

MORNING NEWS CALL

REUTERS

U.S. Edition

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TOP NEWS

• ECB to hold fire as economy shows glimmers of hope

The European Central Bank is expected to keep interest rates at a record low of 0.75 percent, refraining from a cut as the euro zone economy shows some signs of stabilising and inflation still tops its target.

• China exports rebound but 2013 outlook remains murky

China's export growth rebounded surprisingly sharply to a seven-month high in December, a strong finish to the year after seven straight quarters of slow-down, but subdued global demand means that the spike may not herald an enduring recovery.

• GM says Opel not up for sale

General Motors Co's European division Opel is not up for sale, Steve Girsky, vice chairman of the U.S. car maker, said on Thursday.

• Bank of England leaves QE, interest rates on hold

The Bank of England kept its powder dry, voting as expected not to buy more government bonds despite the economy teetering on the verge of another contraction.

• Apple's Tim Cook meets with China Mobile chairman in Beijing

Apple Inc's Chief Executive Tim Cook met with China Mobile's Chairman Xi Guohua to discuss "matters of cooperation," a China Mobile spokesman said, raising hopes that a deal between the two tech giants may move forward.

• Spain kicks off tough 2013 with strong bond sale

Crisis-plagued Spain kicked off a tough 2013 funding programme with a well-received debt auction that raised 5.8 billion euros, selling above its target range at lower borrowing costs.

BEFORE THE BELL

Wall Street looked set to open higher helped by a better-than-expected trade data from the world's second largest economy re-instilled confidence among investors to move to riskier assets. European shares traded mixed ahead of the keenly watched European Central Bank rate decision while Asian shares ended in positive territory. Spot gold was trading at \$1,663.34 an ounce, just above the key resistance of the 200-day moving average at \$1,661.09 and Brent crude rose to trade around \$113 a barrel on news of a sharp cut in Saudi oil production while an explosion in Yemen which halted most of the country's oil exports also supported prices.

STOCKS TO WATCH

Moves

• **Morningstar Inc.** (MORN). The investment research company on Wednesday announced that CFO, Scott Cooley, will step down from his current role this year.

Results

• **PriceSmart Inc.** (PSMT). The company, on Wednesday, reported first quarter earnings of 66 cents per share on revenue of \$535.3 million.
• **Texas Industries Inc.** (TXI). The company reported second quarter loss of 40 cents per share on sales of \$167.7 million.

INSIGHT

BREAKINGVIEWS-Sprint and Softbank forced into tactical warfare

Sprint and Softbank are being forced into tactical warfare. U.S. satellite-TV company Dish Network, run by the enigmatic Charlie Ergen, put forward a highly conditional \$2.3 billion offer for Clearwire, a spectrum owner integral to the ambitions of Sprint and its Japanese buyer.

Though the bid is unlikely to go far, it could pressure Sprint to pay more - or strike a deal with Dish. The offer trumps Sprint's \$2.2 billion agreed deal for Clearwire. Though a board committee is considering the rival offer, it's hard to imagine how it could possibly succeed. Sprint controls just over half of Clearwire's votes and says it won't accept. Part of Dish's offer is to buy 24 percent of Clearwire's spectrum outright for \$2.2 billion, a proposal Clearwire has rejected before. What's more, Clearwire can't sell the spectrum without Sprint's consent. The Potemkin offer will nevertheless have consequences. Uppity investors already have come out against Sprint's bid, which followed Softbank's \$20 billion deal to buy 70 percent of Sprint last October. Dish's interloping at the very least lends intellectual credence to the idea that Sprint is trying to grab Clearwire on the cheap. That could tangle up Sprint's deal in legal knots. Further, Sprint needs three-quarters of Clearwire shares for approval. Activists hold under 15 percent, but Dish's offer could help them woo more investors to their plight. Sprint may consider a sweetener, even if its bid is the only realistic one on the table for troubled Clearwire. Softbank is eager to tackle the U.S. market and to do that it needs additional bandwidth. Clearwire is the obvious source. Increasing the bid could clear the path for Sprint and Softbank to get down to business. With the Clearwire shareholder vote months away, there's plenty of time for Dish to make trouble. The company is sitting on a whopping 40 megahertz of spectrum it bought from two bankrupt firms. It's probably worth three times the \$3 billion Dish paid, after regulators allowed it to be repurposed from satellite use to cellular. That means Ergen could now be a seller and might explain why he's positioning himself as a spoiler with Sprint. Until he explains himself, deal watchers will have to consult Sun Tzu



