

PickensPlan

T. Boone Pickens Media Coverage 07.30.10

Total of 5 Placements

- Print: 3
- Blog/Online: 1
- Broadcast: 1

Coverage Summary:

Reuters featured Pickens in a news piece on the new energy legislation proposed by Senator Reid. The article calls out how natural gas is a part of the proposed bill, but has a long way to go before it is passed and the infrastructure is in place.

The Oklahoman ran a piece focused on Sen. Jim Inhofe's (R-Tulsa) opposition to the new energy bill, even though it contains a proposal that he and Pickens have been touting to give tax credits for the production of natural gas vehicles.

A *Bloomberg* article highlights the energy race between China and the U.S. for a cleaner energy future. The article points out that it may be too late for the US to catch up to the Chinese.

WSJ's Kim Strassel featured a piece on California Rep. Devin Nunes's (R) unveiling of his "Energy Roadmap," a nuclear proposal that would do more to reduce carbon emissions than any Democratic plan on the table.

Highlighted Placements (Full Articles Below)

- **Pickens must wait for payday on U.S, energy bill – *Reuters***
- **Sen. Jim Inhofe Opposes Energy Bill That Could Help Oklahoma City Manufacturer – *The Oklahoman* – 7/30/10**

Notable Energy Coverage (Full Articles Below)

- **Senate Inaction Cedes U.S. Energy Race to China: Commentary** – *Bloomberg*
- **GOP Energy Alternative** – *The Wall Street Journal*

Print Placements (Full Articles Below)

- **Disguised Blessing** – *Forbes Asia Magazine* – 7/30/10

Blog/Online Placements (Full Articles Below)

- **Report From Europe: An Earnings Feast to Digest** – *SeekingAlpha.com*

HIGHLIGHTED COVERAGE

Pickens must wait for payday on U.S, energy bill – Reuters

* Pickens calls for more natgas trucks, municipal vehicles

* Proposed Senate bill includes passenger cars

* Infrastructure supporting natgas vehicles long way off

By Jeanine Prezioso

NEW YORK (Reuters) - T.Boone Pickens' proposal to run more U.S. vehicles on natural gas got a boost in Congress this week, but the energy billionaire must wait a few years before profiting from any investments linked to the plan.

An energy bill introduced Tuesday by Senate Majority Leader Harry Reid would provide subsidies for natural gas-fired trucks and municipal vehicles, an idea long championed by Pickens as a way to curb U.S. dependence on foreign oil.

Pickens told Reuters during a January interview: "I'm long natural gas, not in 2010, but out beyond 2010." He noted that his position was influenced by high U.S. natural gas reserves.

A Senate vote on the legislation, which includes subsidies for natural gas vehicles up to 18-wheelers and construction of filling stations, is expected shortly. But before becoming law, the bill must also pass in the House of Representatives.

Hedge fund managers and analysts said it was too early to tell whether the bill would support a long position in natural gas. Building infrastructure for natural gas-fueled transport could take years.

Prices for natural gas futures contracts beyond mid-2011 could get a boost "if there is any traction, or perceived traction to this plan," said Mike Guido, head of hedge fund sales in commodities for Macquarie Bank in New York. "It could lend a bid further out the curve, but there's not much of an impact for the next 12 months." (Graphic: <http://link.reuters.com/det32n>)

Pickens' Clean Energy Fuels Corp. which supplies natural gas to some of the small fleet of existing vehicles, also stands to benefit.

Pickens was unavailable for comment, but spokesman Jay Rosser said: "The notion that Boone's in this to make money is nonsensical. Remember, he has spent well over \$60 million on the Pickens Plan campaign," adding that his intention is to avoid saddling future generations "with such a national security or economic burden."

Rosser did not provide information about Pickens' current holdings in the gas market but said his firm, BP Capital, has held both long and short positions in the natural gas market this year.

Natural gas prices settled at \$4.82 per mmBtu on Thursday, up about 23 percent since May's lows, but far below the peak of more than \$13 reached in July 2008.

SHORT-TERM TRADE CHOPPY

Hedge fund managers say it would not make sense to take a long position on natural gas based on the current status of the legislation. They said a shift to gas as a transportation fuel would probably create a choppy price environment as supply and demand duke it out. Hedge funds generally exploit such volatile price environments and welcome them as opposed to steadier prices based on more predictable supply and demand.

"Within a couple of years, you've gone from people saying there is short supply to now an oversupply," said Fraser McKenzie, head of research at 47 Degrees North Capital Management LP in Pfaeffikon, Switzerland, which has about \$250 million invested in hedge funds, many in the energy space.

He added that a program to use natural gas for transport would have "hidden side effects. Any time you're subsidizing something means you're creating an artificial circumstance, which is also good for more aggressive short-term hedging."

Any rise in prices would encourage companies to put more rigs to work. "A \$1-\$2 increase would be met with a wall of production," said James Cordier, president and head trader of Liberty Trading Group in Tampa, Fla. "Seven dollar natural gas would be short-lived and quite a sale."

