



DAILY SURVIVAL GUIDE

BBG Tip of the Day: SURP1 <go>

SURP1, because it's your #1 source for earnings surprises and the price move of the stock over the surprise date. This is a great tool for analyzing stock movement around earnings, estimate ranges, historical earnings chart, and different estimates.

Quote of the Day:

"If I'm going to do something, I do it spectacularly or I don't do it at all."
 – Prince Alwaleed Bin Talal Al Saud

MRA Daily: *Have your Cake and Eat it Too-* Available via email and on our MRAD page on Bloomberg.

Flow Recap: http://www.macroriskadvisors.com/layout/pdf/20110426_FR.pdf

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Daily Risk Metrics

Below we summarize the performance of popular risk assets relative to the SPX and the VIX. We provide the changes in popular risk assets and how each has performed relative to the SPX and the VIX. We use a 20-day beta to the SPX and VIX to determine whether the asset has under or outperformed in the context of this beta. We view the band of "expected" performance as +/- one standard deviation.

Market Moves and Implied Volatility Moves (Relative Performance Calculated Using 20 day Beta)

	Price	1d % chg	Out / Underperforming Relative to SPX
SPX	1335.25	-0.16%	
Crude	112.28	-0.01%	Outperforming SPX
Gold	1507.23	0.01%	Expected
Euro	1.4582	0.14%	Outperforming SPX
US 10yr Fut	120 11/32	0.29%	Outperforming SPX

Implied Volatility	1m I-Vol	1d chg (pts)	Out / Underperforming Relative to VIX
VIX (S&P 500)	15.77	1.08	
OVX (Crude)	31.22	1.07	Outperforming VIX
GVZ (Gold)	18.32	2.62	Outperforming VIX
EVZ (Euro)	12.20	0.60	Outperforming VIX
US 10yr Fut 1m ATM	6.14	0.17	Underperforming VIX

