state court judge today that their investigation raised doubts about the victim's credibility, said the person, who didn't want to be identified because the matter isn't public. Prosecutors disclosed the information to Strauss-Kahn's lawyers, the person said. (BN)
- **Australian Central Bank Currency Firms Charged With Bribery** -- The Australian central bank's note-printing units and six people including former managers have been charged with bribing officials in Malaysia, Indonesia and Vietnam to win currency contracts. Securrency International Pty and Note Printing Australia Ltd. were charged over alleged payments to foreign public officials between 1999 and 2005, the Australian Federal Police said in a statement on its website. The Reserve Bank of Australia, which owns NPA and 50 percent of Securrency, said in a statement it condemns corrupt behavior of any kind and no one at the bank has been accused of wrongdoing. (BN)
- **Australia Home Price Drop Pits Local Bulls Versus Foreign Bears** -- Australian home prices in 2011 have fallen the most in three years, pitting local banks which say the drop will be short lived against overseas investors betting it's the start of an overdue rout. The nation's four biggest lenders, which account for about 87 percent of outstanding mortgages, are forecasting prices will be underpinned by a housing shortage, population growth and an economy boasting near full-employment. Overseas investors say high debt, unaffordable homes and rising interest rates could cause home prices to tumble as much as 40 percent. Government handouts to new home buyers helped Australia avoid the rout seen in the U.S., U.K. and Irish property markets after the collapse of Lehman Brothers Holdings Inc. in September 2008 triggered the worst global recession since World War II. Prices surged in the past two years, leaving Australia with the developed world's costliest homes, highest interest rates and among its most indebted households. "Australia stands out as the one developed housing market that didn't have a meaningful correction," said Ben Jarman, an economist at JPMorgan Chase & Co. in Sydney. "The thinking among market bears is that surely that domino has to fall as well, particularly when you saw a very strong year for price growth in 2009 and 2010." The median home price in the nation's eight capital cities, where two-thirds of the population lives on less than 0.5 percent of the country's land mass, was A\$470,000 (\$503,000) in May, according to Brisbane-based property researcher RP Data. (BN)

#### Last Trading Day Stats

Index	Close	1D %Chg	YTD%Chg
<b>EuroStoxx 50</b>	2,848.53	1.64%	1.99%
<b>CAC</b>	3,982.21	1.48%	4.66%
<b>DAX</b>	7,376.24	1.13%	6.68%
<b>AEX</b>	339.65	1.30%	-4.21%
<b>FTSE 100</b>	5,945.71	1.53%	0.78%
<b>SMI</b>	6,187.07	1.40%	-3.87%
<b>OMX</b>	1,115.23	1.38%	-3.49%
<b>S&amp;P 500</b>	1,320.64	1.01%	5.01%
<b>Nikkei 225</b>	9,868.07	0.53%	-3.53%

Index	Close	1D Chg	5D Chg
<b>Dow Jones</b>	12,414.34	152.92	364.34
<b>VIX Index</b>	16.520	-0.750	-2.770
<b>VDAX Index</b>	17.990	-1.810	-4.220

<b>2-10 EUR</b>	141.789
<b>2-10 US</b>	269.961
<b>Eur / Dollar</b>	1.4526

Bunds	Yield (%)	Chg 1d bp	Chg 5d bp
2YR	1.603	<b>-0.80</b>	24.50
5YR	2.272	<b>-1.20</b>	26.30
10YR	3.018	<b>-1.20</b>	17.90

	Close	1D Chg	5D Chg
<b>1st CL future</b>	95.42	-0.86	3.40
<b>CRB index</b>	#N/A	-0.75	7.84

AEX close	339.65
<b>ADR Impact</b>	<b>0.05</b>
ADR Impact %	0.01%
<b>AEX Parity</b>	<b>339.70</b>
AEX Ex-div Impact	

ADRs	Volume	Rel.vol	NL Close	ADR (Eur)	Chg EUR	%Chg
<b>AEGON NV-NY REG</b>	690861	64%	4.70	<b>4.68</b>	<b>(0.02)</b>	<b>-0.48%</b>
<b>ARCELORMITTAL-NY</b>	4064499	112%	24.00	<b>23.93</b>	<b>(0.07)</b>	<b>-0.27%</b>
<b>ASML HOLDING-NY</b>	2767631	104%	25.40	<b>25.44</b>	<b>0.04</b>	<b>0.17%</b>
<b>REED ELSEVIE-ADR</b>	46276	47%	9.26	<b>9.28</b>	<b>0.02</b>	<b>0.27%</b>
<b>ING GROEP-ADR</b>	5281350	247%	8.49	<b>8.52</b>	<b>0.03</b>	<b>0.32%</b>
<b>PHILIPS ELEC-NY</b>	4675108	324%	17.71	<b>17.68</b>	<b>(0.03)</b>	<b>-0.18%</b>
<b>ROYAL DUTCH-ADR</b>	1596887	74%	24.48	<b>24.48</b>	<b>0.00</b>	<b>0.02%</b>
<b>UNILEVER NV-NYS</b>	1635559	74%	22.61	<b>22.61</b>	<b>0.01</b>	<b>0.04%</b>

Dow Jones Sectors US	Close	%Chg	Chg 1d	Chg 2d	Chg 5d
BAS MAT	317.01	<b>1.11%</b>	3.47	7.45	11.58
CON CYC	366.97	<b>0.96%</b>	3.49	4.88	9.61
CON NCY	345.37	<b>0.92%</b>	3.14	5.28	7.90
ENERGY	642.13	<b>1.49%</b>	9.41	17.38	26.48
FINANCL	281.40	<b>0.24%</b>	0.67	7.02	9.13
HLTHCAR	370.55	<b>0.32%</b>	1.20	1.67	4.61
INDUST	339.17	<b>1.58%</b>	5.28	7.05	10.91
TECH	671.43	<b>1.53%</b>	10.12	11.65	17.73
TELECOM	139.88	<b>0.69%</b>	0.96	1.79	3.08
UTILITY	164.15	<b>0.37%</b>	0.60	1.38	3.66

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Sources amongst others: Bloomberg (BN), Reuters (R), BBC, CNN, NY Times (NYT), Washington Post(WP), The Guardian (G), het Financieele Dagblad (FD), Telegraaf (T), Volkskrant (VK), NRC, Wall Street Journal Europe (WSJE), Dow Jones (DJ), AFX and the Financial Times (FT) The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. All opinions and estimates expressed in this document are subject to change without notice. AFS does not accept any liability whatsoever for any direct or consequential loss arising from the use of this document. This document is for information purposes only and is not, and should not be construed as, an offer to buy any securities or derivatives. The information contained in this document is published for the assistance of the recipient, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient.