

MORNING NEWS CALL

REUTERS

U.S. Edition

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TOP NEWS

• Italy centre left rejects Berlusconi "blackmail"

Italy's centre left will not accept any "blackmail" from its centre-right coalition partner, its leader said, after Silvio Berlusconi's party threatened to bring down the government if he is ejected from parliament.

• Amgen seeks to bolster drug pipeline with \$10.4 bln Onyx buy

Amgen Inc struck a deal to buy cancer drug maker Onyx Pharmaceuticals Inc for about \$10.4 billion on Sunday, as it moves to restock its product pipeline in response to declining sales of its flagship anemia drugs.

• ONGC unit to buy stake in Anadarko Mozambique block for \$2.64 bln

Anadarko Petroleum Corp said it agreed to sell a 10 percent stake in a gas field offshore Mozambique to a unit of India's Oil & Natural Gas Corp for \$2.64 billion in cash, as the U.S. oil company looks to focus more on its domestic assets.

• ING's Asia exit plan nears end as MBK agrees to buy S.Korea unit

ING Groep edged closer to completing its year-and-a-half-old Asia divestment plan after private equity firm MBK Partners agreed to buy its South Korean insurance unit for total cash proceeds of 1.84 trillion won.

BEFORE THE BELL

Wall Street looked set to open lower with the **dollar** slipping against the **yen**, after previous session's home sales data renewed concerns about the future of the Federal Reserve's monetary policy. Durable goods data expected later in the day could give the markets further direction. Fears of another political crisis in Italy after Silvio Berlusconi's centre-right party threatened to bring down the government and force early elections dragged **European markets** lower. **Asian markets** ended higher and **oil** fell to trade at around \$110 a barrel. **Gold** retreated from near 11-week highs and **emerging markets** recovered slightly.

REUTERS INSIDER

Apple should learn to let go: Wozniak

New designs for Apple in China might sound 'treasonous' to some, says company co-founder Steve Wozniak, but may be necessary for the firm to compete in the world's number two smartphone market. To watch more, [click here](#)

DOW 30 RECAP

(A quick glance at company results showing whether they beat, met or missed analysts' consensus estimates)

- **3M Co** (MMM). Q2 EPS: actual \$1.71, expected \$1.71; Revenue: actual \$7.75 bln, expected \$7.77 bln
- **Alcoa Inc** (AA). Q2 EPS: actual 7 cents, expected \$6 cents; Revenue: actual \$5.85 bln, expected \$5.83 bln
- **American Express Co** (AXP). Q2 EPS: actual \$1.27, expected \$1.22; Revenue: actual \$8.2 bln, expected \$8.28 bln
- **Bank of America Corp** (BAC). Q2 EPS: actual \$0.32, expected \$0.25; Revenue: actual \$22.9 bln, expected \$22.79 bln
- **AT&T Inc** (T). Q1 EPS: actual 67 cents, expected 68 cents; Revenue: actual \$32.08 bln, expected \$31.81 bln
- **Boeing Co** (BA). Q2 EPS: actual \$1.67, expected \$1.58; Revenue: actual \$21.82 bln, expected \$20.78 bln
- **Caterpillar Inc** (CAT). Q2 EPS: actual \$1.45, expected \$1.70; Revenue: actual \$14.62 bln, expected \$14.92 bln

INSIGHT

Economic data to steer bets on Fed move

Wall Street just went through its weakest three-week period since November, not to mention a panicky spell when the Nasdaq stock market ground to a halt. But that doesn't mean the pain is over. This week is unlikely to bring much clarity to the primary issue facing markets: when and by how much will the U.S. Federal Reserve slow its accommodative monetary policy. Uncertainty, along with what is expected to be anemic trading heading into the U.S. Labor Day holiday on Sept. 2, could make for a volatile week.

"We're cautious about the next few weeks, so we're taking gains now," said Michael Mullaney, who helps oversee about \$9.5 billion as chief investment officer at Fiduciary Trust Co in Boston. "It's not like we're on the precipice of recession, but there's not much for investors to get excited about and we're expecting volatility to pick up."

Traders had hoped that the Fed's meeting minutes issued on Wednesday would provide direction about whether the Fed would begin to reduce its \$85 billion-a-month of bond-buying in September. Instead, the minutes painted a mixed picture, with some members advocating patience.

The mixed signals create a double-edged sword. While the stimulus has fueled the market's solid gains in 2013, for the Fed to continue its cheap money policy would signal the economy is too weak to advance without intervention. The CBOE Volatility index, a measure of investor anxiety, is up 16.7 percent over the past three weeks.

The Fed has said that the policy change depends on whether the economy meets growth targets, making markets even more sensitive than usual to financial data. This week will see a report every day.

July durable goods orders are due on Monday while the final reading for the Thomson Reuters/University of Michigan consumer sentiment index will come on Friday. Perhaps the most important will be Thursday's latest estimate of U.S. gross domestic product for the second quarter. The data is expected to show the economy grew a revised 2.2 percent annualized rate last quarter compared



- **Cisco Systems Corp (CSCO)**. Q4 EPS: actual 52 cents, expected \$51; Revenue: actual \$12.4 bln, expected \$12.41 bln
- **Chevron Corp (CVX)**. Q2 EPS: actual \$2.77, expected \$2.96; Revenue: actual \$57.369 bln, expected \$56.006 bln
- **E.I. Du Pont De Nemours & Co (DD)**. Q2 EPS: actual \$1.28, expected \$1.27; Revenue: actual \$9.84 bln, expected \$10.00 bln
- **Exxon Mobil Corp (XOM)**. Q2 EPS: actual \$1.55, expected \$1.29
- **General Electric (GE)**. Q2 EPS: actual \$0.36, expected \$0.35; Revenue: actual \$35.1 bln, expected \$35.56 bln
- **Hewlett-Packard Co. (HPQ)**. Q3 EPS: actual \$0.86, expected \$0.86; Revenue: actual \$27.2 bln, expected \$27.29 bln
- **Home Depot Inc (HD)**. Q2 EPS: actual \$1.24, expected \$1.21; Revenue: actual \$22.5 bln, expected \$21.8 bln
- **International Business Machines (IBM)**. Q2 EPS: actual \$3.91, expected \$3.77; Revenue: actual \$24.9 bln, expected \$25.37 bln
- **Intel Corp (INTC)**. Q2 EPS: actual \$0.39, expected \$0.39; Revenue: actual \$12.8 bln, expected \$12.9 bln
- **Johnson & Johnson (JNJ)**. Q2 EPS: actual \$1.48, expected \$1.39; Sales: actual \$17.88 bln, expected \$17.71 bln
- **Merck & Co Inc (MRK)**. Q2 EPS: actual \$0.84, expected \$0.83; Revenue: actual \$11.01 bln, expected \$11.22 bln
- **McDonald's Corp (MCD)**. Q2 EPS: actual \$1.38, expected \$1.40; Revenue: actual \$7.08 bln, expected \$7.09 bln
- **Microsoft Corp (MSFT)**. Q4 EPS: actual \$0.59, expected \$0.75; Revenue: actual \$19.1 bln, expected \$20.73 bln
- **Pfizer Inc (PFE)**. Q2 EPS: actual \$0.56, expected \$0.55; Revenue: actual \$12.97 bln, expected \$13.02 bln
- **Procter & Gamble Co (PG)**. Q4 EPS: actual \$0.79, expected \$0.77; Revenue: actual \$20.655 bln, expected \$20.553 bln
- **The Coca Cola Co (KO)**. Q2 EPS: actual \$0.63, expected \$0.63; Revenue: actual \$12.75 bln, expected \$12.96 bln
- **Travelers Cos Inc (TRV)**. Q1 EPS: actual \$2.13, expected \$1.60; Revenue: actual \$5.82 bln, expected \$5.97 bln
- **United Technologies Corp (UTX)**. Q1 EPS: actual \$1.70, expected \$1.57; Revenue: actual \$16.01 bln, expected \$16.37 bln
- **UnitedHealth Group Inc (UNH)**. Q2 EPS: actual \$1.40, expected \$1.25; Revenue: actual \$30.4 bln, expected \$30.49 bln
- **Verizon Communications Inc (VZ)**. Q2 EPS: actual \$0.73, expected \$0.72; Revenue: actual \$29.8 bln, expected \$29.83 bln
- **Wal-Mart Stores Inc (WMT)**. Q2 EPS: actual \$1.24, expected \$1.25; Revenue: actual \$116.9 bln, expected \$118.5 bln
- **Walt Disney Company (DIS)**. Q3 EPS: actual \$1.03, expected \$1.01; Revenue: actual \$11.578 bln, expected \$11.641 bln

STOCKS TO WATCH

Deals of the day

- **Amgen Inc (AMGN) and Onyx Pharmaceuticals Inc (ONXX)**. Amgen struck a deal to buy Onyx Pharmaceuticals for about \$10.4 billion on Sunday, as it moves to restock its product pipeline in response to declining sales of its flagship anemia drugs. Amgen said it will pay \$125 per share for Onyx, a 4.2 percent increase from the \$120 a share it offered in June. The companies expect the deal to close in the beginning of the fourth quarter.
- **Anadarko Petroleum Corp (APC)**. India's **Oil and Natural Gas Corp** has agreed to buy 10 percent in a gas field offshore Mozambique from Anadarko for \$2.64 billion, as the explorer looks to offset diminishing supplies from domestic gas fields by buying overseas assets. Anadarko said it would remain the operator of Area 1, with a working interest of 26.5 percent in the block, which is located in Mozambique's deepwater Rovuma Basin.
- **Telefonica SA (TEF)**. The Spanish telecom giant improved its offer for

with a 1.7 percent reading last month. While a weak report would be a bearish sign for the economy, some analysts speculated that a strong reading could have negative implications for the market.

"If GDP comes in above 2.5 percent, that could be problematic because it will suggest that the Fed could take a bigger bite out of stimulus than we are currently expecting," said Bruce Bittles, chief investment strategist at Robert W. Baird & Co in Nashville. "That would put the stock market in jeopardy."

The S&P 500 lost 2.7 percent over the past three weeks, taking the benchmark index below its 50-day moving average for several sessions. The index closed above the technical measure on Friday, but the light volume may be blurring the technical signal and the S&P may find a floor in its 100-day moving average, now at 1,635.81.

"That should serve as pretty decent support," said Douglas DePietro, managing director at Evercore Partners in New York, adding that markets would be range-bound between that level and the S&P's all-time high of 1,709.67, reached earlier this month.

"We'll see a lot of listless trading until the September Fed meeting," he said.

"We're in a bit of an information void until then. There aren't a lot of catalysts to look forward to and most of Wall Street is on holiday."

For last week the Dow slid 0.5 percent, the S&P gained 0.5 percent and the Nasdaq added 1.5 percent.

Daily trading volume has been among the lightest of the year in recent sessions, as is typical at this point in the summer. Light volume can amplify market moves, resulting in dramatic intraday swings.

Low volume was dramatically exacerbated on Thursday after a technical issue shut down trading on all Nasdaq issues, equivalent to \$5.9 trillion in market capitalization, for more than three hours.

Friday trading was smooth and the day's gains helped the S&P 500 and Nasdaq Composite end a two-week losing streak, but the Dow posted its third consecutive weekly decline.

A few notable companies will report earnings this week, including Tiffany & Co, Campbell Soup Co and Joy Global Inc.

Salesforce.com Inc is also due to report, and investors will scour the results to see if the maker of online sales software can justify its outsized valuation. The stock has a P/E ratio of 99.47, compared with the 15.57 ratio of its peers.

Warnings for third-quarter U.S. earnings are below second-quarter levels but are



KPN's German unit E-Plus, winning support from the Dutch telecom group's biggest shareholder, **America Movil SAB de CV** (AMX). KPN, Telefonica and America Movil said that Telefonica had agreed to pay the equivalent of 8.55 billion euros for E-Plus, compared with its earlier offer of 8.1 billion euros.

In Other News

- **AT&T** (T). The company unfairly terminated an affiliation agreement with Al Jazeera America, the cable network says in a recently unsealed lawsuit that highlights AT&T's subscriber base in conservative states. Under a heavily redacted description of the alleged "bad faith scheme," Al Jazeera notes in its complaint that "AT&T has a large subscriber base in Texas and other conservative states in the South and Southwest."
- **DirecTV** (DTV). The company is considering offering different pricing plans for the NFL Sunday Ticket package and is asking consumers about how much they would pay for new versions of its exclusive football package, including a cheaper Internet-only option. Investors and analysts are watching to see whether it will renew its contract with the National Football League, estimated to be worth \$1 billion annually.
- **ING Groep** (ING). The Dutch insurer edged closer to completing its year-and-a-half-old Asia divestment plan after private equity firm MBK Partners agreed to buy its South Korean insurance unit for total cash proceeds of 1.84 trillion won. Under the agreement, the bailed-out Dutch insurer will retain about a 10 percent stake in the South Korean unit and allow MBK to use the ING brand for up to five years.
- **JPMorgan Chase & Co** (JPM). The bank will not take on more correspondent relationships with foreign banks in a move to comply with orders from regulators to tighten risk controls, including safeguards against money laundering. While it said it will not take on new business "until further notice," the memo added that JPMorgan is "not exiting the correspondent banking business" and will continue to provide current services to existing clients.
- **Marvell Technology Group Ltd** (MRVL). A federal judge on Friday denied the company's request to declare a mistrial in a patent infringement case in which a jury awarded \$1.17 billion in damages to Carnegie Mellon University. Marvell asked the judge to declare a mistrial, among other post-trial requests. It argued Carnegie Mellon's lawyer made improper, misleading and prejudicial comments during closing arguments that "inflamed" the jury.
- **Merck & Co** (MRK). The company's decision to suspend sales of its Zilmax cattle feed additive has caused such a surge in demand for rival **Eli Lilly & Co's** (LLY) Optaflexx that Lilly is telling some new customers it cannot immediately supply them, customers told Reuters. Optaflexx, sold by Lilly's Elanco Animal Health, and Zilmax both belong to a family of drugs called beta-agonists.
- **Microsoft Corp** (MSFT). The software company takes on **Google's** Motorola Mobility (GOOG) unit this week in the second of two landmark trials between the companies that delve into hot disputes over the patents behind smartphone and Internet technology. The jury trial, starting Monday in federal court in Seattle, is set to resolve whether Motorola breached its contract with Microsoft to license on reasonable terms its so-called standard essential patents, covering wireless and video technology used in the Xbox game console.
- **Moody's Corp** (MCO). The firm and its CEO Raymond McDaniel won the dismissal of a lawsuit accusing the parent of Moody's Investors Service of defrauding shareholders by making false statements about the independence and objectivity of its credit ratings. In a decision made public on Friday, U.S. District Judge George Daniels in Manhattan said the shareholders failed to show a sufficient link between the alleged misstatements and declines in Moody's share price.
- **Peabody Energy Corp** (BTU). The coal company is poised to benefit from coal prices that should get a lift as supply and demand become more balanced, Barron's said in its Aug. 26 edition. Demand has picked up as some utilities have turned back to coal from natural gas, while producers are slowly closing high-cost coal mines, meaning prices should rise, improving Peabody's

rising, Thomson Reuters data showed. Negative outlooks are outpacing positives for the third quarter by 5.1 to 1, up from a little more than 4 to 1 a week ago. The negative-to-positive ratio for the second quarter was 6.3 to 1. As a result, estimates for third-quarter earnings are down. Growth is estimated at 5.1 percent from a year ago, down from a July 1 estimate of 8.5 percent growth and close to second-quarter's growth of 4.8 percent, with results in from most companies.

--- Ryan Vlastelica



profits over time.

- **Sanofi SA** (SNY). The company said that a large clinical trial showed its Fluzone High-Dose vaccine to be more effective at preventing influenza in adults aged 65 and older than a standard dose of Fluzone. It said it plans to submit the full clinical study report to the U.S. Food and Drug Administration for review by early 2014 and will seek to modify to the label for Fluzone High-Dose vaccine to reflect the superior efficacy data in this age group.
- **Take-Two Interactive Software Inc** (TTWO). The company's shares could rise another 30 percent in the next year, helped by the launch of the "Grand Theft Auto V," video game next month, the business weekly Barron's said. Its profits have traditionally moved up and down in tandem with Grand Theft releases, the newspaper said in its Aug. 26th edition. But with a new management team since 2011 that has cut costs, expanded overseas and launched new games, the variability in profits should ease, it said.
- **T. Rowe Price Group** (TROW). The company has permanently banned about 1,300 American Airlines employees from trading among its funds in their 401(k) retirement plans, a rare move to curb "collective" trading by subscribers to an investment newsletter. About 800 additional employees have received warning letters about their trading patterns, according to sources at the airline and at **JPMorgan Chase & Co** (JPM), administrator of the retirement plan.
- **Weatherford International** (WFT). Asian refiner Sinopec Corp said it has no firm plan to set up an oil service joint venture with Weatherford International, although it has been looking at the potential of entering tie-ups in that field. Sinopec and Weatherford were in advanced talks about forming a joint oilfield service company, people with direct knowledge of the matter told Reuters earlier this month.

ANALYSTS' RECOMMENDATIONS

- **Big Lots Inc** (BIG). JP Morgan raises rating to neutral from underweight, says the company's sidelines approach is appropriate to assess the new management's forward looking game plan and in-store changes over the next 6-9 months
- **Children's Place Retail** (PLCE). Susquehanna ups target to \$56 from \$55 following the company's better-than-expected second-quarter results
- **Health Net Inc** (HNT). Susquehanna raises rating to positive from neutral, based primarily on the view that its earnings power should approximate \$4 per share in 2015
- **Microsoft Corp** (MSFT). BMO raises target price to \$37 from \$34, says the technology giant has a big cost structure and one obvious move would be to drive EPS growth via cuts to operating expenses and headcount
- **Ultimate Software Group Inc** (ULTI). JMP Securities raises target price to \$150 from \$140, expects the company to continue gaining share of the payroll market as it has done for the past decade

ECONOMIC EVENTS

- 08:30 Durable Goods for Jul: Expected -4.0 pct Prior 3.9 pct
- 08:30 Ex-Transportation for Jul: Expected 0.5 pct Prior -0.1 pct
- 08:30 Nondefense ex-air for Jul: Expected 0.5 pct Prior 0.9 pct

COMPANIES REPORTING RESULTS

- No major companies scheduled to report results in the day.

CORPORATE EVENTS

- 10:00 NetScout Systems (NTCT). Annual shareholder meeting



EXDIVIDENDS

(Amount rounded off to two decimal places)

- **Blackbaud Inc** (BLKB). Amount \$0.12
- **Cinemark Holdings Inc** (CNK). Amount \$0.25
- **Expedia Inc** (EXPE). Amount \$0.15
- **Mattel Inc** (MAT). Amount \$0.36
- **Nielsen Holdings NV** (NLSN). Amount \$0.20
- **PVH Corp** (PVH). Amount \$0.04
- **Everest Re Group Ltd** (RE). Amount \$0.48
- **STERIS Corp** (STE). Amount \$0.21
- **Schweitzer Mauduit International Inc** (SWM). Amount \$0.30
- **Vulcan Materials Co** (VMC). Amount \$0.01

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

(Compiled by Ayesha Sruti, Benny Thomas and Samarendra Sahoo in Bangalore)

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