EUROZONE	<p>Germany's Feld Says Greece Can't Avoid Debt Restructuring</p> <p>Source: Bloomberg</p> <p>Greece will have to restructure its debt and should avoid waiting too long to do it, Lars Feld, a member of German Chancellor Angela Merkel's council of economic advisers, said in a Bloomberg Television interview.</p> <p>"I don't think that Greece will succeed in this consolidation strategy without any restructuring in the future, or perhaps also in the near future," Feld told Bloomberg Television's Nicole Itano in Frankfurt. "Greece should restructure sooner than later."</p> <p>While there's consensus among most economists that Greece has to restructure, policy makers in Germany are divided and the European Central Bank isn't ready to back such a move, Feld said. Greece's debt will swell to 150 percent of gross domestic product, meaning the country will have to pay as much as 9 percent of its GDP in interest, he said.</p> <p>Greek government bonds fell, pushing the yield on the two-year security up as much as 64 basis points to a euro-era record of 23.65 percent today, reflecting mounting investor expectations that Greece will renege on its debts. The government in Athens has ruled out a restructuring, saying it would devastate domestic banks and hammer the economy.</p> <p>Germany "is currently not willing to support a Greek restructuring and when you look at the ECB and also the German representatives in the ECB, they're not supporting a Greek restructuring as well," said Feld.</p> <p>'Worst Case'</p> <p>A debt restructuring by a euro country risks triggering a banking crisis that in a "worst case" could exceed the effects of the failure of Lehman Brothers Holdings Inc., ECB Chief Economist Juergen Stark told ZDF German television.</p> <p>Feld said while the exposure of German banks to highly indebted countries overall is "relatively high," the exposure to Greece is "not so strong" and the domestic banking system should be able to cope with any restructuring.</p> <p>"I don't think that the private banking sector in Germany is going to have particular problems, and in particular not Deutsche Bank and Commerzbank," Feld said. Deutsche Bank AG (DBK) advanced 1.2 percent to 41.60 euros while Commerzbank AG (CBK) fell 0.1 percent to 4.37 euros at 10:30 a.m. in Frankfurt.</p> <p>Europe's statistics agency reported today that Greece's 2010 budget deficit was more than a percentage point wider than initially estimated. The shortfall was 10.5 percent of GDP, compared with the 9.4 percent reported in February.</p> <p>Italy has "drawn a line under crisis" and Spain will be able to resist the contagion that has spread from Greece to Ireland and Portugal, said Feld. Portugal's two-year yield touched a euro-era record of 11.57 percent today before trimming its advance to 11.47 percent.</p> <p>"Spain has already done quite a lot. It is not so highly indebted as many other countries in the European Union," Feld said. "The large Spanish banks are very healthy and I think the restructuring of the savings banks" has taken place "to a considerable" extent.</p> <p>Link: http://www.bloomberg.com/news/2011-04-26/germany-s-feld-says-greece-can-t-avoid-debt-restructuring-1-.html</p>
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<p>MENA</p>	<p>Syria: Can Assad defeat the protesters?</p> <p>Source: BBC</p> <p>A huge swathe of Syria now resembles a militarised zone - from the town of Homs, north of Damascus, all the way down to Deraa, where the protests first broke out in March.</p> <p>The Syrian regime has dramatically intensified its crackdown against the protesters in an effort to crush the opposition.</p> <p>The country is now on the brink of all-out war.</p> <p>Residents say thousands of heavily armed soldiers, backed by tanks, are swarming the streets of their cities and towns.</p> <p>In Deraa on Sunday, witnesses said that security forces had opened fire in the city, shooting indiscriminately, even though no protests were being held at the time.</p> <p>Already, more than 300 people have been killed in a crackdown across the country, human rights groups say. Hundreds more have been arrested.</p> <p>But this is only a glimpse of the bloodshed we are likely to witness in Syria.</p> <p>‘Elite Force’</p> <p>The Baathist regime, facing one of the gravest crises in its 40-year history, has unleashed its security apparatus, including army units, to try to break the will of the opposition.</p> <p>It was a tactic used by former President Hafez al-Assad, father of the current leader, Bashar al-Assad, against opposition forces led by the Muslim Brotherhood in Hama in 1982.</p> <p>Some 10,000 Syrians died as the town was virtually flattened by elite government troops.</p> <p>It is well known that unlike in Tunisia or Egypt there is no daylight between the Assad regime and the Syrian army, particularly the presidential guard, a powerful elite force.</p> <p>Despite tentative reports about emerging fissures within some army units, the majority of Syrian special forces come from the minority Alawite sect of President Assad and are the spearhead of his regime.</p> <p>They are in a fight for their own survival, as well as the survival of their community, not just the political leadership.</p> <p>We will not see killings on the same scale as Hama, but it is clear that the regime is prepared to use massive force to crush the protesters.</p> <p>The regime has other supporters - members of the Alawite and other minority groups, including Christians, Druze, and some Sunnis whom the regime has co-opted into the power structure over the years.</p> <p>But the intensity and depth of the social uprising has exposed a major rift between state and society.</p> <p>As more innocent blood is spilled, the divide deepens with devastating repercussions for social harmony and peace.</p> <p>Even in Syria, which has one of the most repressive security apparatus in the Arab world, the fear factor has gone.</p>
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	<p>Tens of thousands of Syrians have challenged the authority of the Syrian government.</p> <p>'New Arab citizen'</p> <p>Contrary to President Assad's assertions, this is not a foreign conspiracy.</p> <p>It is an internal uprising that encompasses multiple segments of Syrian society - middle-class professionals, human rights activists, the disadvantaged poor who have been hurt by years of drought and unemployment, and members of the powerful Muslim Brotherhood.</p> <p>They are disillusioned by the fact that, more than decade after he assumed power upon the death of his father, the younger President Assad has not carried out many promised reforms.</p> <p>These include opening up the political system, relaxing the heavy hand of the Mukhabarat (security services) and ending the monopoly of the ruling Baath Party on political life.</p> <p>Unlike his recent claims, Syria is not immune to the mutating democratic virus sweeping the Middle East.</p> <p>The fact that it has reached Syria speaks volumes about the changing mood and psychology in the Arab world.</p> <p>There is a new Arab citizen who feels empowered and emboldened - and determined to have a say in how their government is run.</p> <p>Link: http://www.bbc.co.uk/news/world-middle-east-13193210</p>
<p>EUROZONE</p>	<p>Spain short-term debt yields rise, demand solid</p> <p>Source: Reuters</p> <p>Spain sells 1.97 bln eur of 3-, 6-mth bills, mid target</p> <p>3-mth yields 1.371 pct vs 0.899 pct in March</p> <p>6-mth yield at 1.867 pct vs 1.361 pct</p> <p>MADRID, April 26 (Reuters) - Spain's short-term costs of borrowing jumped by around half a percentage point at an auction on Tuesday, but strong demand eased markets' immediate concerns and prodded the euro higher.</p> <p>The Treasury sold 1.97 billion euros (\$2.86 billion) of the short-term bills with the average 3-month yield jumping to 1.371 percent compared to 0.899 percent in March and 6-month rates to 1.867 percent from 1.361 percent.</p> <p>Both auctions were heavily oversubscribed -- by factors of 4.4 and 7.1 respectively -- easing some concerns among investors worried Spain may be the next to suffer in a still expanding European debt crisis.</p> <p>"Although these yield levels are perhaps still currently more cause for concern rather than outright alarm, there is little scope for further such increases in short-dated funding costs before the market begins to get spooked over the prospect of Spanish contagion," said Rabobank rate strategist Richard McGuire.</p> <p>Speculation Greece may have to restructure its debt, denied by officials, and talks on the euro zone's third bailout in a year in Portugal have pushed up Spain's refinancing costs and fuelled concerns it may be next.</p>

	<p>The European Union's and International Monetary Fund's collective bailout vehicle, the European Financial Stability Fund (EFSF) could be severely stretched if Spain, the bloc's fourth largest economy, was forced to seek aid.</p> <p>Simmering doubts over the Spanish economy and rising interest-rate expectations -- the three-month Euribor EURIBOR3MD= rose to its highest in almost three years on Tuesday -- pushed up short-term debt rates.</p> <p>Madrid has addressed warnings of an unsustainable public deficit and an economic model over-reliant on a near-defunct property sector with a slew of austerity measures and structural reforms, but long-term worries continue.</p> <p>Yields leapt at an auction of longer-tailed debt maturing in 2021 and 2024 in mid-April as investors demanded higher risk premiums, but rates on the 10-year paper held below the upper end of the recent range of 5.6 percent.</p> <p>The housing sector collapse almost three years ago has pushed unemployment to more than double the EU average and smashed its banks, which some say face a capital shortfall of over 100 billion euros, or around 10 percent of gross domestic product.</p> <p>However, with a debt-to-GDP ratio of 60.1 percent in 2010 -- around 20 percentage points below the euro zone average -- Spain could absorb the worst-case-scenario bank recapitalisation if necessary, economists say.</p> <p>Link: http://www.reuters.com/article/2011/04/26/spain-bills-idUSLDE73P0LT20110426</p>
<p>COMMODITIES</p>	<p>Time to Wake Up: Days of Abundant Resources and Falling Prices Are Over Forever</p> <p>Source: GMO Quarterly Letter</p> <p>Until about 1800, our species had no safety margin and lived, like other animals, up to the limit of the food supply, ebbing and flowing in population.</p> <p>From about 1800 on the use of hydrocarbons allowed for an explosion in energy use, in food supply, and, through the creation of surpluses, a dramatic increase in wealth and scientific progress.</p> <p>Since 1800, the population has surged from 800 million to 7 billion, on its way to an estimated 8 billion, at minimum.</p> <p>The rise in population, the ten-fold increase in wealth in developed countries, and the current explosive growth in developing countries have eaten rapidly into our finite resources of hydrocarbons and metals, fertilizer, available land, and water.</p> <p>Now, despite a massive increase in fertilizer use, the growth in crop yields per acre has declined from 3.5% in the 1960s to 1.2% today. There is little productive new land to bring on and, as people get richer, they eat more grain-intensive meat. Because the population continues to grow at over 1%, there is little safety margin.</p> <p>The problems of compounding growth in the face of finite resources are not easily understood by optimistic, short-term-oriented, and relatively innumerate humans (especially the political variety).</p> <p>The fact is that no compound growth is sustainable. If we maintain our desperate focus on growth, we will run out of everything and crash. We must substitute qualitative growth for</p>

	<p>quantitative growth.</p> <p>But Mrs. Market is helping, and right now she is sending us the Mother of all price signals. The prices of all important commodities except oil declined for 100 years until 2002, by an average of 70%. From 2002 until now, this entire decline was erased by a bigger price surge than occurred during World War II.</p> <p>Statistically, most commodities are now so far away from their former downward trend that it makes it very probable that the old trend has changed – that there is in fact a Paradigm Shift – perhaps the most important economic event since the Industrial Revolution.</p> <p>Climate change is associated with weather instability, but the last year was exceptionally bad. Near term it will surely get less bad.</p> <p>Excellent long-term investment opportunities in resources and resource efficiency are compromised by the high chance of an improvement in weather next year and by the possibility that China may stumble.</p> <p>From now on, price pressure and shortages of resources will be a permanent feature of our lives. This will increasingly slow down the growth rate of the developed and developing world and put a severe burden on poor countries.</p> <p>We all need to develop serious resource plans, particularly energy policies. There is little time to waste.</p> <p>Link: http://www.gmo.com/websitecontent/JGLetterALL_1Q11.pdf</p>
<p>MUNIS</p>	<p>Muniland’s black swans</p> <p>Source: Reuters</p> <p>Are we looking in the wrong places?</p> <p>John Carney of CNBC argues for the possibility of a black swan event for muniland.</p> <p>He’s right about unknown risks but I think he is looking in the wrong place.</p> <p>He doesn’t mention municipal derivatives in his analysis. I mean interest rate swaps not municipal credit default swaps.</p> <p>Derivatives are likely to be where muniland’s biggest risks lie.</p> <p>From John’s blog NetNet:</p> <p>Many muni bond professionals believe that fears of a massive wave of defaults are “overblown”—and they look at recent signs of strength as an affirmation of their view.</p> <p>Unfortunately, many of those who insist on the strength of the muni market seem to be blind to the vulnerabilities of muni bonds.</p> <p>Although they never actually admit this, the muni bulls are insisting that municipal debt is exposed only to normal, predictable risks—and not unpredictable, wild risks. To put it in the terms of Nassim Taleb, they are claiming that all muni market swans are white—because they’ve only encountered white swans in that market before.</p> <p>The biggest muniland derivatives problem to date (after the auction rate securities blow-up) has been the struggle in Jefferson County, Alabama which is still not resolved.</p>