A LONG WAY TO GO

Pickens has only advocated for trucks and municipal fleets to run on gas. The bill includes cars and trucks. But without Middle East imports of liquefied natural gas, the United States would probably lack enough gas to fuel all its vehicles.

The United States currently consumes around 63 billion cubic feet per day of natural gas, or 23 trillion cubic feet per year. Industrial demand accounts for 30 percent of that total. Only another 1.9 tcf is expected by 2035, according to U.S. Energy Information Administration projections.

Fueling the roughly 245 million cars on U.S. roads would require 44.5 bcf/d, according to U.S. Federal Highway Administration data and estimates from analysts with Bentek Energy in Denver, Colo. Add another 8.9 bcf/d for the 2.2 million long-haul trucks.

Opponents of the plan to build a fleet of vehicles that use natural gas as fuel include manufacturers who use gas as a raw material. They warn the extra demand for gas would make their products more costly for consumers.

"Plastics are made from fossil fuels like natural gas," said Paul Cicio, executive director of the Industrial Energy Consumers of America. "When the price of gas goes up, the price of plastic, glass, aluminum goes up. Natural gas is too valuable a fuel to be used in a car." (Additional reporting by Barani Krishnan; Editing by David Gregorio)

Sen. Jim Inhofe Opposes Energy Bill That Could Help Oklahoma City Manufacturer – *The Oklahoman* – 7/30/10

Oklahoma Sen. Jim Inhofe says the bad things in a new energy bill would outweigh the positives.

BY CHRIS CASTEEL

WASHINGTON — Though a new Senate energy bill includes provisions that could help an Oklahoma City manufacturer and others to boost natural gas vehicles, Sen. Jim Inhofe says other parts of the bill would hurt energy producers.

Sen. Jim Inhofe opposes energy bill that could help Oklahoma City manufacturer Inhofe, R-Tulsa, has been speaking out against the legislation, even though it contains a proposal that he and T. Boone Pickens have been touting to give tax credits for the production of natural gas vehicles.

The bill also includes Home Star rebates — which have been called "cash for caulkers" — that could boost production at M-D Building Products in Oklahoma City. The company makes a host of weatherization products used by contractors and people who do their own home improvements. The bill offers rebates up to \$8,000 for homeowners who do retrofits.

Sean Mossman, vice president of marketing for those products, was in Washington this week and said the main intent of the rebates was to jump-start the construction industry. If there was enough demand, Mossman said, the company could add jobs at its 400-employee plant in the city.

Pickens and natural gas interests have been pushing hard for the natural gas vehicle incentives, but Inhofe has said the objectionable things in the bill outweigh the positives.

Inhofe said the bill would give the federal government authority over hydraulic fracturing and ensure that only the world's biggest energy companies could drill offshore.

The bill does not give the Environmental Protection Agency the authority to regulate hydraulic fracturing under the Clean Water Act, as some lawmakers want. It would require companies that use hydraulic fracturing to report to the federal government what chemicals are used.

Hydraulic fracturing is the process by which sand, water and chemicals are injected into rock formations to break them up and release gas or oil.

Matt Dempsey, Inhofe's spokesman on environmental issues, said Inhofe believes that requiring the federal disclosure would be the first step toward regulating the process, which is already overseen by state governments.

The Senate bill also would remove the \$75 million cap on liabilities for oil spills. Inhofe and other lawmakers contend that removing the cap altogether would prevent independent oil and gas drillers from getting the insurance necessary to drill in federal waters. Some insurance companies have sent letters to the effect that their rates would skyrocket if the liability cap was removed.

The Senate may take up the bill before leaving next week for their summer recess. But there are numerous questions about whether it will have enough support to get past the first procedural hurdle.

Monty G. Humble, who works on energy issues for the law firm of Alston and Bird, said Wednesday, "It's not clear whether (the Senate) is trying to pass energy legislation or score political points before the election."

Denise Bode, the former Oklahoma Corporation Commissioner who now heads the American Wind Energy Association, said the legislation lacks a provision that could boost economic development around the country by requiring more renewable energy.

Bode said more than 60 senators would support an amendment to the energy bill that would set a national standard for how much renewable energy, like wind, utilities must use in power production.

The lack of a national standard, she said, has caused the wind industry to stall out in the first half of this year. Approving one, she said, would create manufacturing jobs around the country.

"The place we are right now is in distress," she said.

Dempsey said Inhofe would not support a national renewable energy standard; the senator believes those standards should be set by states, Dempsey said.

Oklahoma is one of 30 states that has a renewable energy standard.

NOTABLE ENERGY COVERAGE

Senate Inaction Cedes U.S. Energy Race to China: Commentary – *Bloomberg*

By Eric Pooley

Right now the U.S. Senate is conducting a master class on the perils of legislation by rearview mirror. On July 27, when Majority Leader Harry Reid unveiled the “Clean Energy Jobs and Oil Company Accountability Act,” the two most powerful clean energy provisions were missing: a cap on carbon emissions from the electric power sector and a national Renewable Electricity Standard (RES), which would require utilities to generate at least 15 percent of their electricity from renewable sources by 2021.

For years, business leaders from General Electric Chief Executive Officer Jeff Immelt to venture capitalist John Doerr have warned that if America failed to pass a comprehensive climate-and-energy bill, the country risked losing the clean energy race to China -- sacrificing the jobs of the future in a timid, ill-fated effort to preserve the jobs of the past. Now those warnings are coming true.

Clean energy advocates were angry but not surprised on July 22, when Reid said he was pulling the plug on the carbon cap. Powerful utilities were withholding support. President Barack Obama wasn't trying to forge a compromise. And key Democratic senators had no appetite for a bill that might cause a modest, short-term increase in electricity prices -- potentially endangering some 20th century manufacturing jobs -- even if it helps create many more 21st-century jobs by making clean energy competitive with coal.

The disappearance of the renewable energy standard, however, was a shock. Both the House and Senate have passed RES bills in the past, yet it has never become law. With elections looming, this may be the last chance for years to set the rules of the road for energy investment.

Partisan Moment

While the carbon cap, at this intensely partisan moment, has exactly zero Republican supporters, at least four GOP senators have signaled support for the RES. Proponents are hoping to introduce it as a floor amendment -- and whether or not they have the votes to pass it, this is a debate worth having.

In a meeting with business leaders and environmental advocates early last year, Obama economic adviser Larry Summers described a “scissors” approach to economic recovery, according to several people who were present but not authorized to discuss it publicly.

The first blade of the scissors, Summers explained, was the stimulus package and its tens of billions for clean energy deployment. The second blade would be a mandatory, declining cap on carbon, which would remove the investment uncertainty that has hobbled the energy market, and draw billions of private dollars off the sidelines.

Dirty Fuel

Utility chief executive officers such as Lew Hay of Next- Era Energy, Ralph Izzo of PSEG, and Jim Rogers of Duke Energy have all said they are ready to invest in clean energy just as soon as Congress establishes a carbon cap that creates a clear, steady price signal for dirty fuel -- in effect, pricing in some of the social costs of carbon pollution that have never been part of America’s energy bill.

The scissors is missing a blade. The Senate has made clear it is not ready to cap carbon, and President Obama has made clear that he won’t go to the mat for it now, either.

On July 24, when some of the clean-tech industry’s leading executives gathered in Aspen, Colorado, for a Clean Energy Economy Roundtable sponsored by the Aspen Institute, the group was perplexed. “The deployment rate of renewable energy projects in America is withering,” said Andy Karsner, CEO of Manifest Energy and a former assistant secretary for Energy Efficiency and Renewable Energy during the George W. Bush Administration. “Projects announcements are happening, but largely at the end of a federal check.”

Better Prospects

Instead of funding U.S. projects, banks and venture capitalists increasingly are putting their energy money into China, where the market is large and secure, thanks to government mandates. In the second quarter, for example, China attracted more clean-tech asset financing than Europe and the U.S. combined, according to data compiled by Bloomberg New Energy Finance.

Financing of wind turbines, solar panels, and low-carbon technology in China climbed to \$11.5 billion, a 72 percent jump from the year-earlier quarter. U.S. investment in clean energy for the quarter measured \$4.9 billion; Europe's, \$4.5 billion. "Where investors are placing their bets," says BNEF Chief Executive Michael Liebreich, "is changing rapidly."

On the same day that Reid pulled the plug on the carbon cap, China Daily announced that the People's Republic would begin an experiment in carbon trading -- a policy mechanism invented in America, used by Republican George H.W. Bush to fight acid rain, and vilified by today's GOP as "cap and tax."

China's Spending

China may spend \$738 billion over the next decade developing cleaner sources of energy, according to Jiang Bing, head of the planning and development department for China's National Energy Administration. "The government is taking the issue of cleaner energy seriously for the reasons of climate change (and) energy security," says Barbara Hon, an analyst at China Everbright Securities in Hong Kong. "It's already meeting some of its targets for sectors like wind power well ahead of schedule."

It may already be too late to catch the Chinese, though there are ways the U.S. could stay in the game. The carbon cap would be Plan A, but that's off the table for now. Plan B would begin with passage of the RES and other measures also not being considered in current legislation.

‘Green Bank’

One such idea is a “Green Bank” that would leverage Treasury Department money for low-interest loans to projects that can’t attract conventional financing because their path to profitability is too long. “I don’t know if it really amounts to a Plan B,” says Kenneth Berlin, a Green Bank proponent and cap-and-trade supporter who heads the environmental practice at Skadden, Arps, Slate, Meagher & Flom. “It’s more like Plan D, but it would be far, far better than nothing.”

Twenty-eight states and the District of Columbia already have RES laws, many with much higher targets than the one cut out of the Senate bill.

Colorado voters approved one in 2004, and the state has increased the standard twice: The current target is 30 percent by 2020, double the one left out of the Senate bill. Colorado now generates almost 6 percent of its electricity from wind, and its commitment to clean energy has helped develop a solar industry as well: from 100 companies in 2007 to more than 400 today, according to the governor’s office. When Vestas Wind Systems, the Danish turbine maker, chose to build its North American manufacturing plants in Colorado (a \$1 billion investment that was good for 2,500 new jobs), it called the RES a major factor in the decision.

Early Adopter

Another early adopter is Texas. Its RES, signed into law by Governor George W. Bush in 1999, has helped the state become a major producer of U.S. wind power, adding almost 10 gigawatts (up from 0.2 in 1999) and thousands of new jobs in the decade since the law was enacted. Although Texas has reduced its carbon emissions as a result of this push into wind energy, Bush and his fellow Texans didn’t create the industry because they were worried about global warming. They did it because there was money to be made.

There still is. And if Congress doesn’t hurry, most of it is going to be made in China.

(Eric Pooley is deputy editor of Bloomberg Businessweek and author of "The Climate War: True Believers, Power Brokers, and the Fight to Save the Earth." This column will appear in the magazine's Aug. 2 edition. The opinions expressed are his own.

GOP Energy Alternative – *The Wall Street Journal*

Calif. Rep. Devin Nunes's nuclear proposal would do more to reduce carbon emissions than any Democratic plan on the table.

By Kimberley A. Strassel

Out of the most tedious congressional debate sometimes comes a little ray of policy sunshine. The GOP got a glimmer this week.

As congressional Democrats plotted how to make their "oil-spill" legislation a political liability for Republicans, and as Republicans flapped over how to avoid that fate, one GOP member excused himself from the circus. California Rep. Devin Nunes instead unveiled his "Energy Roadmap," a companion bill to Wisconsin Rep. Paul Ryan's plan for tax and spending reform. Mr. Nunes wants to get his party thinking about a modern, principled energy policy. Lord knows the GOP could use the help.

Republicans have spent the past decade staying largely true to their belief in cheap fossil fuels, but the rise of the climate debate and "green energy" flummoxed them. Unwilling to be seen as against "clean" energy, they embraced green subsidies. Some excused it as the political price of continued drilling; others just liked the pork.

Calif. Rep. Devin Nunes's nuclear proposal would do more to reduce carbon emissions than any Democratic plan on the table.

Whatever the reason, it's been a boon for ethanol, solar panels, switch grass and General Electric. The Republicans' 2005 energy bill was an ode to Jimmy Carter, putting the government back in charge of picking energy winners and losers via handouts and loan guarantees. President Bush praised "wood chips." Even as gas prices soared to chants of "drill, baby, drill," Republicans carefully adopted the motto: "All of the above." Heaven forbid anyone think Republicans were not for solar water heaters.

And yet this defensive crouch has not, in fact, earned Republicans more oil drilling or nuclear power. All it has done is distort energy markets and embolden Democrats to ratchet back fossil fuels, crank up subsidies, and go for cap and tax. Republicans dissemble, having long ago ceded the right to talk about free energy markets.

On nearly any policy issue—Social Security, taxes, health care, education—Republicans are at least aware of a savvy conservative reform position. Not so energy policy, where they remain confused.

Purists will advocate getting government out of the regulatory way while axing all subsidies—and that would indeed be bliss. But it doesn't help Republicans with today's political realities. The carbon debate will continue to rage; renewables aren't going away; and many Americans worry about both foreign oil and the environment.

Mr. Nunes's interest is how to answer these concerns in a more free-market way. The Californian's road map is the product of years of work, most recently with Mr. Ryan and a handful of Republicans with energy expertise—Illinois's John Shimkus, Utah's Rob Bishop, and Idaho's Mike Simpson. It's a bill designed to produce energy, not restrict it. It returns government to the role of energy facilitator, not energy boss. It costs nothing and contains no freebies. It instead offers a competitive twist to government support of renewable energy.

The bill is unabashedly focused on allowing America to responsibly access more of its own low-cost resources. It opens up more of the Outer Continental Shelf, and takes another run at opening the Arctic National Wildlife Refuge. It restores the leasing for Western oil shale that the Obama administration has squelched.

Rather than throw federal loan guarantees at uncertain nuclear plants, the legislation attacks the true problem: bureaucratic roadblocks. It streamlines a creaky regulatory process, requires the timely up-or-down approval of 200 plants over 30 years, and offers new flexibility for dealing with nuclear waste. Mr. Nunes likes to point out that his nuclear provision alone would do more to reduce carbon emissions than any Democratic proposal in existence. And it would in fact create, ahem, green jobs. Imagine that.

The bill accepts the argument that renewables serve a purpose but can't yet compete against traditional energy. It would divert all the federal resource royalties into a fund. Companies or individuals with proven renewable technology would take part in a reverse auction. They'd bid for government bucks; those that can produce the most megawatts for the least money win. Auction winners forego other federal handouts. And consider this: The more fossil fuel extraction, the more royalties (potentially hundreds of billions of dollars) available to boost alternative energy.

In a better world, renewables would sink or swim. But Mr. Nunes notes that if there is a public will for supporting these technologies, this is at least a "more free-market and transparent way to deploy them immediately." Today, bureaucrats choose unproven technologies on which to bestow taxpayer grants. Blanket tax credits flow to industries—regardless of individual companies' merit. Auction participants, in contrast, would compete, and the market would first have a say in their success. If the GOP is determined to go green, this is megawatts more principled than the status quo.

Mr. Nunes doesn't suggest his bill is the end-all-be-all; his primary goal is to get his party engaged. Watch for the GOP response. The Republican leadership has shown little inclination to adopt bold proposals for the midterms. And the oil spill has spooked it on energy. Yet Senate Majority Leader Harry Reid's recent decision to shelve cap-and-tax has shown that even Democrats now acknowledge the public isn't buying their high-cost, government mandate, subsidy approach. If not some new GOP energy principles now, when?

PRINT COVERAGE

Disguised Blessing – *Forbes Asia Magazine* – 7/30/10

By Tim W. Ferguson

Oil is nobody's poster child at the moment, what with the spill off China's Dalian port an aching reminder of the much larger calamity on the U.S. Gulf coast and persistent fouling of places like Nigeria. This can be a dirty business, even before the fossil fuel is burned and we experience whatever the effects of that are.

Yet there is good news on the oil front--the gloomiest pricing scenario has not happened. Remember July 2008, when spot crude exceeded \$140 a barrel? Serious people were contemplating a \$200 level, and some in the "peak oil is here" camp--that's the theory that the world has already begun to exhaust its reserves and, thus taken by surprise, will enter a panicky price spiral--were talking \$300. In fact, the spot price has barely touched \$83 in 22 months.

That outcome admittedly is not conclusive of anything. Humility is in order when projecting the energy market. No doubt the severity of the post-financial-crash recession did much to halt the upward bidding of two years ago. (So did a spike in the relative value of the U.S. dollar.) Fears of a sluggish future in Europe and the U.S. are probably weighing on the futures market (below \$85 a barrel to November 2012). And let's not forget the economic black hole of Japan. After adjusting structurally following the energy price shocks of the 1970s, the once mighty Japanese have kept downshifting: Their oil consumption is less than it was a dozen years ago.

So, even though demand keeps rising in China and India--the precipitating cause for much of the price worry in 2008--the market has found space to adjust. And this price moderation doubtless has played a role in the surprising rebound in much of emerging Asia this year. After all, it's been estimated that a \$10-a-barrel change is worth 0.5 percentage points in GDP growth in some of Asia's key export economies. Nearly every country in the region is a net importer of oil.

The price relief also has given political cover for reducing the retail subsidies that so distort energy use in much of Asia (and pile on deficit spending by governments). There's still a long way to go, but getting the price signal right--whether or not that signal is true at any given time--is a fundamental step in making energy choices. That helps make possible intelligent tradeoffs in new fossil-fuel development (see Blowout Beneficiary) and in the mammoth commitments to alternatives being made, foremost of all, in subsidy-riddled China.

What the experience of the last two years suggests is that oil has found a rough price range that is high enough to argue seriously for efficiency but still conducive to a widening global prosperity. Provocative or entertaining as a crisis-monger like T. Boone Pickens might be or, on the other end, those "optimists" who saw a fall back toward the \$10-a-barrel level of the Asian financial crisis of 1998, neither picture is realistic for planning purposes.

BLOG/ONLINE COVERAGE

Report From Europe: An Earnings Feast to Digest – *SeekingAlpha.com*

Risk assets spent the US trading day on the defensive Wednesday, despite constructive earnings releases, with US equities falling 0.6% and European indices declining up to 0.9%. The Fed's Beige Book, which noted that "economic activity had continued to increase on balance," but that manufacturing "slowed or leveled off," set the tone for the afternoon session, with much of the drop in US equities and bond yields occurring around the time of its 2PM EDT release. The main US economic data release for the day, June durable goods orders, printed below expectations on the headline but with very solid readings on core capital goods orders and shipments. Durable goods orders declined 1.0% in June, versus expectations of a 1% increase, but the decline was mainly the result of a fall in the volatile civilian aircraft component. There were also rumours of a weaker Chinese PMI coming out this Sunday (50 vs 51.4) which further soured risk appetite. General Electric dropped 0.8% leading the declines in industrial companies on government data showing orders for durable goods meant to last at least three years declined 1% and Boeing fell 1.9% after sales missed analysts' projections, while WellPoint shed 3.7% after second-quarter sales missed analysts' estimates.

Nonetheless, today a raft of strong earnings reports from European corporates has lifted investor sentiment this morning. Siemens ([SI](#)), BASF ([BASFY.PK](#)), Sanofi-Aventis ([SNY](#)) and Man have all posted better than expected results. Siemens, often considered a barometer for the world's manufacturing industry, with 402,000 employees in 190 countries and products that span hospital equipment, transportation, factory automation gear and power turbines, posted a 12% rise in third quarter profit and increased sales for the first time in seven quarters. Its third-quarter order intake was up 22%, bringing its order backlog to a record level of euro 89bn, driven by new orders for Siemens' renewable division. While Man Group, the international truck maker and engineering firm, reported a strong jump in second quarter net profit driven by a sharp recovery in demand for new vehicles.

In truth there far too many earnings to go through individually today, (28% of the SX5E, 31% of the DAX and 15% of the FTSE reporting today), but Cap Gemini, France Tel, Reed and AstraZeneca were the standout beats while Nestle, Lufthansa and Statoil were weaker than expected. Midmorning Volkswagen released solid results which has seen the stock rally 3.2%, we have been better buyers since the release. Partygaming and Bwin have both moved sharply higher after announcing they have agreed to merge; Partygaming has added 25% while Bwin rallied 12% before being suspended.

Stateside, Exxon Mobil ([XOM](#)) has shown the Street the way posting Q2 net profit that rose 91% to \$7.56bn or an EPS of \$1.60. Analysts had expected a \$1.46 EPS outcome. While Goodyear Tire and Rubber ([GT](#)) also beat the Street estimates on both ESP & revenues. To the downside though are shares in Colgate Palmolive ([CL](#)), which are down 5% pre market after they lowered full year guidance, blaming the currency devaluation in Venezuela.

Today's Market Moving Stories

- US Initial claims reported before the New York open for jobless-related benefits declined 11k to 457k in the recent week. Since January 2010, initial claims stagnated near the current level: the average since January is 462k. At these levels, claims are still too high to indicate progress on the jobs front. While claims and employment data cannot be directly compared, an old rule of thumb is that claims have to fall below 400k for nonfarm payrolls to grow consistently.
- Next week's July employment report is likely to bring a negative M/M print of payrolls. This is however due to the government laying off temp workers for the 2010 Census. Private payrolls (which is the figure to watch) might increase 100k.
- There's further evidence this morning that the UK housing market is turning down again. For a start, the Nationwide house price index posted a 0.5% monthly fall in July, echoing the falls already seen over the past three months in the Halifax index. In addition, the Bank of England's main measure of mortgage approvals dropped from 49,500 to 47,600 in June, taking approvals to their lowest level in 4 months. With new instructions rising, but new buyer demand fading, further house price falls look pretty inevitable. The fairly modest 0.2% rise in the MPC's preferred measure of the money supply in June wasn't too encouraging either, with the 3 month annualised growth rate slowing from 8.9% to 6%. Of course, the figures are volatile. Nonetheless, this will no doubt support the MPC's suspicions that the recent pick-up has been largely due to a shift in seasonal variations.

Beige Book Sees Red Tide

Last night's US Fed Beige Book (the compilation of anecdotal reports on economic activity from the Fed's 12 Districts) presented a more downbeat sombre tone than the last version released in June. The summary did note that economic activity continued to increase modestly in most Districts, but the qualitative descriptions of various sectors gave the impression that the overall pace of activity had noticeably slowed in recent weeks.

With this information in hand, the FOMC, which next meets on August 10, is likely to have a serious discussion about whether they should prepare to undertake further steps to ease monetary conditions. To be sure, the information in this Beige Book, though a bit worrisome, is not so grim as to force a move from the policymakers at the upcoming meeting. However, if economic conditions deteriorate in the weeks running up to the September 21 FOMC meeting, the probabilities of some sort of policy action will definitely go up.

Several districts noted that manufacturing activity had slowed or levelled off. This reinforces the impression recently given by various indexes of regional manufacturing activity that have been reported over the past few weeks. Retail sales are still in an uptrend in most Districts, but sales gains seemed to be limited to necessities. Big ticket items, especially motor vehicles sales, were described as weak. The best that could be said about residential real estate activity was that it was "sluggish," as opposed to commercial construction which was simply "weak." Loan demand was generally soft or declining, while credit standards remained tight in most Districts. Simply put, the overall report did not contain many references to positive developments.

Labor markets conditions were described as improving “gradually,” with new temporary hires seeming to dominate over permanent jobs. Given the current high unemployment rate, it was not surprising to read that wage pressures remained “contained” across most Districts. Note that the positive spin on the weakness in wage gains is a measure of the Fed’s deeply ingrained attitude about inflation threats. As for inflation itself, there was not much to be found since the prices of final goods and services were “relatively stable” in most Districts.

Overall, the Beige Book presents a picture of an economy that is still fragile and growing at a very modest pace, with some slowing in the growth of final demand. This is the worrisome aspect. The economy is operating well below capacity with a high level of unemployment. If the growth of final demand slows further, the growth of production will slow as well and unemployment could start to move higher. If it does, the already low level of inflation could drift closer to deflation. Obviously, the economy is not there yet, but the FOMC will have to start thinking about what to do if it does happen. As much as they would rather prepare to fight their old enemy, inflation, at the next policy meeting the FOMC will have to seriously discuss what they might do if economic growth starts to slip and unemployment starts to rise again.

US To Change Some Internet Gambling Legislation

A US House of Representatives committee yesterday approved legislation that would legalize some Internet gambling, allowing U.S. residents to place online wagers with companies the Treasury Department has licensed. The measure, sponsored by Representative Barney Frank, chairman of the House Financial Services Committee, would roll back a law designed to block such betting. That four-year-old law, which took effect in June, bars banks from processing payments to offshore gambling websites.

Equity / Company News

- Visa ([V](#)), the world’s biggest payments network, posted a fiscal third-quarter profit that exceeded most Wall Street estimates for a 10th straight quarter as more consumers paid with plastic. Net income for the three months ended June 30 was \$716 million, or 97 cents a share, compared with \$729 million, or 96 cents, in the same period a year earlier, the San Francisco- based company said today in a statement. The average estimate of 31 analysts surveyed by Bloomberg was 93 cents. The year-earlier results included a one-time gain of \$237 million from the sale of an investment.
- Panasonic ([PC](#)), Japan’s largest home-appliance maker, will offer to buy full control of Sanyo Electric ([SANYY.PK](#)) and Panasonic Electric Works, three people familiar with the matter said. Panasonic may sell \$5.7 billion of new shares to finance the acquisitions, Reuters said. Sanyo jumped as much as 26% in Tokyo trading after the Nikkei newspaper reported Osaka-based Panasonic may offer about 900 billion yen (\$10 billion). That would be a premium of 26% over the latest closing price. Sanyo added 29 yen to 147 yen on the Tokyo Stock Exchange as of the 1:14 p.m., while Panasonic, the world’s largest maker of plasma TVs, declined 9.1% to 1,061 yen. Panasonic Electric Works shares were untraded as bids to buy the stock outnumbered offers to sell.
- Intel Corp. ([INTC](#)) and Samsung Electronics Co. ([SSNLF.PK](#)), the world’s two-largest chip companies, may compete to acquire Infineon’s ([IFNNY.PK](#)) mobile-phone business, according to a research report by Citigroup.

- Nvidia Corp. ([NVDA](#)), the second-largest maker of graphics chips, lowered its second-quarter sales forecast because of slumping demand in Europe and China. Revenue for the three months ending August 1, will be \$800 million to \$820 million. That compares with a prediction of \$950 million to \$970 million given May 13. Analysts had projected sales of \$944.7 million, according to the average from a Bloomberg survey. The company also suffered from rising component costs and weaker demand for the plug-in graphics cards used to make video games seem more realistic. Consumers also opted for lower-priced cards, Nvidia said. Nvidia fell 6.4% to \$9.48 in extended trading after the announcement.
- Merck KGaA's ([MKGAY.PK](#)) second-quarter profit advanced 69% on surging demand for the liquid crystals it makes for flat-panel electronics. The company raised its forecast for 2010.
- Amazon.com ([AMZN](#)) CEO Jeff Bezos cut prices and added features to the Kindle to defend it against a threat from Apple Inc. ([AAPL](#)) in the fast-growing market for electronic readers. Amazon introduced two new versions of the device today, including a \$139 model that works with Wi-Fi. A second version, with 3G mobile technology as well as Wi-Fi to download books, costs \$189. Bloomberg News reported details in May about Amazon's plans for the Kindle, its bestselling product.
- Symantec ([SYMC](#)), the world's largest maker of computer security software, forecast second-quarter sales and profit that missed analysts' estimates as customers delayed closing deals and weakness in the euro eroded revenue.
- Royal Dutch Shell ([RDS.A](#)) numbers Thursday beat analysts' expectations to post a 34% rise in adjusted profit for the second quarter as oil and gas production rose 5% and cost cutting accelerated. "We have exceeded the targets we set last year for costs and staff reduction. We are putting new emphasis on continuous improvement, which will drive competitive financial and operating performance," said Chief Executive Peter Voser. "Shell's cost programs have delivered over \$3.5 billion of annualized underlying savings." The Anglo-Dutch energy company said the clean current cost of supplies, a keenly-watched figure that strips out gains or losses from inventories and other non-operating items, was \$4.21 billion in the three months ended June 30, compared with \$3.15 billion in the second quarter of 2009. This was above expectations of \$4.02 billion in a Dow Jones Newswires poll of 12 analysts. Total oil and gas production was 3.11 million barrels of oil equivalent per day, an increase of 5% on the year due to mainly to new fields starting up. Analysts were expecting production to rise 2.5%. Net profit for the quarter totalled \$4.39 billion, up 15% from \$3.82 billion a year ago. Group revenues were \$90.57 billion, compared with \$63.88 billion in the second quarter of 2009.
- CNBC regular T. Boone Pickens, the billionaire energy hedge-fund manager, and Home Depot ([HD](#)), the largest U.S. home-improvement retailer, are winners in energy legislation that fails to help solar-panel and wind-turbine makers. The measure proposed yesterday by Senate Democrats would give Pickens victory in his lobbying campaign for more use of natural gas, providing \$3.8 billion in rebates for cars and trucks powered by the fuel. Home Depot would benefit from provisions to channel \$5 billion in rebates to homeowners who upgrade to more efficient appliances or add insulation that reduces energy use.
- BASF ([BASFY.PK](#)), the world's biggest chemical company, reported second-quarter profit that beat analysts' estimates after a recovery in demand and higher prices for products spanning plastics and catalysts. Net income rose to 1.18 billion euros compared

with 343 million euros a year earlier, the Ludwigshafen-based company said in a statement today. Analysts in a Bloomberg survey predicted 1.07 billion euros. BASF said the strength of the rebound in demand helped it surpass expectations. The maker of pesticides and polymers reiterated sales growth this year will outperform the pace set by the wider chemical industry and that earnings will increase “considerably.” Sales advanced to 16.2 billion euros from 12.5 billion euros. BASF expects to earn a premium on its cost of capital, a prerequisite set by Chief Executive Officer Juergen Hambrecht to ensure maintaining or boosting shareholder dividends.