In Other News

- **Apple Inc.** (AAPL). CEO Tim Cook met with China Mobile's Chairman Xi Guohua to discuss "matters of cooperation," a China Mobile spokesman said, raising hopes that a deal between the two tech giants may move forward.
- **ArcelorMittal SA** (MT). The steelmaker raised \$4.0 billion euros in a combined offering of shares and convertible notes, compared with \$3.5 billion expected previously. It raised \$1.75 billion in shares and \$2.25 billion in notes.
- **Ascena Retail Group Inc.** (ASNA). The company lowered its FY2013 adjusted EPS to \$1.20 - \$1.30 from earlier view of \$1.45 to \$1.55. It also expects spring season comparable store sales increases in range of 3 percent to 5 percent.
- **General Motors Co.** (GM). The car maker's European division Opel has no plans for further factory closures at the moment, interim CEO Thomas Sedran said. Separately, vice chairman Steve Girsky said that Opel is not up for sale.
- **JPMorgan Chase & Co** (JPM). The bank will make a payment of \$753 million into fund for distribution to qualified borrowers as part of foreclosure settlement. It also committed an additional \$1.2 billion to foreclosure prevention actions under the settlement. The bank is expected to incur a pretax charge of approximately \$700 million in the fourth quarter of 2012.
- **Molycorp Inc.** (MCP). The rare-earth miner said it expected lower-than-expected revenue and cash flow for 2013 due to lower rare-earth prices. The company said it was evaluating its capital needs for 2013 as it ramps up its rare-earth manufacturing complex in Mountain Pass, California.
- **Parametric Technology Corp.** (PMTTC). The company, on January 8, committed to a plan to further restructure its workforce and related facilities which will result in cash expenditure of approximately \$15 million during fiscal year 2013. It expects that substantially affected employees will be separated from company by end of second fiscal quarter.
- **Petrobras** (PBR). The Brazil's state-led oil company said on Wednesday it had found "good quality" oil in a test well off the coast of Espirito Santo state, expanding discoveries in one of the world's most promising offshore oil frontiers. Petrobras operates and owns a 75 percent stake in the block.
- **Research In Motion.** (RIMM). Three of the top U.S. cellphone carriers including **Verizon Communications** (VZ), **AT&T Inc** (T) and T-Mobile USA, signaled this week that they would support the company's BlackBerry 10 products, the first of which are due to be unveiled Jan 30, offering a hopeful sign for RIM's comeback effort.
- **Rovi Corp.** (ROVI). The company forecast 2013 adjusted earnings in the range of \$1.90 to \$2.20 on revenue of \$630 million to \$660 million.
- **Sony Corp** (SNE). The company has put one of its main buildings in central Tokyo up for sale in a deal that could raise up to \$1.14 billion as the company seeks to sell non-core assets to boost its balance sheet, five people with direct knowledge of the deal said. The company is also trimming its headquarters staff by a fifth and is trying to sell its U.S. headquarters, which is expected to fetch up to \$800 million.
- **Sprint Nextel Corp.** (S). The wireless operator is under no pressure to raise its \$2 billion offer for **Clearwire Corp** (CLWR) to beat a higher bid by **Dish Network Corp** (DISH) as it holds several trump cards it can play to thwart its rival, three sources close to the matter said.
- **St. Jude Medical Inc.** (STJ). The medical device maker said on Wednesday that fourth-quarter profit would exceed its earlier forecast, as well as current Wall Street expectations, helped by cost-cutting measures. It now expects to report earnings of 90 to 92 cents per share, excluding items, and net sales of about \$1.37 billion for the quarter. The profit would exceed its previous forecast by 2 to 4 cents. Analysts on average are looking for a profit of 87 cents per share.
- **Taiwan Semiconductor Manufacturing Co Ltd.** (TSM). The contract computer chipmaker said that sales in December rose 19.6 percent from a year earlier.
- **Tiffany & Co.** (TIF). The company reported a four percent increase in its

instead.