	<p>From a November, 2009 SEC announcement:</p> <p>J.P. Morgan Securities settled the SEC’s charges and will pay a penalty of \$25 million, make a payment of \$50 million to Jefferson County, and forfeit more than \$647 million in claimed termination fees.</p> <p>The SEC alleges that J.P. Morgan Securities and former managing directors Charles LeCroy and Douglas MacFaddin made more than \$8 million in undisclosed payments to close friends of certain Jefferson County commissioners. The friends owned or worked at local broker-dealer firms that performed no known services on the transactions. In connection with the payments, the county commissioners voted to select J.P. Morgan Securities as managing underwriter of the bond offerings and its affiliated bank as swap provider for the transactions.</p> <p>Recently Denver public schools issued new debt which included \$50 million to terminate a swap agreement made with JPMorgan in April 2008 and \$12.1 million for termination payments in connection with a swap from 2005. In the article Bloomberg reporters Darrell Preston and Brendan McGrail claim this derivatives settlement is three times the annual cost for food in the Denver public school system. Starting to get a sense of the black swan?</p> <p>Then there is the collusion between JP Morgan, Bank of America and up to 10 other banks with CDR Financial Products in which guilty pleas began coming in February, 2010. Basically the banks were rigging their bids for providing guaranteed investment contracts (GICs) to municipalities. (Sounds like the current controversy over LIBOR!)</p> <p>The problem of muni derivatives first surfaced in 2008 when Bloomberg started reporting on 500 deals totaling \$12 billion done in Pennsylvania between 2004 and 2008. If Pennsylvania had this many deals it’s easy to imagine this cancer all across America.</p> <p>When Jamie Dimon, Chairman of JP Morgan, recently sided with Meredith Whitney on predicting a large number of muni defaults I wondered what information he had that varied from the credit rating agencies. After reflecting on this for awhile it seemed so obvious. JP Morgan is one of the largest municipal underwriters and has also been at the center of so many municipal messes. Was Mr. Dimon signaling the trouble to come for muniland?</p> <p>Unfortunately there is no central repository of municipal derivatives. And I rarely, if ever, see it mentioned in muni trade associations.</p> <p>I think America’s black swan is municipal derivatives. Let’s keep our eyes peeled.</p> <p>Link: http://blogs.reuters.com/muniland/2011/04/20/munilands-black-swans/</p>
<p>CRUDE</p>	<p>Disquieting Saudi Oil Indicators and the Next Oil Shock</p> <p>Source: Early Warning</p> <p>There are a growing number of indicators of concern in Saudi Arabian oil production:</p> <p>1) According to the Wall St Journal, production sharply declined in March</p> <p>Saudi Oil Minister Ali Al-Naimi said Sunday that oil production from the kingdom was 8.292 million barrels per day in March, down about 800,000 barrels a day from 9.125 million barrels per day in February. Most estimates, including the monthly report of OPEC—which relies on external databases—had seen a rising or stable production at about nine million barrels a day in March.</p> <p>If I treat this like an early JODI report, the overall production graph would look as above.</p>

Obviously, it's strange that Saudi Arabia is cutting production at the same time that the world has lost Libyan output.

2) There was a sudden sharp increase in the count of oil rigs in Saudi Arabia in February and March. Further increases are expected:

Two Saudi officials told Reuters on Tuesday that the extra rig activity would maintain rather than increase the kingdom's oil capacity. It completed a multi-year expansion in 2009 meant to boost spare capacity by more than 3 million barrels per day.

"It's not to expand capacity. It's to sustain current capacity on new fields and old fields that have been bottled up," one of the officials said.

After a long period of declining rig count (indicating Saudi Aramco was not concerned about its ability to maintain desired production levels), the flow of events has turned in the opposite direction. Similarly,

3) Saudi Arabia has just restarted work on the Manifa project that was put on hold in the aftermath of the great recession:

Halliburton (HAL) reported March 28 that Saudi Aramco, Saudi Arabia's national oil firm, planned to restart its \$11 billion Manifa offshore project, delayed since 2009.

Aramco puts the field's reserves at more than 10 billion barrels. It plans 31 artificial drilling islands and 13 offshore platforms. Halliburton is currently contracted for services on 93 wells.

Notwithstanding the additional 950k b/d of crude and condensate from Manifa,

4) There are reports of a new paper by a senior Saudi oil official that oil production will not rise in the next five years:

Saudi Arabia expects its oil production to hold steady at an average 8.7 million b/d to 2015, rising to 10.8 million b/d by 2030 and leaving the kingdom with 1.5 million b/d of spare production capacity, a senior Saudi oil official said in a research paper released Wednesday.

Majed Al Moneef, Saudi Arabia's OPEC governor, said in the paper published on the Arab Energy Club website that Saudi output averaged 8.2 million b/d in 2010.

(I can't find an English version of this paper at present). I note that the previous maximum of Saudi production was 9.5 mbd (see graph above), and now Mr al Moneef is saying that they won't even achieve that over the next five years?

All of this evidence points in the direction of Saudi Arabia being unable to raise production much if at all in the near term. Given a global economic recovery, rapidly growing demand in China and other developing nations, and little hope of a quick resolution in Libya, that raises the odds of a major oil shock a lot. Some of us have been warning for several years that as soon as the global economy recovered sufficiently, there would be another oil shock. I started wondering as long ago as December of last year, whether 2011 could be the year?

Link: <http://earlywarn.blogspot.com/2011/04/disquieting-saudi-oil-indicators-and.html>