- German pharmaceutical and chemical company Merck ([MRK](#)) Thursday reported a bigger-than-expected 69% rise in second-quarter net profit—boosted by a 50% jump in the Liquid Crystals division—and lifted its outlook for the year to reflect the acquisition of U.S. life science services company Millipore. Including the acquisition of Millipore concluded in July, the company now expects a rise in total revenue of 21% and operating profit growth of 90%. Previously, it expected operating profit growth of between 30% and 40% and revenues growth of between 3% and 7%. Net profit for the quarter to end June 30 rose to EUR183.4 million from EUR109 million a year earlier, beating analyst expectations of EUR167 million. Revenue for the quarter climbed 16% to EUR2.21 billion versus analyst forecasts of EUR2.08 billion. Operating profit rose to EUR326.2 million from EUR185 million last year. Analysts expected EUR276 million.
- Bayer AG Thursday reported an unexpected 1% decline in second-quarter net profit due to special charges, but confirmed its full-year outlook on the back of a continued strong performance of its plastics and foam unit MaterialScience. The DAX-listed company raised its 2010 MaterialScience outlook while lowering the outlook for its HealthCare and CropScience divisions. The Leverkusen, Germany-based company, however, confirmed its overall outlook and said it still expects 2010 adjusted sales growth of more than 5%, earnings before interest, taxes, depreciation and amortization before special items above EUR7 billion and a 15% improvement in core earnings per share, a measure of profitability that excludes non-cash expenses and other items. “MaterialScience has left the crisis behind and saw business expand more strongly than expected. Volumes have returned to the pre-crisis level,” Chief Executive Werner Wenning said in a statement. On Oct. 1, Marijn Dekkers will succeed Wenning at the helm of the company. Net profit fell to EUR525 million from EUR532 million on charges of EUR255 million. This clearly missed a EUR769 million net profit forecast from a Dow Jones Newswires poll among 15 analysts.
- Belgian chemicals and plastics maker Solvay SA ([SVYSY.PK](#)) Thursday missed forecasts with a 43% fall in second-quarter net profit, reflecting the sale of its pharmaceutical activities earlier this year, but slightly improved the full-year outlook for its core plastics business. “At current market conditions, the chemicals sector should realize a recurring operating result in line with that of last year, notwithstanding the price decreases,” the Brussels-based company said in a statement, adding that “in plastics, the volume growth should support sharp REBIT [or recurring earnings before interest and taxes] expansion.” Net profit in the second quarter was EUR44 million, lower than a median analyst estimate of EUR62 million. It was EUR77 million in the second quarter of last year, when it still included the company’s pharmaceutical activities. Sales fell 11% to EUR1.85 billion.

- BSkyB ([BSY](#)) H1 results were in line with consensus but nonetheless strong. Adjusted revenue and EBITDA increased 11%, whilst net debt fell to GBP 660M from GBP 1.1Bn reflecting the Group's strong free cashflow generation and reducing net debt to EBITDA to 0.9x. The outlook was rather vague, but in any case the impending News Corp bid is the main driver of spreads in the name.
- Cap Gemini issued a positive signal with its H1 results raising its full year margin target from 6% – 6.5% to above to 6.5%. On the back of revenue growth of between 3% and 5% in H2 the outlook is for a fairly good turnaround from the weak H1 (-6% revenue trend). H1 results were slightly ahead of expectations whilst the net cash position of Euro 809M remained healthy.
- France Telecom's ([FTE](#)) H1 results were in line with forecasts and the Group confirmed a stable dividend profile for 2010-2012 (Euro 3.7Bn p.a.).
- Car rental from Avis Budget's ([CAR](#)) \$1.33 billion offer for Dollar Thrifty Automotive ([DTG](#)), which topped Hertz's ([HTZ](#)) agreement to buy the rental-car company, may signal a bidding war is under way. The \$46.50-a-share offer includes \$39.25 in cash and 0.6543 of an Avis share for each Dollar Thrifty share, Parsippany, New Jersey-based Avis said yesterday in a statement. The proposal is 4.5 percent less than Dollar Thrifty's closing price yesterday.

BROADCAST COVERAGE

1. Action News At 6 PM

KTNV-TV (ABC) CH 13, Las Vegas | DMA: 42

07/29/2010, 06:00 PM - 06:30 PM

[CC] 00:17:21 A date has been set for the 3rd annual Clean **Energy** Summit in Las Vegas. It's scheduled to take place September 7th at UNLV. It will be hosted by Senator Harry Reid. Attendees include Texas **oil**-man **T. BoonePickens**. They'll discuss a number of topics including ways to create renewable **energy** jobs.00:18:16

Audience: 19,422 **Spot Cost:** \$246