CONTEXT NEWS

Clearwire said on Jan. 8 it had received a non-binding \$2.3 billion, or \$3.30 a share, offer from Dish Network that trumps a \$2.2 billion, \$2.97 a share, bid from controlling shareholder Sprint Nextel. The Dish offer is preliminary and contains multiple parts. The pay-TV company would acquire 24 percent of Clearwire's spectrum; have Clearwire build and run a wireless network for Dish; acquire at least a quarter, and up to all, of Clearwire stock; fund the spectrum purchase price through senior unsecured payment-in-kind notes; provide additional capital for Clearwire to build out its network on similar terms to that agreed to by Sprint; and seek board representation. The rival bid will lapse if Clearwire draws down on \$800 million of financing provided by Sprint as part of its offer. Sprint, which controls more than half of Clearwire's votes, said it would not agree to the Dish proposal because it is inferior to its own and that the proposal violates Clearwire's legal and contractual obligations. It also requires Sprint to waive rights it holds in relation to Clearwire, Sprint said.

--- Robert Cyran, Reuters Breakingviews columnist

--- The opinions expressed are his own

worldwide net sales to \$992 million and it forecast earnings for the year ending January 31 to be at the lower-end of prior forecast of \$3.20 - \$3.40 per share.

- **Yamana Gold Inc.** (AUY). The gold miner estimated fourth-quarter production of about 322,800 gold equivalent ounces, and lowered its gold production forecast for 2013. The company now expects to produce about 1.44 million to 1.60 million GEO this year compared to an earlier forecast of 1.48 million to 1.66 million GEO. The company said capital spending for 2013 is expected to be \$470 million.
- **Yum Brands Inc.** (YUM). The fast-food chain KFC's parent apologised to customers in China over its handling of a recent food scare that has hit the company's sales in its biggest market.

ANALYSTS' RECOMMENDATIONS

- **Danaher Corp.** (DHR) Jefferies raises target price to \$66 from \$65 on fourth quarter organic revenue growth and higher cash flow
- **DDR Corp.** (DDR). Jefferies cuts to \$17 from \$19 on valuation and balance sheet restructuring completion in 2012
- **Mistras Group Inc.** (MG). Baird cuts target price to \$26 from \$27 citing significant growth deceleration and absence of near term growth catalyst
- **US credit card processors:** Credit Suisse raises target price for **American Express Co** (AXP) to \$58 from \$5, raises target price for **Mastercard Inc** (MA) to \$600 from \$515 and ups target price for **Visa Inc** (V) to \$175 from \$160 on healthy volumes, revenue growth and quality credit growth
- **Verizon Communications Inc.** (VZ). Nomura cuts target price to \$49 from \$50 after the company gave fourth quarter outlook

ECONOMIC EVENTS

- 08:30** Initial Claims for w/e 01/05: Expected 365,000 Prior 372,000
- 08:30** 4 Week Average for w/e 01/05: Prior 360,000
- 08:30** Continuing Claims for w/e 12/29: Expected 3.23 mln Prior 3.245 mln
- 10:00** Wholesale Invents for Nov: Expected 0.3 pct Prior 0.6 pct
- 10:00** Wholesale Sales for Nov: Expected 0.6 pct Prior -1.2 pct

COMPANIES REPORTING RESULTS

- **MSC Industrial Direct Co Inc.** (MSM). Expected Q1 earnings of \$1.01 a share
- **SYNNEX Corp.** (SNX). Expected Q4 earnings of \$1.04 a share

CORPORATE EVENTS

- 10:00** Supervalu Inc. (SVU). Q3 earnings conference call
- 13:00** Georgia Gulf Corp (GGC) Special meeting of stockholders
- 16:30** Pro-Dex Inc. (PDEX). Q2 earnings conference call
- 16:30** Xyratex Ltd. (XRTX). Q4 earnings conference call
- 17:00** Synnex Corp. (SNX). Q4 earnings conference call

EXDIVIDENDS

(Amount rounded off to two decimal places)

- **Sovran Self Storage Inc.** (SSS). Amount \$0.48
- **Universal Corp.** (UVV). Amount \$0.50

(All analysts' estimates are according to Thomson Reuters I/B/E/S)

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